

VILLAGE OF BISCAYNE PARK, FLORIDA
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2002

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying general purpose financial statements of the Village of Biscayne Park, Florida ("the Village") as of and for the fiscal year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



October 17, 2003

VILLAGE OF BISCAYNE PARK, FLORIDA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
 SEPTEMBER 30, 2002
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001)

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	General Fund	Special Revenue Funds	Agency Fund	General Long Term Debt	General Fixed Assets	2002	2001
ASSETS AND OTHER DEBITS							
Cash	\$ 30,322	\$ 285,917	\$ -	\$ -	\$ -	\$ 316,239	\$ 560,758
Investments	1,553,615	-	-	-	-	1,553,615	1,274,023
Accounts receivable	162,647	7,807	-	-	-	170,454	66,903
Due from other funds	18,984	161,537	-	-	-	180,521	195,663
Restricted cash	-	-	21,973	-	-	21,973	21,696
Waste fees receivable - non current	164,668	-	-	-	-	164,668	170,170
Fixed assets	-	-	-	-	960,253	960,253	840,567
Amount to be provided for retirement of general long-term debt	-	-	-	69,881	-	69,881	64,191
Total assets and other debits	\$ 1,930,236	\$ 455,261	\$ 21,973	\$ 69,881	\$ 960,253	\$ 3,437,604	\$ 3,193,971
LIABILITIES, FUND BALANCE AND OTHER CREDITS							
Liabilities:							
Accounts payable	\$ 89,682	\$ 2,127	\$ -	\$ -	\$ -	\$ 91,809	\$ 65,576
Compensated absences	70,528	-	-	-	-	70,528	70,528
Prepaid waste fees	59,130	-	-	-	-	59,130	49,991
Due to other funds	146,880	15,738	17,903	-	-	180,521	195,663
Contractor refundable bonds	-	-	4,070	-	-	4,070	3,794
Capital lease liability	-	-	-	69,881	-	69,881	71,608
Total liabilities	366,220	17,865	21,973	69,881	-	475,939	457,160
Fund balance and other credits:							
Investment in general fixed assets	-	-	-	-	960,253	960,253	840,567
Reserved for:							
Public safety	-	5,624	-	-	-	5,624	10,916
Long term waste fees receivable	164,668	-	-	-	-	164,668	170,170
Designated for construction of municipal building	-	137,133	-	-	-	137,133	131,236
Unreserved and undesignated	1,399,348	294,639	-	-	-	1,693,987	1,583,922
Total fund balances	1,564,016	437,396	-	-	960,253	2,961,665	2,736,811
Total liabilities, fund balances and other credits	\$ 1,930,236	\$ 455,261	\$ 21,973	\$ 69,881	\$ 960,253	\$ 3,437,604	\$ 3,193,971

The accompanying notes are an integral part of the general purpose financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND AND SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
 (WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001)

	GOVERNMENTAL FUND TYPES		TOTALS (MEMORANDUM ONLY)	
	General	Special		
	Fund	Revenue Funds	2002	2001
Revenues:				
Taxes	\$ 1,179,359	\$ -	\$ 1,179,359	\$ 1,172,055
Licenses and permits	91,919	-	91,919	61,748
Intergovernmental	262,806	91,533	354,339	252,634
Charges for services	587,845	-	587,845	557,094
Fines and forfeitures	65,569	4,420	69,989	38,547
Grants	72,658	-	72,658	66,293
Interest and other	35,241	8,590	43,832	93,655
Total revenues	<u>2,295,397</u>	<u>104,543</u>	<u>2,399,940</u>	<u>2,242,026</u>
Expenditures:				
General government	472,305	95,881	568,186	537,214
Public safety	611,260	9,834	621,094	556,672
Building code enforcement	126,994	-	126,994	91,983
Physical environment	702,452	-	702,452	686,450
Culture and recreation	151,799	-	151,799	142,854
Capital outlay	124,882	1,770	126,652	140,804
Debt service:				
Principal	40,830	-	40,830	11,691
Interest	3,287	-	3,287	2,199
Total debt service	<u>44,117</u>	<u>-</u>	<u>44,118</u>	<u>13,890</u>
Total expenditures	<u>2,233,809</u>	<u>107,485</u>	<u>2,341,294</u>	<u>2,169,867</u>
Excess(deficiency) of revenues over expenditures	61,588	(2,942)	58,646	72,159
Other financing sources:				
Proceeds from capital leases	46,520	-	46,520	75,882
Excess(deficiency) of revenues over expenditures and other financing sources	108,108	(2,942)	105,166	148,041
Fund balance, beginning	<u>1,455,908</u>	<u>440,338</u>	<u>1,896,246</u>	<u>1,748,205</u>
Fund balance, ending	<u>\$ 1,564,016</u>	<u>\$ 437,396</u>	<u>\$ 2,001,412</u>	<u>\$ 1,896,246</u>

The accompanying notes are an integral part of the general purpose financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - GENERAL FUND AND ROAD SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	General Fund			Road Special Revenue Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$ 1,160,146	\$ 1,179,359	\$ 19,213	\$ -	\$ -	\$ -
Licenses and permits	73,289	91,919	18,630	-	-	-
Intergovernmental	291,139	262,806	(28,333)	87,096	91,533	4,437
Charges for services	584,681	587,845	3,164	-	-	-
Fines and forfeitures	47,506	65,569	18,063	-	-	-
Grants	-	72,658	72,658	3,980	-	(3,980)
Interest and other	98,246	35,241	(63,005)	2,000	2,571	571
Total revenues	2,255,007	2,295,397	40,390	93,076	94,104	1,028
Expenditures:						
General government	493,000	472,305	20,695	116,165	95,881	20,284
Public safety	652,051	611,260	40,791	-	-	-
Building code enforcement	123,111	126,994	(3,883)	-	-	-
Physical environment	711,795	702,452	9,343	-	-	-
Culture and recreation	158,810	151,799	7,011	-	-	-
Capital outlay	88,450	124,882	(36,432)	25,000	1,770	23,230
Debt service:						
Principal	27,790	40,830	(13,040)	-	-	-
Interest	-	3,287	(3,287)	-	-	-
Total debt service	27,790	44,118	(16,328)	-	-	-
Total expenditures	2,255,007	2,233,810	21,197	141,165	97,651	43,514
Excess (deficiency) of revenues over expenditures	-	61,588	61,588	(48,089)	(3,547)	44,542
Other financing sources:						
Appropriation from prior year fund balance	-	-	-	48,089	-	(48,089)
Proceeds from capital leases	-	46,520	46,520	-	-	-
Total other financing sources	-	46,520	46,520	48,089	-	(48,089)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ -	\$ 108,108	\$ 108,108	\$ -	\$ (3,547)	\$ 44,542

The accompanying notes are an integral part of the general purpose financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

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 general purpose financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying general purpose 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.

a. 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 form of government. The Village is located in Miami-Dade County, Florida and was incorporated in 1933. The Village provides the following services to its residents - general government, public safety, building code enforcement, physical environment and culture and recreation.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village. Based upon the application of these criteria, there were no organizations which met the criteria described above.

b. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

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

b. ***Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)***

The Village has the following fund types and account groups:

Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses and interest are susceptible to accrual. Sales taxes collected and held by the state at year-end on behalf of the Village are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the Village and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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.

Governmental funds include the following fund types:

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

The **special revenue funds** account for revenue sources that are legally restricted to expenditure for specific purposes.

Fiduciary funds account for assets held by the Village in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Village under the terms of a formal trust agreement.

Fiduciary funds include the following type:

The **agency funds** are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the Village holds for others in an agency capacity.

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

b. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)*

Account Groups

The ***general fixed assets account group*** is used to account for fixed assets not accounted for in proprietary or trust funds. The ***general long-term account group*** is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

c. *Deposits and Investments*

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

Investments are reported at fair value by quoted market prices. Investments with the State Board Investment Pool (2A-7 Pool) are reported at its fair value of its position in the pool, which is the same as its value of pool shares.

d. *Receivables and Payables*

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

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

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

e. *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.

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

e. ***Property Taxes (Continued)***

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 year ended September 30, 2002 was 8.7 mills (\$8.70 per \$1,000 of taxable assessed valuation).

f. ***Fixed Assets***

Fixed assets used in governmental fund types of the Village are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group.

g. ***Compensated Absences***

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. All compensated absences are reported in the general fund since the liabilities are expected to be liquidated with current available financial resources.

h. ***Long-Term Obligations***

The Village reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

i. ***Fund Equity***

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative plans of the Commission that are subject to change.

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

J. Use of Estimates

The preparation of general purpose 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made at the end of the period.

l. Comparative Data/Reclassifications

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Village's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

m. New Pronouncements

The Village has adopted Governmental Accounting Standards Board (GASB) Statement No. 33, "*Accounting and Financial Reporting for Non-Exchange Transactions*," for its fiscal year ended September 30, 2002. After review of GASB Statement No. 33, management has determined that there has been no impact upon the Village's current general purpose financial statements. Management will continue to monitor operations in order to ensure proper application of GASB Statement No. 33.

The City intends to adopt GASB Statement No 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", GASB Statement 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus- an amendment of GASB Statements No. 21 and No. 34*", GASB Statement 38, "*Certain Financial Statement Note Disclosures*" and Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*" for its fiscal year ending September 30, 2004. Management has not yet completed the process of evaluating the impact that will result from adopting these statements and is therefore unable to disclose the effect it will have on the City's general-purpose financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The budgetary process is prescribed by State of Florida Statutes and entails the preparation of budgetary documents within an established timetable. In September, the Village holds public hearings in order to adopt a budget for the ensuing fiscal year. The Village's budgetary process is based on estimates of revenues and expenditures. The Village maintains legally adopted budgets for the General Fund and the Road Fund (a Special Revenue Fund).

Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the individual fund level. Amendments and supplements to the budget require Village Commission approval. Beginning fund balances, available for financing current appropriations, are considered in the budgetary process but are not included in the financial statements of the Governmental Fund Types as budgeted revenue. All appropriations lapse at year-end. Budget to actual comparisons are reflected in the General Fund and the Road Fund.

For the fiscal year ended September 30, 2002, there were no budget amendments approved by the Village Commission.

Budgets are prepared on the same basis of accounting as required for Governmental Fund Types and should be presented in the financial statements inclusive of all amendments to the original budgeted amounts and all approved amendments.

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

The Village does not budget all Special Revenue Funds and, accordingly, the applicable columns of the combined Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual exclude amounts related to the Police Forfeiture and Municipal Building funds. A reconciliation of ending fund balances for budgeted and unbudgeted Special Revenue Funds as of September 30, 2002 is as follows:

Fund balances (budgetary basis)	\$ 294,641
Unbudgeted funds	<u>142,755</u>
Fund balances (GAAP)	<u>\$ 437,396</u>

3. DEPOSITS AND INVESTMENTS

At year-end, the Village's carrying amount of deposits was \$338,209 and the bank balance was \$404,739. The Village's deposits are fully collateralized by federal depository insurance or by the State Treasurer collateral pool. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

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

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

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

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

At September 30, 2002 the Village's investments, which totaled \$1,553,615, consisted of deposits in the Florida State Board of Administration (SBA) investment pool and as such were not subject to categorization.

4. **RECEIVABLES/PAYABLES**

Accounts Receivable

Receivables at September 30, 2002, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village's receivables at September 30, 2002 are as follows:

Franchise fees and taxes	\$ 71,002
Waste Fees	<u>264,120</u>
Total receivables	335,122
Less: Non-current waste fees receivable	<u>(164,668)</u>
Total current receivables	<u>\$ 170,454</u>

Of the \$264,121 waste fees receivable, \$164,668 is not expected to be collected by the Village during fiscal 2003. In addition, of the \$264,121 waste fee receivable, approximately \$26,340 represents interest and penalties on the unpaid balances. Accordingly, the Village has established a reservation of fund balance for the long-term portion of the receivables. All Franchise fees and taxes receivable are considered fully collectible.

4. RECEIVABLES/PAYABLES (CONTINUED)

Due to/From Other Funds

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 18,984	\$ 146,880
Special revenue funds:		
Road Fund	158,817	14,657
Police Forfeiture Fund	2,720	1,081
Fiduciary funds:		
Refundable Contractors Fund	-	17,903
	<u>\$ 180,521</u>	<u>\$ 180,521</u>

5. FIXED ASSETS

Changes in general fixed assets during the year were as follows:

	Balance October 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2002</u>
Land	\$ 9,351	\$ -	\$ -	\$ 9,351
Building	204,211	-	-	204,211
Furniture and equipment	<u>627,005</u>	<u>119,686</u>	-	<u>746,691</u>
	<u>\$ 840,567</u>	<u>\$ 119,686</u>	<u>\$ -</u>	<u>\$ 960,253</u>

6. LONG-TERM DEBT

The general long-term debt account group has been established to account for the unmatured long-term indebtedness of the Village, which will be retired using general government revenues.

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

	Balance September 30, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2002</u>
Capital leases	<u>\$ 64,191</u>	<u>\$ 46,520</u>	<u>\$ 40,830</u>	<u>\$ 69,881</u>

The Village entered into three lease agreements for the purchase of a two police vehicles and a garbage truck totaling \$122,402. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments as of the inception date in the account groups.

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2002 are as follows:

<u>September 30,</u>	
2003	\$ 44,136
2004	<u>30,036</u>
Total minimum lease payments	74,172
Less: amount representing interest	<u>(4,291)</u>
Present value of minimum lease payments	<u>\$ 69,881</u>

7. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. Plan members do not contribute. The Village contribution rates ranged between 7.30% to 18.44% of covered payroll. Article X, Section 14 of the State Constitution and Part VII, Chapter 112 of the Florida Statutes provide the authority to amend the contribution rates and obligations.

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

<u>September 30,</u>	<u>Required</u>	<u>Contribution</u>
	<u>Contribution</u>	<u>Rates</u>
2002	\$102,354	5.76% - 16.01%
2001	\$ 115,951	7.30% - 18.44%
2000	108,386	9.15% - 21.43%

The most recent actuarial report was prepared as of July 1, 2001. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

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

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

9. CONTINGENCIES

Grants

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

9. CONTINGENCIES (CONTINUED)

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.

10. SUBSEQUENT EVENT

On October 17, 2003, the Village purchased a lot adjacent to the Village's Town Hall for approximately \$150,000. The lot will be used by the Village to construct a new municipal building.

VILLAGE OF BISCAYNE PARK, FLORIDA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
SEPTEMBER 30, 2002

	<u>Road Fund</u>	<u>Police Forfeiture Fund</u>	<u>Municipal Building Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 144,799	\$ 3,985	\$ 137,133	\$ 285,917
Accounts receivable	7,807	-	-	7,807
Due from other funds	<u>158,817</u>	<u>2,720</u>	<u>-</u>	<u>161,537</u>
 Total assets	 <u>\$ 311,423</u>	 <u>\$ 6,705</u>	 <u>\$ 137,133</u>	 <u>\$ 455,261</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Accounts payable	\$ 2,127	\$ -	\$ -	\$ 2,127
Due to other funds	<u>14,657</u>	<u>1,081</u>	<u>-</u>	<u>15,738</u>
 Total liabilities	 <u>16,784</u>	 <u>1,081</u>	 <u>-</u>	 <u>17,865</u>
Fund balance:				
Reserved for:				
Public safety	-	5,624	-	5,624
Designated for construction of municipal building	-	-	137,133	137,133
Unreserved and Undesignated	<u>294,639</u>	<u>-</u>	<u>-</u>	<u>294,639</u>
Total fund balance	<u>294,639</u>	<u>5,624</u>	<u>137,133</u>	<u>437,396</u>
 Total liabilities and fund balance	 <u>\$ 311,423</u>	 <u>\$ 6,705</u>	 <u>\$ 137,133</u>	 <u>\$ 455,261</u>

VILLAGE OF BISCAYNE PARK, FLORIDA
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Road Fund	Police Forfeiture Fund	Municipal Building Fund	Total
Revenues:				
Intergovernmental	\$ 91,533	\$ -	\$ -	\$ 91,533
Fines and forfeitures	-	4,420	-	4,420
Interest and other	2,571	122	5,897	8,590
Total revenues	<u>94,104</u>	<u>4,542</u>	<u>5,897</u>	<u>104,543</u>
Expenditures:				
General government	95,881	-	-	95,881
Public safety	-	9,834	-	9,834
Capital outlay	1,770	-	-	1,770
Total expenditures	<u>97,651</u>	<u>9,834</u>	<u>-</u>	<u>107,485</u>
Excess (deficiency) of revenues over expenditures	(3,547)	(5,292)	5,897	(2,942)
Fund balance, beginning	<u>298,186</u>	<u>10,916</u>	<u>131,236</u>	<u>440,338</u>
Fund balance, Ending	<u>\$ 294,639</u>	<u>\$ 5,624</u>	<u>\$ 137,133</u>	<u>\$ 437,396</u>

VILLAGE OF BISCAYNE PARK, FLORIDA
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Balance</u> <u>October 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30, 2002</u>
<u>ASSETS</u>				
Cash	\$ 21,696	\$ 277	-	\$ 21,973
Total assets	<u>\$ 21,696</u>	<u>\$ 277</u>	<u>-</u>	<u>\$ 21,973</u>
 <u>LIABILITIES</u>				
Contractor refundable bonds payable	\$ 3,813	\$ 257	\$ -	\$ 4,070
Due to other funds	17,903	-	-	17,903
Total liabilities	<u>\$ 21,716</u>	<u>\$ 257</u>	<u>\$ -</u>	<u>\$ 21,973</u>

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

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

We have audited the general purpose financial statements of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as item 02-2, 02-3, 01-1, and 00-9.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design and operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are identified in the accompanying schedule of findings and recommendations as items 02-1, 02-3, 02-4, 01-1, 00-2, 00-4, 00-5, 00-7, and 00-8.

A material *weakness* is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

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

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying schedule of findings and recommendations, we consider 02-1,00-2, 00-4 and 00-5 to be material weaknesses.

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

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

Grau & Company

October 17, 2003

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

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

We have audited the general purpose financial statements of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated October 17, 2003.

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

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(j) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the general purpose financial statements of the Village, as described in the first paragraph, we report on the following which is included on pages 21 through 34.

- 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.**

We previously reported on the Village's compliance and internal control over financial reporting in our report dated October 17, 2003 on pages 18 and 19.

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

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



October 17, 2003

**VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES

02-1 Check processing activities

Condition

During our audit of cash, we noted various gaps in check number sequences used during the year. Of these gaps in check sequence we noted various instances where the voided check were not stamped "Voided" to prevent further use and some of the voided checks were not located.

We also noted that for the operating account, the check numbers assigned by the Village's computer system were not the same check numbers pre-printed on the checks.

Effect

Although, we did not note any improprieties, the lack of controls over the check numbering sequence used during the cash disbursement process as well as lack of monitoring over "voided" checks increases the possibility of erroneous or fraudulent payments being disbursed and not detected in a timely manner by the staff of the Village.

Recommendation

We recommend that the Village establish policies and procedures that:

- a) Requires all voided checks to be clearly marked as "Void" or cancelled to prevent further use and maintain all voided checks in numerical sequence in a separate binder for ease of monitoring.
- b) Ensure that adequate controls are maintained so that computer generated checks are generated with numbers identical to the pre-printed checks.
- c) Require regular monitoring and approval of check runs to mitigate duplication of check numbers and to verify that the number sequence is correct and corresponds with the last check number disbursed.
- d) As part of the bank reconciliation process, review the check number sequence used during the month and investigate any gaps in the sequence on a timely manner.

Managements' Response

The Village has taken the necessary actions to ensure the establishing of policies and procedures recommended by the Auditors. The individual responsible for overseeing the processing of financial data was terminated after the discovery of these findings prior to the audit. The current financial officer is enacting new policies and procedures that will address the recommendations.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

NON-COMPLIANCE

02-2 Compliance with Florida Statute 403-7049 and Chapter 62-708 of the Florida Administrative Code

Condition

In accordance with Florida Statute 403-7049 and Chapter 62-708 of the Florida Administrative Code, the Village is required to place a newspaper advertisement by March 31 of each year for the purpose of advising all users of solid waste management services, the full cost of such services during the year. The Village did not place the required advertisement for fiscal year 2002.

Effect

The Village is not in compliance with Florida Statute 403-7049 and Chapter 62-708 of the Florida Administrative Code.

Recommendation

We recommend that the Village develop policies and procedures to ensure compliance with these requirements, and that the advertisement be placed by March 31 of each fiscal year.

Managements' Response

In response to your recommendations, the Village will follow FS 403.7049 and Chapter 62-708 to comply with these requirements in the future.

VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

REPORTABLE CONDITION (CONTINUED)

02-3 Compliance with Internal Revenue Service reporting requirements

Condition

The Internal Revenue Service (IRS) requires that payments to third party individuals in excess of \$600 per year must be reported at year end by filing a 1099 form for each individual meeting the threshold. During our testing over cash disbursements, we noted that the Village made disbursements to individuals in excess of the \$600 limit that were not reported on form 1099 for the 2002 year end.

Effect

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

Recommendation

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

Managements' Response

The Village did file 1099 forms for calendar year 2001 according to the findings made at that time. Failure of non-reporting may have been due to an oversight. As of FY2003, the Village has procedures in place to comply with the IRS requirements.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

REPORTABLE CONDITION (CONTINUED)

02-4. Bank Reconciliations

Condition

During our testing of bank reconciliations, we noted that the reconciliations do not contain evidence of the individual who prepared the reconciliation. In addition, there was no evidence of management review and/or approval of the reconciliations.

Effect

By not having procedures in place for the review and approval of bank reconciliations by management, the Village increases the possibility of fraudulent or erroneous activity not being detected in a timely manner.

Recommendation

We recommend that policies and procedures be developed to segregate the duties associated with the preparation of the bank reconciliation, the person preparing the reconciliation should sign off after completing the reconciliation. In addition, management should perform reviews of all monthly bank reconciliations and sign off accordingly subsequent to such review and approval.

Managements' Response

The bank reconciliations were prepared by an accountant from the consulting firm. The reconciliations were not prepared in-house due to the fact that the individual in charge had been terminated.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

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

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

Recommendation

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

Current Year Status

The Village did not adopt budgets for all the special revenue funds for fiscal year 2002, comment will be repeated.

Managements' Response

The Village will ensure that all required budgets be in place for FY2004.

01-2 Bonds of City Officers and Employees

During our testing of compliance, we noted that under Article III Section 2 of the Village Charter "Bonds of City Officers and Employees", Commissioner of Finance is required to be bonded. We noted that the Commissioner of Finance is not bonded; therefore, the Village is not in compliance with Article III Section 2 of the Village Charter.

Recommendation

We recommend that the Village comply with Section 2 of its charter, and obtain surety bond for the Commissioner of Finance.

Current Year Status

As of September 30, 2002, the Village had obtained a bond on the Commissioner of Finance. Comment will not be repeated.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Other Matters

01-3 New Pronouncement

Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. These new requirements were developed to make annual financial reports more comprehensive and easier to understand and use. The new reporting model will include government-wide financial statements, as well as fund financial statements, and a management's discussion and analysis section. Implementation will be required for fiscal year ending September 30, 2004. However, many of the reporting requirements need to be addressed several years before the required implementation date.

Recommendation

We recommend the Village review the new requirements and plan accordingly.

Current Year Status

The Village is in the process of reviewing the requirements of GASB Statement No. 34 and is taking the appropriate actions necessary to comply with the new reporting requirements. Comment will not be repeated.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

MATERIAL WEAKNESSES

00-2 Cash Disbursements

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

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

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

Recommendation

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

Current Year Status

Based on the results of our testing for the current year, we noted similar findings as in the previous year. In addition, during our testing of travel reimbursements, we noted that two of the five reimbursements tested were not signed by the employee requesting the reimbursement and three of the five were not approved by the respective department heads. It appears that the Village has not established controls over cash disbursements for the year ended September 30, 2002. Comment will be repeated.

Managements' Response

The Village plans on establishing policies and procedures to be in place for 2004.

00-4 Purchasing and Accounts Payable

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

1. The Village does not have written procurement policies for the acquisition of goods and/or services.
2. The Village does not have controls in place over the maintenance of vouchers nor does it perform cut off procedures to ensure that disbursements are accounted for in the proper period.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

00-4 Purchasing and Accounts Payable (Continued)

3. There was no evidence that an accounts payable detail was prepared or any accruals recorded for the current year-liabilities. Liabilities were accrued as a result of the audit work performed at the end of the year.

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

Recommendation

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

Current Year Status

Based on our audit, we noted that the Village had not established written policies and procedures over procurement as of September 30, 2002. Comment will be repeated.

Managements' Response

The Village plans on establishing policies and procedures to be in place for 2004.

00-5 Payroll

During the performance of our tests over payroll, we noted numerous deficiencies in the Village's internal control over payroll and associated personnel functions. The following summarizes our findings:

1. All salaried employees were not completing time sheets, which resulted in a lack of documentary evidence to support the hours worked for specific pay periods as well as vacation and/or sick hours taken.
2. Time sheets could not be located for certain hourly employees, which resulted in a lack of documentary evidence to support hours worked for specific pay periods as well as vacation and/or sick hours taken.
3. With the exception of the Police Department, personnel files were not complete or up to date and were lacking essential information on employee pay and other related matters.
4. Inquiries of management resulted in questions as to whether advanced vacation paid out to employees was being properly tracked and accounted for.

VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

MATERIAL WEAKNESSES (CONTINUED)

00-5 Payroll

By not having these controls in place, the Village increases the risk that improper and/or inaccurate payments could be made to employees.

Recommendation

We recommend that the Village take immediate steps to ensure that all employees properly complete their weekly time sheets. All employee files must be reviewed and necessary documentation brought current and up to date. After initiating these procedures, the Village should develop and adopt policies and procedures over payroll and associated functions. Management should take steps to ensure that these policies are properly followed and adhered to.

Current Year Status

Based on the results of our testing for the current year, with the exception of numbers 3 and 4 above, we noted similar findings as in the previous year. It appears that the Village has not established controls over payroll for the year ended September 30, 2002. Comment will be repeated.

Managements' Response

In reference to items #1 and #2, recommendations were implemented during FY2003.

REPORTABLE CONDITIONS

00-7 Fixed Assets

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

1. The Village has no written capitalization policy and instead leaves determination of which items to capitalize to department heads.
2. Changes in status of fixed assets (i.e. sale, obsolescence, etc.,) are not reported to finance for proper accounting of such changes.
3. Periodic reviews of insurance are not performed to ensure that coverages are sufficient based on fixed assets held by the Village.
4. The Village's fixed assets have not been tagged as Village property, a physical inventory is not being performed at least annually, and such inventory is not compared with physical records and discrepancies corrected.

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

**VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

REPORTABLE CONDITIONS (CONTINUED)

00-7 Fixed Assets (Continued)

Recommendation:

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

Current Year Status

During our audit of fixed assets, we noted that the Village has not established written policies and procedures over fixed assets as of September 30, 2002. Comment will be repeated.

Managements' Response

The Village plans on developing and establishing policies and procedures to be in place for 2004.

00-8 Personnel Policies and Procedures

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

Recommendation

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

Current Year Status

As of September 30, 2002, the Village had not established a written personnel manual. Comment will be repeated.

Managements' Response

The Village plans on developing and establishing policies and procedures to be in place for 2004.

**VILLAGE OF BISCAYNE PARK, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED SEPTEMBER 30, 2002**

II. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS (CONTINUED)

REPORTABLE CONDITIONS (CONTINUED)

00-9 Compliance With Laws and Regulations

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

1. There was no documentary evidence to support budget amendments or reappropriations for fiscal 2002. In addition, expenditures exceed appropriations for Building Code Enforcement Capital Outlay and Debt Services (Leases).
2. There are no formally adopted written policies and procedures to help ensure the Village complies with State laws and regulations.
3. The fiscal 2002 Annual Financial Report was not filed on time with the State in accordance with Section 218.32 of the Florida Statutes.
4. The fiscal 2002 audited annual financial statements were not filed on time with the State in accordance with Section 218.32(1)(d) of the Florida Statutes.

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

Recommendation

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

Current Year Status

Based on the results of the current year testing, the Village has not established written policies and procedures to ensure compliance with laws and regulations. Comment will be repeated.

Management Response

The Village plans on developing and establishing policies and procedures to be in place for 2004.

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

1. No inaccuracies, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions were reported in the preceding annual financial audit, except as reported in the accompanying schedule of findings and recommendations.
2. Recommendations made in the annual financial audit for the year ended September 30, 2001 were either implemented by the Village or listed in the accompanying schedule of findings and recommendations.
3. Recommendations to improve the Village's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and recommendations.
4. During the course of our audit, we noted the following:
 - I. Nothing came to our attention that caused us to believe the Village:
 - a. Made any illegal or improper expenditure.
 - b. Had shortages, defalcations and instances of fraud.
 - c. Was in violation of contractual provisions.
 - II. Matters came to our attention that caused us to believe the Village:
 - a. Was in violation of certain laws, rules and regulations which are described in the schedule of findings and recommendations.
 - b. Had improper and inadequate accounting procedures.
 - c. Failed to record financial transactions.
 - d. Had other inaccuracies.
5. The Village during fiscal year 2002, was not in a state of financial emergency as defined by Florida Statute, Section 218.5003 (1). The Village had no deficit fund balances for two consecutive years.
6. The Village was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The annual financial report for the year ended September 30, 2002 has not been filed with the Department of Banking and Finance pursuant to Section 218.32 (1)(a), Florida Statutes. In addition, the September 30, 2002 audited financial statements have not been filed with the State Auditor General's Office in accordance with Chapter 218.321, Florida Statutes.

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

8. The Village of Biscayne Park, Florida (the "Village") is a municipal Corporation governed by an elected mayor and four member commission under a Mayor/ Commission form of government. The Village is located in Miami-Dade County, Florida, and was incorporated in 1933. The management or the Village's attorneys do not have available the legal authority under which the Village was created and is trying to obtain the information from the State.
9. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Village's financial condition, and our financial assessment, which was performed as of the Village's fiscal year end, was based on representations made by management and the review of the financial information provided by the Village. There were no findings regarding deteriorating financial conditions.