

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

# VILLAGE OF BISCAYNE PARK, FLORIDA

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida as of September 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2005 on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alberni Caballero & Castellanos, L.L.P.*

December 22, 2005  
Coral Gables, Florida

## Management's Discussion and Analysis

As management of the Village of Biscayne Park, we offer readers of the Village of Biscayne Park (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Biscayne Park for the fiscal year ended September 30, 2005.

### Financial Highlights

- The assets of the Village of Biscayne Park exceeded its liabilities at the close of the most recent fiscal year by \$1,467,221 (net assets). Of this amount, \$640,606 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net assets decreased by \$302,560. This decrease is attributable to excess expenses over revenues for 2005.
- As of the close of the current fiscal year, the Village of Biscayne Park general fund reported an ending fund balance of \$676,257 a decrease of \$324,637 in comparison with the prior year. Approximately \$476,846 of this total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$476,846 or 17% of total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business type activities*). The governmental activities of the Village include general government, public safety, public works, parks, code enforcement, and building, planning & zoning. The Village has no business type activities.

The government-wide financial statements include only the Village itself (known as the *primary government*).

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

## Overview of the Financial Statements (Continued)

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village are governmental funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the special revenue funds, of which only the general fund is considered to be a major fund.

The Village adopts an annual appropriated budget for its general fund and two of the special revenue funds (Road and CITT). A budgetary comparison statement has been provided for each fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12 to 14 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 to 25 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Village's case, assets exceeded liabilities by \$1,467,221 at the close of the most recent fiscal year.

A portion of the Village's net assets, \$574,368 or 39%, reflects its investment in capital assets (e.g., land and equipment). The Village of Biscayne Park uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

An additional portion of the Village's net assets, \$252,247 or 17%, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$640,606 or 44%, may be used to meet the government's on-going obligations to citizen's and creditors.

**Government-wide Financial Analysis (Continued)**

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

**Village of Biscayne Park Net Assets**

	<u>2005</u>	<u>2004</u>
Current assets	\$ 1,168,716	\$ 1,423,883
Capital assets, net	<u>617,698</u>	<u>578,385</u>
Total assets	<u>1,786,414</u>	<u>2,002,268</u>
Liabilities	<u>319,193</u>	<u>232,488</u>
Investment in capital assets, net of related debt	574,368	518,702
Restricted	252,247	194,122
Unrestricted	<u>640,606</u>	<u>1,056,956</u>
Total net assets	<u>\$ 1,467,221</u>	<u>\$ 1,769,780</u>

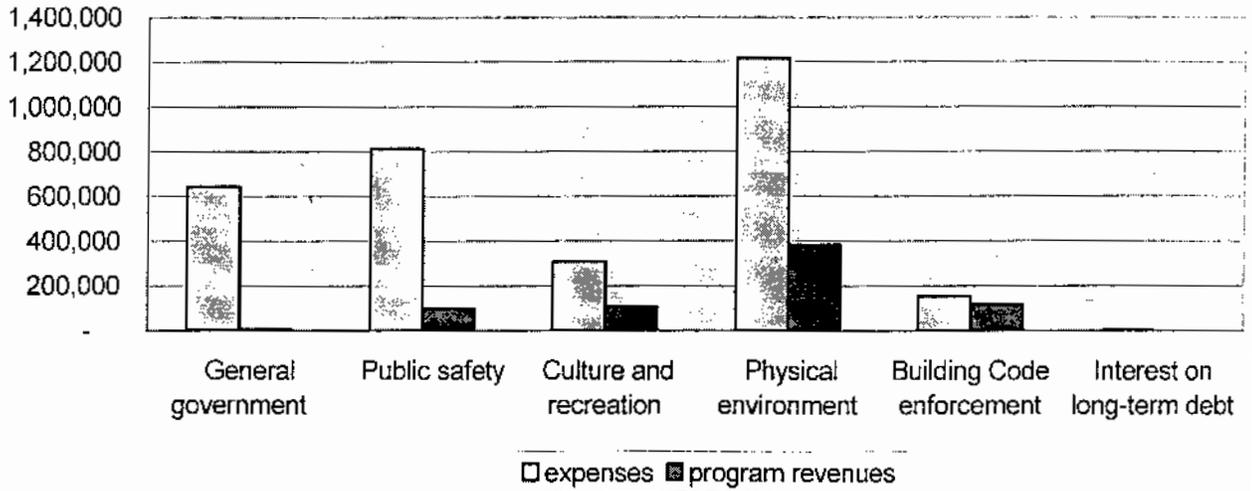
The Village's net investment in capital assets increased \$39,313 during the fiscal year. Approximately 76% of the increase was for infrastructure improvements and 24% was for the purchase of police equipment. The increase in restricted assets is due to funds designated for road maintenance and transit improvements.

**Village of Biscayne Park Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 713,305	\$ 725,825
Grants and contributions	217,550	3,980
General Revenues:		
Property taxes	1,052,454	985,944
Franchise taxes	87,524	132,785
Public service taxes	215,844	212,504
Intergovernmental	509,223	393,885
Investment income and miscellaneous	<u>35,667</u>	<u>32,079</u>
Total revenues	<u>2,831,567</u>	<u>2,487,002</u>
Expenses:		
General government	643,498	705,464
Public safety	812,792	779,293
Building code enforcement	153,144	173,757
Physical environment	1,214,493	830,443
Culture and recreation	307,648	258,618
Interest on long-term debt	<u>2,552</u>	<u>0</u>
	<u>3,134,127</u>	<u>2,747,575</u>
Change in net assets	<u>\$ (302,560)</u>	<u>\$ (260,573)</u>

**Governmental activities.** The Village's net assets decreased by \$302,560 in the current fiscal year. All of the decrease was attributable to governmental activities. The largest revenue source was property taxes (37%) followed by charges for services (25%). For the most part, increases in expenses reflect growth in the level of services provided by the Village and expenditures incurred for Hurricane Katrina cleanup.

**Expenses and Program Revenues – Governmental Activities**



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

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

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

**General Fund**

The general fund is the main operating fund of the Village and its only major fund. At the end of the current fiscal year, the Village's general fund reported a fund balance of \$676,257 a decrease of \$324,637 in comparison with the prior year. Approximately 71% of this total amount (\$476,846) constitutes *unreserved fund balance*, which is available for spending at the Village's discretion. The remainder of the fund balance (\$199,411) is reserved to indicate that it is not available for new spending because it has already been committed for (1) long-term receivables (\$184,441) and (2) prepaid expenses (\$14,970).

At the end of the current fiscal year, unreserved fund balance of the general fund was \$476,846. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total general fund expenditures, while total fund balance represents 24 percent of that same amount.

A summary of the general fund's condensed balance sheet and statement of revenues, expenditures and changes in fund balance for September 30, 2005 and 2004, is shown below:

*Summary of General Fund's condensed Balance Sheet*

	<u>2005</u>	<u>2004</u>
Total assets	\$ 1,011,179	\$ 1,233,176
Total liabilities	334,922	232,282
Reserved fund balance	199,411	240,287
Unreserved fund balance	476,846	760,607
Total fund balance	676,257	1,000,894
Total liabilities and fund balance	\$ 1,011,179	\$ 1,233,176

## Financial Analysis of the Government's Funds (Continued)

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

	<u>2005</u>	<u>2004</u>
Total Revenues	\$2,530,125	\$2,258,280
Total Expenditures	<u>2,824,195</u>	<u>2,691,971</u>
Deficiency of revenues over expenditures	(294,070)	(433,691)
Other financing sources	<u>(30,567)</u>	<u>56,981</u>
Change in fund balance	(324,637)	(376,710)
Fund Balance, Beginning	<u>1,000,894</u>	<u>1,377,710</u>
Fund Balance, Ending	<u>\$ 676,257</u>	<u>\$1,000,894</u>

The fund balance of the Village's general fund decreased by \$294,070 during the current fiscal year. The decrease was the result a reduction in revenues due to a change in the billing and collection period for waste fees and unanticipated expenses resulting from Hurricane Katrina cleanup.

### Other Non-major Governmental Funds

There are six non-major special revenue funds with a combined fund balance of \$216,596. Of the combined fund balance, \$252,247 is reserved to indicate that it is not available for new spending because it has already been committed for (1) capital projects (\$167,330) and (2) law enforcement (\$84,917). The Road Fund has a deficit fund balance of \$35,651.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were relatively minor and consisted of transfers within the departments. There were no supplemental appropriations for the fiscal year ended September 30, 2005. Budget vs. actual schedules are presented in page 26 and 27 for the general fund and page 30 for the Road and CITT special revenue funds.

**Capital Assets and long term debt**

As of September 30, 2005, the Village's investment in capital assets amounted to \$617,698 (net of accumulated depreciation). The total increase in capital assets for the current fiscal year was \$202,430.

Part of that increase was due to capital assets purchased under capital leases totaling 23,662.

**VILLAGE OF BISCAYNE PARK**  
Capital Assets

	Balance September <u>30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2005</u>
<b>Non-depreciable capital assets:</b>				
Land	\$ 157,490	\$ _____	\$ _____	\$ 157,490
	<u>157,490</u>	-	-	<u>157,490</u>
<b>Capital assets, being depreciated:</b>				
Building	204,211	-	-	204,211
Infrastructure	-	153,346	-	153,346
Improvements	64,502	-	-	64,502
Furniture and equipment	<u>1,167,138</u>	<u>49,084</u>	-	<u>1,216,222</u>
Total capital assets, being depreciated	1,435,851	202,430	-	1,638,281
<b>Less accumulated depreciation for:</b>				
Building	204,211	-	-	204,211
Infrastructure	-	10,611	-	10,611
Improvements	12,900	12,900	-	25,800
Furniture and equipment	<u>797,844</u>	<u>139,607</u>	-	<u>937,451</u>
Total accumulated depreciation	1,014,955	163,118	-	1,178,073
Total capital assets being depreciated, net	<u>420,894</u>	<u>39,312</u>	-	<u>460,207</u>
<b>Governmental activities</b>				
Capital assets, net	<u>\$ 578,386</u>	<u>\$ 39,312</u>	<u>\$ _____</u>	<u>\$ 617,698</u>

More details relating to capital assets and long term debt activity can be found in pages 22 and 23 of the footnotes.

**Economic Factors and Next Years Budgets and Rates**

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

Revenues in fiscal year 2006 adopted General Fund budget are \$2,862,263, an increase of \$258,110 or 10 percent from the fiscal year 2005 total revenues of \$2,604,152. Property taxes, benefiting from the increases in assessed valuations and an increase in the operating millage rate to 8.2 mills in 2006 (\$1,229,050) as compared to 7.9 in 2005 (\$1,023,530), are expected to lead to this increase. The increase in the Real & Personal Property tax revenue of \$205,520 will be used to fund current services and the expected impact of inflation on salaries and benefits.

Fiscal year 2006 budgeted expenditures and transfers are expected to be 2,954,868, a 7.4 percent decrease from fiscal year 2005. The largest decreases are in General Government (\$243,656), Public Works (\$10,858) and Recreation (\$11,042). Anticipated increases in revenues and decreases in expenditures should enable the Village to improve their future financial condition.

**Requests for Information**

This financial report is designed to provide a general overview of the Village of Biscayne Park's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 640 Northeast 114<sup>th</sup> Street, Biscayne Park, Florida 33161.

VILLAGE OF BISCAYNE PARK, FLORIDA  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 722,042
Accounts receivable - net	431,704
Prepays	14,970
Capital assets:	
Land	157,490
Building	204,211
Furniture and equipment	1,216,222
Improvements other than building	64,502
Infrastructure	<u>153,346</u>
Total capital assets	1,795,771
Less accumulated depreciation	<u>(1,178,073)</u>
Total capital assets - net	<u>617,698</u>
Total assets	<u>1,786,414</u>
<u>LIABILITIES</u>	
Accounts payable	99,667
Accrued payroll	13,022
Accrued compensated absences	147,737
Other liabilities	15,437
Noncurrent liabilities:	
The amount due in one year	11,626
The amount due in more than one year	<u>31,704</u>
Total liabilities	<u>319,193</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	574,368
Restricted for:	
Capital projects	167,330
Public safety	84,917
Unrestricted	<u>640,606</u>
Total net assets	<u>\$ 1,467,221</u>

VILLAGE OF BISCAYNE PARK, FLORIDA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2005

<u>Functions/programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:				
General government	\$ 643,498	\$ 5,390	\$ -	\$ (638,108)
Public safety	812,792	99,647	-	(713,145)
Building and code enforcement	153,144	116,726	-	(36,418)
Physical environment	1,214,493	384,151	217,550	(612,792)
Culture and recreation	307,648	107,391	-	(200,257)
Interest on long-term debt	2,552	-	-	(2,552)
Total governmental activities	3,134,127	713,305	217,550	(2,203,272)
General revenues:				
Property taxes			\$ 1,052,454	
Utility taxes			215,844	
Franchise fees on gross receipts			87,524	
Intergovernmental (unrestricted)			509,223	
Investment income			29,746	
Miscellaneous			5,921	
Change in net assets			(302,560)	
Net assets, October 1			1,769,781	
Net assets, September 30			\$ 1,467,221	

See notes to basic financial statements

VILLAGE OF BISCAYNE PARK, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 533,412	\$ 188,630	\$ 722,042
Accounts receivable - net	358,466	73,238	431,704
Prepays	14,970	-	14,970
Due from other funds	104,331	59,541	163,872
Total assets	<u>\$ 1,011,179</u>	<u>\$ 321,409</u>	<u>\$ 1,332,588</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 99,667	\$ -	\$ 99,667
Accrued payroll	13,022	-	13,022
Accrued compensated absences	147,255	482	147,737
Due to other funds	59,541	104,331	163,872
Other liabilities	15,437	-	15,437
Total liabilities	<u>334,922</u>	<u>104,813</u>	<u>439,735</u>
<u>FUND BALANCES</u>			
Reserved for:			
Long-term waste fee receivable	184,441	-	184,441
Prepays	14,970	-	14,970
Capital projects	-	167,330	167,330
Public safety	-	84,917	84,917
Unreserved, reported in:			
General fund, undesignated	476,846	-	476,846
Special revenue funds, undesignated	-	(35,651)	(35,651)
Total fund balances	<u>676,257</u>	<u>216,596</u>	<u>892,853</u>
Total liabilities and fund balances	<u>\$ 1,011,179</u>	<u>\$ 321,409</u>	<u>\$ 1,332,588</u>

See notes to basic financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2005**

Fund balances - total government funds (Page 12) \$ 892,853

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

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

Governmental capital assets	1,795,771
Less accumulated depreciation	(1,178,073)

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

Capital leases	<u>(43,330)</u>
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Net assets of governmental activities (Page 10) \$ 1,467,221

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 1,052,454	\$ -	\$ 1,052,454
Franchise fees	87,524	-	87,524
Utility taxes	215,844	-	215,844
Charges for services	496,932	-	496,932
Intergovernmental	454,292	272,481	726,773
Licenses and permits	116,726	-	116,726
Fines and forfeitures	74,920	24,727	99,647
Interest	25,512	4,234	29,746
Miscellaneous	5,921	-	5,921
Total revenues	<u>2,530,125</u>	<u>301,442</u>	<u>2,831,567</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	620,034	-	620,034
Public safety	785,309	111	785,420
Building and code enforcement	153,144	-	153,144
Physical environment	883,951	261,652	1,145,603
Culture and recreation	264,256	-	264,256
<b>Debt service:</b>			
Principal retirement	38,311	-	38,311
Interest	2,552	-	2,552
<b>Capital outlay:</b>			
General government	1,939	54,229	56,168
Public safety	31,990	7,656	39,646
Building and code enforcement	2,592	-	2,592
Physical environment	9,351	65,609	74,960
Culture and recreation	30,766	-	30,766
Total expenditures	<u>2,824,195</u>	<u>389,257</u>	<u>3,213,452</u>
Deficiency of revenues over expenditures	<u>(294,070)</u>	<u>(87,815)</u>	<u>(381,885)</u>
<b>Other financing (uses) sources:</b>			
Proceeds from capital leases	23,662	-	23,662
Transfers in	-	54,229	54,229
Transfers out	(54,229)	-	(54,229)
Total other financing sources (uses)	<u>(30,567)</u>	<u>54,229</u>	<u>23,662</u>
Net change in fund balances	<u>(324,637)</u>	<u>(33,586)</u>	<u>(358,223)</u>
Fund balances - beginning	1,000,894	250,182	1,251,076
Fund balances - ending	<u>\$ 676,257</u>	<u>\$ 216,596</u>	<u>\$ 892,853</u>

See notes to basic financial statements

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

Net change in fund balances - total government funds (Page 14)	\$	(358,223)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$	204,132
Less current year depreciation		(163,118)      41,014

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

Capital lease financing	(23,662)	
Principal payments on capital leases	<u>38,311</u>	<u>14,649</u>

Change in net assets of governmental activities (Page 11)	\$	<u>(302,560)</u>
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**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**a. Financial Reporting Entity**

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

The financial statements were prepared in accordance with GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB # 39, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village. Based upon the application of these criteria, there were no organizations which met the criteria described above.

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Village has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures) for the determination of major funds. The Village only has one major fund, the General Fund, the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

**d. New accounting standards adopted**

During the year ended September 30, 2005, the Village adopted Governmental Accounting Standards Board (GASB) Statement 40, "Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)".

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

**1. Deposits and Investments**

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

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

**2. Receivables and Payables**

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

The Village accrues revenues and the related receivables for waste fees in May 1 of each fiscal year. Waste fees are due when billed. Waste fee receivables expected to be collected on subsequent years are presented on the balance sheets as a reservation of the general fund's fund balance.

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

### 3. Property Taxes

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

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

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the Village is established by the Village commission and the Miami-Dade County Property Appraiser incorporates the Village's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the Village for the fiscal year ended September 30, 2005 was 7.90 mills (\$7.90 per \$1,000 of taxable assessed valuation).

### 4. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, light poles, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$750 for equipment and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as they are completed.

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

	<u>Years</u>
Buildings	20
Improvements other than buildings	5-10
Infrastructure	5-10
Furniture and equipment	5

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

**5. Compensated Absences**

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

**6. Long-Term Obligations**

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

**7. Grant Revenue**

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

**8. Fund Equity**

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

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

**9. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosure of contingent liabilities, revenues, and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although those estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**Fund Accounting Requirements-** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like any other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements, and segregation for management purposes.

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

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

For the year ended September 30, 2005, the Village complied, in all material respects, with these revenue restrictions.

**Excesses of expenditures over appropriations-** For the year ended September 30, 2005, expenditures exceeded appropriations in the Executive, Village Clerk, and Building and Code Enforcement departments (the legal level of budgetary control) of the General Fund by \$2,102, \$3,371 and \$1,562; respectively. These overexpenditures were funded by available fund balance.

### III. DEPOSITS AND INVESTMENTS

#### Deposits

*Custodial credit risk* - In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. All of the Village's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The book value of the Village's deposits on the balance sheet date was \$89,068. The bank balance of the Village's deposits as of September 30, 2005 was \$243,238.

#### Investments

The Village does not have a written investment policy and follows the State of Florida investment policy as set forth in State Statute 218.415. In accordance with Section 218.415 of the Florida Statutes, the Village is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, which include the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA).

As of September 30, 2005, the Village had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
State Board of Administration	<u>\$632,974</u>	1
Portfolio weighted average maturity		<u>1</u>

*Interest Rate Risk* - The Village does not have a written policy on interest rate risk, however, the Village manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than six months (180 days). At September 30, 2005 the portfolio weighted average maturity was 1 day.

*Credit Risk* - The Village's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool (which has the characteristics of a Money Market Fund) are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. Additionally, these investments are entirely collateralized and insured by the State. The Village invested throughout the year in the SBA Investment Pool. The SBA is governed by Chapter 19-7 of the Florida

Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund. All SBA funds reported by the Village are reported at fair value consistent with the valuation similar to a 2A-7 pool. No credit rating is available for this investment.

*Concentration of Credit Risk* – There are no limits on the amount that may be invested in funds placed with the SBA. At September 30, 2005, all of the Village’s investments were in the SBA.

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

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

	<u>Per Statement of Net Assets</u>		<u>By Category</u>
Cash and cash equivalents	\$722,042	Deposits	\$ 89,068
	<u>\$722,042</u>	Investments	<u>632,974</u>
			<u>\$722,042</u>

#### IV. RECEIVABLES/PAYABLES

##### Receivables

Receivables at September 30, 2005, consisted of franchise fees, taxes and receivables arising from waste fee charges. The Village’s receivables at September 30, 2005 were as follows:

	<u>Waste Fees</u>	<u>Franchise Fees and Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Totals</u>
General fund	\$201,788	\$146,972	\$ -	\$9,706	\$358,466
Non-major governmental funds	<u>7,317</u>	<u>-</u>	<u>65,399</u>	<u>-</u>	<u>73,238</u>
	<u>\$209,105</u>	<u>\$146,972</u>	<u>\$65,399</u>	<u>\$9,706</u>	<u>\$431,704</u>

Of the \$201,788 waste fees receivable, \$184,441 is not expected to be collected by the Village during fiscal 2006. In addition, of the \$201,788 waste fee receivable, approximately \$25,000 represents interest and penalties on the unpaid balances. Accordingly, the Village has established a reservation of fund balance for the long-term portion of the receivables. All franchise fees and taxes receivable are considered fully collectible.

##### Payables

	<u>Vendors</u>
General fund	<u>\$99,667</u>

Interfund balances as of September 30, 2005, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$104,331	\$59,541
Special Revenue Funds:		
Road Fund	-	58,456
Police Forfeiture Fund	1,487	-
Stormwater Fund	-	45,875
Citizen Independent Transportation Fund	<u>58,054</u>	<u>-</u>
	<u>\$163,872</u>	<u>\$163,872</u>

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

Interfund transfers for fiscal year ended September 30, 2005 were as follows:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund	\$ -	\$54,229
Special Revenue Funds:		
Road Fund	10,000	-
Capital Improvement Fund	54,229	-
Stormwater Fund	10,000	-
Citizen Independent Transportation Fund	<u>-</u>	<u>20,000</u>
	<u>\$74,229</u>	<u>\$74,229</u>

- The transfer from the General Fund to the Capital Improvement Fund was used to cover expenditures for a master plan, engineering and architectural fees for the new Village Hall.

- The transfer from the Citizen Independent Transportation Fund to the Stormwater Fund and the Road Fund were used for road maintenance and repairs.

## V. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Balance</u> <u>October 1,</u> <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2005</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 157,490	\$ -	\$ -	\$ 157,490
Total capital assets not being depreciated	<u>157,490</u>	<u>-</u>	<u>-</u>	<u>157,490</u>
Capital assets being depreciated:				
Building	204,211	-	-	204,211
Infrastructure	-	153,346	-	153,346
Improvements other than buildings	64,502	-	-	64,502
Furniture and equipment	<u>1,167,138</u>	<u>49,084</u>	<u>-</u>	<u>1,216,222</u>
Total capital assets being depreciated	1,435,851	202,430	-	1,638,281
Less accumulated depreciation for:				
Building	(204,211)	-	-	(204,211)
Infrastructure	-	(10,611)	-	(10,611)
Improvements other than buildings	(12,900)	(12,900)	-	(25,800)
Furniture and equipment	<u>(797,844)</u>	<u>(139,607)</u>	<u>-</u>	<u>(937,451)</u>
Total accumulated depreciation	<u>(1,014,955)</u>	<u>(163,118)</u>	<u>-</u>	<u>(1,178,073)</u>
Total capital assets being depreciated, net	420,894	39,312	-	460,207
Governmental activities capital assets, net	<u>\$ 578,385</u>	<u>\$ 39,312</u>	<u>\$ -</u>	<u>\$ 617,698</u>

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

General government	\$ 23,464
Public Safety	27,372
Physical Environment	68,890
Culture and Recreation	<u>43,392</u>
Total depreciation expense – governmental activities	<u>\$163,118</u>

**VI. CAPITAL LEASES**

The Village entered into three lease agreements for the purchase of police vehicles and a garbage truck totaling approximately \$95,643. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been capitalized and a liability has been recorded at the net present value of the future minimum lease payments, as of the inception date.

Future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005 are as follows:

Year ending September 30,	
2006	\$ 33,448
2007	<u>12,757</u>
Total minimum lease payments	46,205
Less: amount representing interest (at rates ranging from 3.91% to 6.25%)	<u>(2,875)</u>
Present value of minimum lease payments	<u>\$43,330</u>

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

	Balance September 30,			Balance September 30,		Due Within
	<u>2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>2005</u>	<u>One year</u>	
Capital leases	<u>\$ 57,979</u>	<u>\$ 23,662</u>	<u>\$ 38,311</u>	<u>\$43,330</u>	<u>\$11,626</u>	

**VII. DEFINED BENEFIT PENSION PLAN**

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

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

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

September 30,	Required Contribution	Contribution Rates
2005	\$ 143,476	7.39% - 18.53%
2004	\$ 128,846	7.39% - 18.53%
2003	\$ 101,655	7.39% - 18.53%

The most recent actuarial report was prepared as of July 1, 2005. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed biannually. The conclusions of the review are included in the annual report of the FRS.

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

**VIII. RISK MANAGEMENT**

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

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

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

**IX. CONTINGENCIES**

**Grants**

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

**Lawsuits**

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

**X. FINANCIAL CONDITION**

The Village performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the Village in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the Village being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 46% of the financial indicators had unfavorable results, 38% had inconclusive results, and 15% had favorable results. In addition, the three critical indicators were rated as "unfavorable".

Additionally, the Village has sustained deficiencies of revenues over expenditures in the General Fund for at least three successive years and for the current year, operating losses in the Road Fund resulted in a deficit fund balance of \$35,651.

The continued deficits in the Village's General Fund, along with deteriorating fund balances could have a negative effect upon the Village's ability to provide the level of services it currently provides to its residents.

Management has been aware of the financial condition of the Village and has been in the process of developing a short term plan to reverse the deteriorating financial condition that has developed over the past three years. Management's plan, when completed, will include but not be limited to:

1. Through the budgeting process, evaluate and implement cost containment measures affecting the General Fund.
2. Pursue grants and other revenue sources.
3. Continue ongoing collection efforts of the waste fee receivable.

VILLAGE OF BISCAYNE PARK, FLORIDA  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive/(Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property taxes	\$ 1,023,530	\$ 1,023,530	\$ 1,052,454	\$ 28,924
Franchise fees	133,745	133,745	87,524	(46,221)
Utility taxes	229,524	229,524	215,844	(13,680)
Charges for services	751,000	751,000	496,932	(254,068)
Intergovernmental	297,220	297,220	454,292	157,072
Licenses and permits	101,510	101,510	116,726	15,216
Fines and forfeitures	36,123	36,123	74,920	38,797
Interest	24,000	24,000	25,512	1,512
Miscellaneous	7,500	7,500	5,921	(1,579)
Total revenues	2,604,152	2,604,152	2,530,125	(74,027)
<b>Expenditures:</b>				
<b>Current:</b>				
General government				
Executive	36,386	36,386	38,488	(2,102)
Village clerk	135,788	135,788	139,159	(3,371)
Finance	110,558	110,558	110,025	533
Non-departmental	570,336	570,336	388,530	181,806
Public safety	877,783	877,783	858,162	19,621
Building and code enforcement	154,174	154,174	155,736	(1,562)
Physical environment	967,701	967,701	893,302	74,399
Culture and recreation	337,023	337,023	295,022	42,001
Total expenditures	3,189,749	3,189,749	2,878,424	311,325
Deficiency of revenues under expenditures	(585,597)	(585,597)	(348,299)	(385,352)
<b>Other financing sources:</b>				
Proceeds from capital leases	-	-	23,662	(23,662)
Total other financing sources	-	-	23,662	(23,662)
Net change in fund balance	(585,597)	(585,597)	(324,637)	(260,960)
Fund balances, October 1	1,000,894	1,000,894	1,000,894	-
Fund balances, September 30	\$ 415,297	\$ 415,297	\$ 676,257	\$ (260,960)

See notes to budgetary comparison schedule

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

**Notes to Budgetary Comparison Schedule**

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

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

- Prior to August 1, the Village Manager submitted to the Village Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an appropriation ordinance.
- The appropriated budget is prepared and adopted by fund, function, and department. Budgets are monitored within each department at the account level by the respective department head and the Finance Director. The Village's department heads may make transfers of appropriations within a department with approval of the Village Manager and Finance Director. Transfers of appropriations between departments require the additional approval of the Council. The legal level of budgetary control (i.e. the level at which expenditures may not exceed appropriations) is the department level.

The Village Council may make by ordinance supplemental appropriations during the fiscal year. There were no supplemental appropriations for the fiscal year ended September 30, 2005.

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

**Excesses of expenditures over appropriations-** For the year ended September 30, 2005, expenditures exceeded appropriations in the Executive, Village Clerk, and Building and Code Enforcement departments (the legal level of budgetary control) of the General Fund by \$2,102, \$3,371 and \$1,562; respectively. These overexpenditures were funded by available fund balance.

VILLAGE OF BISCAYNE PARK, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2005

	<u>Road Fund</u>	<u>Municipal Building Fund</u>	<u>Capital Improvement Fund</u>	<u>Police Forfeiture Fund</u>	<u>Stormwater Fund</u>	<u>Citizen Independent Transportation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 15,500	\$ 469	\$ -	\$ 83,430	\$ -	\$ 89,231	\$ 188,630
Accounts receivable - net	7,787	52	-	-	65,399	-	73,238
Due from other funds	-	-	-	1,487	-	58,054	59,541
Total assets	<u>\$ 23,287</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 84,917</u>	<u>\$ 65,399</u>	<u>\$ 147,285</u>	<u>\$ 321,409</u>
<u>LIABILITIES</u>							
Due to other funds	\$ 58,456	\$ -	\$ -	\$ -	\$ 45,875	\$ -	\$ 104,331
Compensated absences	482	-	-	-	-	-	482
Total liabilities	<u>58,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,875</u>	<u>-</u>	<u>104,813</u>
<u>FUND BALANCES</u>							
Reserved for:							
Public safety	-	-	-	84,917	-	-	84,917
Construction of municipal building		521			19,524	147,285	167,330
Unreserved:							
Undesignated	(35,651)	-	-	-	-	-	(35,651)
Total fund balances	<u>(35,651)</u>	<u>521</u>	<u>-</u>	<u>84,917</u>	<u>19,524</u>	<u>147,285</u>	<u>216,596</u>
Total liabilities and fund balances	<u>\$ 23,287</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 84,917</u>	<u>\$ 65,399</u>	<u>\$ 147,285</u>	<u>\$ 321,409</u>

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Road Fund</u>	<u>Municipal Building Fund</u>	<u>Capital Improvement Fund</u>	<u>Police Forfeiture Fund</u>	<u>Stormwater Fund</u>	<u>Citizen Independent Transportation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>							
Intergovernmental	\$ 91,071	\$ -	\$ -	\$ -	\$ 80,399	\$ 101,011	\$ 272,481
Fines and forfeitures	-	-	-	24,727	-	-	24,727
Interest	<u>1,155</u>	-	-	<u>1,353</u>	-	<u>1,726</u>	<u>4,234</u>
Total revenues	<u>92,226</u>	-	-	<u>26,080</u>	<u>80,399</u>	<u>102,737</u>	<u>301,442</u>
<b>Expenditures:</b>							
Current:							
Public safety	-	-	-	111	-	-	111
Physical environment	193,937	-	-	-	5,266	62,449	261,652
Capital outlay:							
General government	-	-	54,229	-	-	-	54,229
Public safety	-	-	-	7,656	-	-	7,656
Physical environment	-	-	-	-	65,609	-	65,609
Total expenditures	<u>193,937</u>	-	<u>54,229</u>	<u>7,767</u>	<u>70,875</u>	<u>62,449</u>	<u>389,257</u>
Excess (deficiency) of revenues over expenditures	<u>(101,711)</u>	-	<u>(54,229)</u>	<u>18,313</u>	<u>9,524</u>	<u>40,288</u>	<u>(87,815)</u>
Other financing (uses) sources							
Transfers in (out)	<u>10,000</u>	-	<u>54,229</u>	-	<u>10,000</u>	<u>(20,000)</u>	<u>54,229</u>
Total other financing (uses) sources	<u>10,000</u>	-	<u>54,229</u>	-	<u>10,000</u>	<u>(20,000)</u>	<u>54,229</u>
Net change in fund balance	<u>(91,711)</u>	-	-	<u>18,313</u>	<u>19,524</u>	<u>20,288</u>	<u>(33,586)</u>
Fund balances, October 1	<u>56,060</u>	<u>521</u>	-	<u>66,604</u>	-	<u>126,997</u>	<u>250,182</u>
Fund balances, September 30	<u>\$ (35,651)</u>	<u>\$ 521</u>	<u>\$ -</u>	<u>\$ 84,917</u>	<u>\$ 19,524</u>	<u>\$ 147,285</u>	<u>\$ 216,596</u>

VILLAGE OF BISCAÏNE PARK, FLORIDA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE-BUDGET AND ACTUAL NONMAJOR GOVERNMENTAL FUNDS  
 FISCAL YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue Funds							
	Road Fund				CITT Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
Original	Final	Original			Final			
Revenues:								
Intergovernmental	\$ 86,979	\$ 86,979	\$ 91,071	\$ 4,092	\$ 109,724	\$ 109,724	\$ 101,011	\$ (8,713)
Interest	1,000	1,000	1,155	155	1,200	1,200	1,726	526
Miscellaneous	<u>33,480</u>	<u>33,480</u>	-	<u>(33,480)</u>	-	-	-	-
Total revenues	<u>121,459</u>	<u>121,459</u>	<u>92,226</u>	<u>(29,233)</u>	<u>110,924</u>	<u>110,924</u>	<u>102,737</u>	<u>(8,187)</u>
Expenditures:								
Current:								
Physical environment	<u>255,461</u>	<u>255,461</u>	<u>193,937</u>	<u>61,524</u>	<u>215,749</u>	<u>215,749</u>	<u>62,449</u>	<u>153,300</u>
Excess (deficiency) of revenues over expenditures	<u>(134,002)</u>	<u>(134,002)</u>	<u>(101,711)</u>	<u>(32,291)</u>	<u>(104,825)</u>	<u>(104,825)</u>	<u>40,288</u>	<u>(145,113)</u>
Other financing sources (uses)								
Transfers in (out)	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	-	-	<u>(20,000)</u>	<u>20,000</u>
Net change in fund balance	<u>(114,002)</u>	<u>(114,002)</u>	<u>(91,711)</u>	<u>(22,291)</u>	<u>(104,825)</u>	<u>(104,825)</u>	<u>20,288</u>	<u>(125,113)</u>
Fund balances, October 1	<u>56,060</u>	<u>56,060</u>	<u>56,060</u>	-	<u>126,997</u>	<u>126,997</u>	<u>126,997</u>	-
Fund balances, September 30	<u>\$ (57,942)</u>	<u>\$ (57,942)</u>	<u>\$ (35,651)</u>	<u>\$ (22,291)</u>	<u>\$ 22,172</u>	<u>\$ 22,172</u>	<u>\$ 147,285</u>	<u>\$ (125,113)</u>



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Biscayne Park, Florida (the Village) as of and for the fiscal year ended September 30, 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Biscayne Park, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide 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 or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as items No. 05-1, 00-7, 00-8 and 00-9.

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 general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Biscayne Park, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and recommendations as item 00-09.

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

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

*Alberni Caballero & Castellanos, L.L.P.*

December 22, 2005  
Coral Gables, Florida



Alberni, Caballero  
& Castellanos, L.L.P.

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

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

We have audited the financial statements of the Village of Biscayne Park, Florida, as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated December 22, 2005.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other Matters. Disclosures in that report, which are dated December 22, 2005, should be considered in conjunction with this management letter.

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

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

As required by the Rules of the Auditor General (Section 10.554(1)(h) 2.), the scope of our audit included a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village of Biscayne Park, Florida complied with Section 218.415, Florida Statutes.

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

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

- ❖ Status of Prior Year Findings and Recommendations: No. 00-07, 00-08 and 00-09
- ❖ Current Year Findings and Recommendations: No. 05-01 and 05-02

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

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

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

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.b.), we determined that the annual financial report for the Village of Biscayne Park, Florida for the fiscal year ended September 30, 2005, filed with the Florida Department of Financial Services pursuant to Section 21 8.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2005.

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

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

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

*Alberni Caballero & Castellanos, L.L.P.*

December 22, 2005  
Coral Gables, Florida

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

**I. STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**00-2 Cash Disbursements**

During prior audits over the Village's controls over cash disbursements, the prior auditor noted a number of recurring deficiencies.

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

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

**Recommendation:**

The prior auditors recommended that the Village develop and adopt written policies and procedures over cash disbursements and the associated maintenance of supporting documentation.

**Current Year Status:**

During our cash disbursement testing we noted no instances of non-compliance. **Comment will not be repeated.**

**00-4 Purchasing and Accounts Payable**

During prior audits, deficiencies in the Village's internal control over the purchasing and accounts payable function were noted. These deficiencies resulted in numerous errors identified within the Village's books and accounting records.

**Recommendation:**

The prior auditor recommended that the Village develop and adopt written policies and procedures over the administration of its purchasing and accounts payable function.

**Current Year Status:**

The Village implemented the prior auditors' recommendation. **Comment will not be repeated.**

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

**00-7 Capital Assets**

During prior audits, a number of issues associated with internal controls over capital assets were noted. The following summarizes issues identified as a result of those procedures:

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

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

**Recommendation:**

The prior auditors recommended that the Village develop and adopt written policies and procedures, which ensure capital assets are being properly monitored and accounted for. In addition, management should take steps to ensure that these policies are adhered to and properly applied.

**Current Year Status:**

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

**Management's Response:**

The Village plans on developing and establishing policies and procedures to be in place for 2006.

**00-8 Personnel Policies and Procedures**

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

**Recommendation:**

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

**Current Year Status:**

As of September 30, 2005, the Village had not established a written personnel manual. **Comment will be repeated.**

**Management's Response:**

The Village plans on developing and establishing policies and procedures to be in place for 2006.

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

**00-9 Compliance With Laws and Regulations**

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

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

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

**Recommendation:**

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

**Current Year Status:**

For the year ended September 30, 2005, expenditures exceeded appropriations in the Executive, Village Clerk, and Building and Code Enforcement departments (the legal level of budgetary control) of the General Fund by \$2,102, \$3,371 and \$1,562; respectively. In addition, the Village has not established written policies to ensure compliance with laws and regulations. **Comment will be repeated.**

**Management's Response:**

The Village plans on developing and establishing policies and procedures to be in place for 2006.

**VILLAGE OF BISCAYNE PARK, FLORIDA**  
**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2005**

**II. CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

**REPORTABLE CONDITION**

**05-01 Financial Condition Assessment**

**Condition:**

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

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

**Effect:**

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

**Recommendation:**

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

**Management's Response:**

Management has been aware of the financial condition of the Village and has been in the process of developing a short term plan to reverse the deteriorating financial condition that has developed over the past three years. Management's plan, when completed, will include but not be limited to:

1. Through the budgeting process, evaluate and implement cost containment measures affecting the General Fund.
2. Pursue grants and other revenue sources.
3. Continue ongoing collection efforts of the waste fee receivable.

**OTHER MATTERS**

**05-02 Develop and Document a Disaster Recovery Plan**

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

**Recommendation:**

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

**Management's Response:**

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