

VILLAGE OF KEY BISCAYNE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2019



VILLAGE OF KEY BISCAYNE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF KEY BISCAYNE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

Introductory Section

| | |
|---|------|
| Letter of Transmittal | i-v |
| Village Officials..... | vi |
| Certificate of Achievement for Excellence in Financial Reporting..... | vii |
| Organization Chart..... | viii |

Financial Section

| | |
|--|-------|
| Independent Auditors' Report | 1-3 |
| Management's Discussion and Analysis (Required Supplementary Information)..... | 4-13 |
| Basic Financial Statements | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities..... | 15 |
| Fund Financial Statements: | |
| Governmental Fund Financial Statements: | |
| Balance Sheet..... | 16 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | 17 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 18 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | 19 |
| Statement of Revenues, Expenses and Changes in Net Position | 20 |
| Statement of Cash Flows | 21 |
| Fiduciary Fund Financial Statements: | |
| Statement of Fiduciary Net Position..... | 22 |
| Statement of Changes in Fiduciary Net Position | 23 |
| Notes to Basic Financial Statements..... | 24-70 |

Required Supplementary Information (Other Than MD&A)

| | |
|--|----|
| Budgetary Comparison Schedule – General Fund..... | 71 |
| Budgetary Comparison Schedule – Transportation Special Revenue Fund | 72 |
| Notes to Budgetary Comparison Schedule | 73 |
| Schedule of Changes in the Total OPEB Liability and Related Ratios – Other Post-Employment Benefits..... | 74 |
| Schedule of Changes in the Village's Net Pension Liability and Related Ratios – Pension Trust Fund..... | 75 |
| Schedule of Village Contributions – Pension Trust Fund | 76 |
| Schedule of Investment Returns – Pension Trust Fund..... | 77 |

VILLAGE OF KEY BISCAYNE, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

TABLE OF CONTENTS

Statistical Section

| | |
|---|-------|
| Statistical Section Contents | 78 |
| Net Position by Component | 79 |
| Changes in Net Position | 80-81 |
| Fund Balances of Governmental Funds | 82 |
| Changes in Fund Balances of Governmental Funds | 83 |
| General Governmental Tax Revenues by Source | 84 |
| Net Assessed Value and Estimated Actual Value of Taxable Property | 85 |
| Property Tax Rates – Direct and Overlapping Governments | 86 |
| Principal Property Taxpayers | 87 |
| Property Tax Levies and Collections | 88 |
| Ratios of Outstanding Debt by Type | 89 |
| Ratios of General Bonded Debt Outstanding | 90 |
| Direct and Overlapping Governmental Activities Debt | 91 |
| Pledged Revenue Coverage | 92 |
| Demographic and Economic Statistics | 93 |
| Principal Employers | 94 |
| Full-Time Equivalent Village Government Employees by Function | 95 |
| Operating Indicators by Function/Program | 96 |
| Capital Asset Statistics by Function/Program | 97 |

Reporting Section

| | |
|---|---------|
| 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 <i>Government Auditing Standards</i> | 98-99 |
| Schedule of Findings and Responses | 100-107 |
| Management Letter in Accordance with the Rules of the Auditor General of the State of Florida | 108-109 |
| Appendix A - Current Year Recommendations to Improve Financial Management | 110 |
| Independent Accountants’ Report on Compliance Pursuant to Section 218.415 Florida Statutes | 111 |

INTRODUCTORY SECTION



VILLAGE OF KEY BISCAYNE

Office of the Village Manager

Village Council

Michael W. Davey, *Mayor*
Brett Moss, *Vice Mayor*
Luis Lauredo
Edward London
Allison McCormick
Katie Petros
Ignacio J. Seguro

Marcum LLP
Accountants & Advisors
One S.E. Third Avenue, Suite 1100
Miami, Florida 33131

Village Manager

Andrea M. Agha

June 26, 2020

To the Honorable Mayor, Members of the Village Council and Citizens of the Village of Key Biscayne:

Florida Statutes require that all units of local government publish a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) in the United States and audited in accordance with auditing standards generally accepted in the United States and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby present the Comprehensive Annual Financial Report (CAFR) of the Village of Key Biscayne for the fiscal year ended September 30, 2019.

This report consists of management's representation concerning the finances of the Village of Key Biscayne. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this Report. To provide a reasonable basis for making these representations, management of the Village of Key Biscayne has established a comprehensive internal framework that is designed both to protect the Village's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Village of Key Biscayne's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Village of Key Biscayne's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As



VILLAGE OF KEY BISCAYNE

Office of the Village Manager

management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The firm of Marcum LLP, licensed certified public accountants has audited the Village of Key Biscayne's financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Village of Key Biscayne for the fiscal year ended September 30, 2019 are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Village of Key Biscayne's financial statements for the fiscal year ended September 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Village of Key Biscayne's MD&A can be found immediately following the independent auditors' report.

Profile of the Government

The Village of Key Biscayne, incorporated in 1991, is located on the southernmost barrier island of the United States, Miami-Dade County, Florida approximately 7.5 miles off the coast of Miami, Florida. The Village of Key Biscayne occupies a land area of 1.25 square miles situated between Crandon Park and Bill Baggs State Recreation Area. The Village serves a population of approximately 13,300. The Village of Key Biscayne receives tax levies on real and personal property located inside its boundaries.

The Village of Key Biscayne operates under the council-manager form of government. Policymaking and legislative authority are vested in a governing council consisting of the mayor and six other council members. The Council is responsible for, among other things, passing ordinances and resolutions, adopting the annual budget, appointing the Village Manager, the Village Clerk, and the Village Attorney. The Village Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the daily operations of the government,



VILLAGE OF KEY BISCAYNE

Office of the Village Manager

and for appointing the heads of various departments.

The Village of Key Biscayne offers a wide range of services, including police; fire and emergency medical service; public works; a full-service building, planning and zoning department; parks and recreation activities; solid waste collection; and a comprehensive storm water management system. Certain other services are provided through the Miami Dade County Public Schools and through Miami-Dade County. The County provides library, water and sewer, and public transportation, among other services.

The annual budget serves as a foundation for the Village of Key Biscayne's financial planning and control. All departments of the Village are required to submit requests for appropriations to the Village Manager and these requests are the initiation of developing the proposed budget. The Village Manager then presents this proposed budget to the Council for review. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the Village's fiscal year. The appropriated budget is prepared by fund and department. No department may legally expend in excess of the amount appropriated for that department within an individual fund. The Village Manager may make transfers of appropriations within a department. Transfers of appropriations between departments or funds require the approval of the Village Council. The Village Council approves supplemental appropriations. Budget to actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted. The general fund, budget to actual report, is presented in the required supplementary information section of this report.

Local Economy

The Village of Key Biscayne enjoys a favorable economic environment and local indicators point to continued future stability. This exclusive community is comprised of well-educated and involved citizens who take a genuine interest in the social, business, cultural and governing aspects of their Village. The Village is comprised of affluent exclusive residential housing stock and shopping centers. There is no industrial area in the community.

Expenditures / Long-Term Financial Planning

The Village utilizes a comprehensive living projection five years into the future to assess revenue trends and expenditure needs to assure a balanced stable financial program avoiding millage rate increases while addressing the various goals and objectives of the community. Additionally, the Village has modified its 5-Year Capital Plan by prioritizing needs based on its expected available resources determined by its 5-Year financial forecast. This effort is also identifying capital



VILLAGE OF KEY BISCAIYNE

Office of the Village Manager

purchases that will be needed to continue its critical core public safety services, as well as other departmental needs.

The recent outbreak of coronavirus known as COVID-19 may affect the Village's operations, its suppliers and vendors, and its customer base. The duration and full impacts of the business and social disruptions of COVID-19 are yet unknown and could result in a downturn on the local, state and global economies. Through the prior economic downturn, The Village has maintained its strong financial position through prudent long-term financial planning and fiscal actions to reduce or contain fixed costs and maintain its committed emergency fund balance. The extent to which COVID-19 may impact the Village's financial condition or results of operations is highly uncertain and cannot be predicted

Financial Policies

The Village of Key Biscayne has policies on Debt Limitation, Emergency Reserve Funds and Commitments and Assignments of surplus funds. The allocation of surplus funds between Committed and Assigned fund balance is made at the discretion of the Village Council. Other externally restricted funds are noted as Restricted.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Key Biscayne for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2018. This was the twenty-sixth consecutive year that the Village received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of all departments of the Village of Key Biscayne. We would like to express our appreciation to all members of all of the departments who assisted and contributed to the preparation of this report. We would also like to express our appreciation to Marcum LLP, our independent auditors, for their assistance and efforts in helping the Village prepare the CAFR.



VILLAGE OF KEY BISCAIYNE

Office of the Village Manager

Appreciation is also extended to the Mayor and the Village Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Village of Key Biscayne's finances.

Respectfully submitted,

Andrea M. Agha
Village Manager

Benjamin L. Nussbaum
Chief Financial Officer

VILLAGE OF KEY BISCAYNE, FLORIDA

VILLAGE OFFICIALS

SEPTEMBER 30, 2019

VILLAGE COUNCIL

Michel W. Davey, Mayor
Allison McCormick, Vice Mayor

Edward London, Councilman
Ignacio J. Segurola, Councilman
Brett G. Moss, Councilman
Kathleen Petros, Councilwoman
Luis Lauredo, Councilman

VILLAGE MANAGER

Andrea Agha

VILLAGE CLERK EMERITUS

Conchita H. Alvarez

VILLAGE ATTORNEY

Weiss Serota Helfman Pastoriza Cole & Boniske, P.A.

CHIEF FINANCIAL OFFICER

Benjamin L. Nussbaum, CPA, CGMA, CPPT

INDEPENDENT AUDITORS

Marcum LLP



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Village of Key Biscayne
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

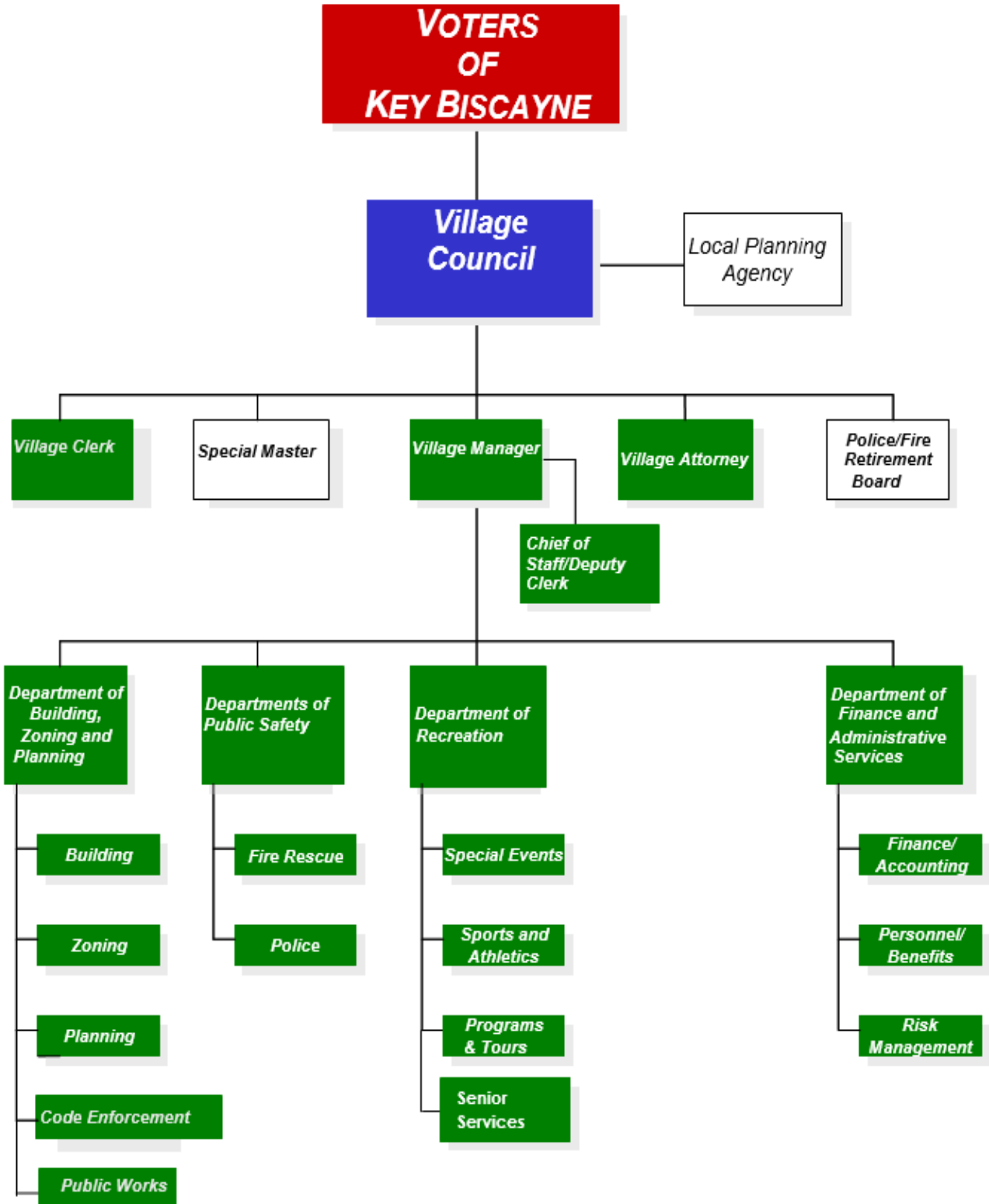
September 30, 2018

Christopher P. Morill

Executive Director/CEO

ORGANIZATION CHART

2019



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Key Biscayne, Florida (the Village), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the budgetary comparison schedules on pages 71 through 73, and the required supplementary information for Other Post-Employment Benefits and the pension trust fund on pages 74 to 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
June 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of the Village of Key Biscayne, we offer readers of the Village of Key Biscayne's (the Village) financial statements this narrative overview and analysis of the financial activities of the Village of Key Biscayne for the fiscal year ended September 30, 2019. We encourage readers to consider information presented here in conjunction with additional information that we have furnished in our letter of transmittal which can be found on pages i-v of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Village of Key Biscayne exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year, resulting in a net position balance of \$95,666,396, a decrease of \$255,353.
- At the close of the current fiscal year, the Village's governmental activities reported an ending net position of \$92,330,060, a decrease of \$399,892 in comparison with the prior year.
- In the General Fund, revenues exceeded expenditures by \$2,177,817.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Key Biscayne's basic financial statements. The Village of Key Biscayne's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 Key Biscayne's finances, in a manner similar to a private sector business.

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

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

Both government-wide financial statements distinguish functions of the Village of Key Biscayne that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Key Biscayne include general government, public works, police, fire, parks and recreation and building, zoning and planning.

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

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Key Biscayne, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village of Key Biscayne has three fund categories: governmental funds, proprietary funds and a fiduciary fund.

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

The Village of Key Biscayne maintains four governmental funds: the general fund; two special revenue funds, one for Transportation and one for Parks, Recreation, and Open Space (PROS) Land Trust; and a capital projects fund. The PROS fund was created during fiscal year 2018 to provide more transparency to readers of the financial statements. In prior years, the net activity was reported as Committed Fund Balance in the General Fund.

The Village of Key Biscayne adopts an annual appropriated budget for its general fund and the transportation special revenue fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 to 18 of this report.

Proprietary Funds. The Village maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its Stormwater and Solid Waste Collection operations. At fiscal year end 2018, the Sanitary Sewer Construction fund was eliminated. The capital assets were transferred to the Governmental Activities of the government-wide financial statements and those assets are being depreciated under the public works function in the Statement of Activities. The Sanitary Sewer Construction fund was closed out because it did not have a profit-making focus nor did it have any customers or user fees. The fund was originally created to construct sanitary sewer facilities that are used by Miami-Dade County to provide services to Key Biscayne customers. The fund also existed to service debt payments. These activities are accounted for in future years in the Village's General Fund.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Village has one Fiduciary fund, its Pension Trust Fund for police officers and firefighters. Other Village employees participate in a defined contribution plan, which is not part of the Village's financial statements.

The basic fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the basic financial statements. The notes provide additional information that is *essential* to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-70. The notes should always be read in conjunction with the financial statements themselves because they contain relevant, useful, and expanded information that cannot always be communicated on the face of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparisons and the Village’s progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

Required supplementary information can be found on pages 71-77 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the Village of Key Biscayne, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$95,666,396 at the close of the most recent fiscal year.

The portion of the Village’s net position that reflects its net investment in capital assets (e.g., land and equipment) is \$72,480,963. The Village of Key Biscayne uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Our analysis of the financial statements of the Village begins below. The Statement of Net Position and the Statement of Activities report information about the Village’s activities that will help answer questions about the financial position of the Village. A comparative analysis is provided with prior year information.

Net Position

A Summary of the Village’s Net Position is presented in Table A-1 and a Summary of the Changes in Net Position is presented in Table A-2.

Table A - 1
Summary of Net Position

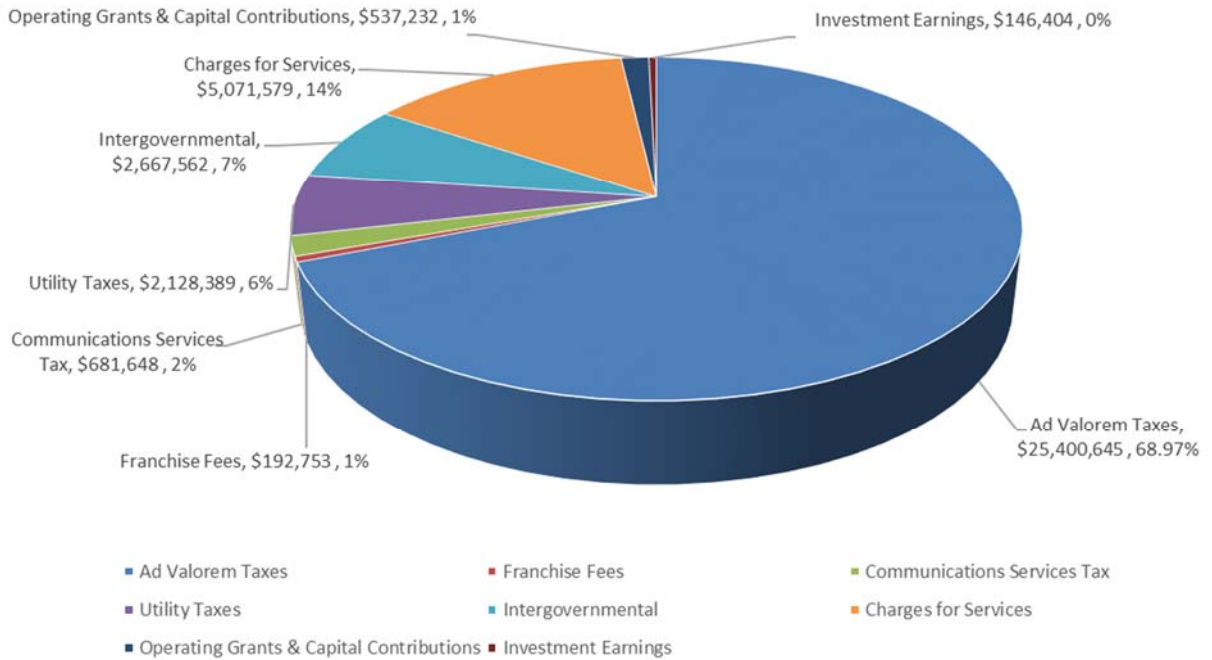
| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current assets | \$ 31,180,935 | \$ 28,900,909 | \$ 1,025,254 | \$ 1,539,952 | \$ 32,206,189 | \$ 30,440,861 |
| Capital assets, net | 91,002,529 | 93,557,674 | 7,004,137 | 7,314,809 | 98,006,666 | 100,872,483 |
| Total Assets | <u>122,183,464</u> | <u>122,458,583</u> | <u>8,029,391</u> | <u>8,854,761</u> | <u>130,212,855</u> | <u>131,313,344</u> |
| Deferred Outflows of Resources | 2,138,032 | 3,364,957 | -- | -- | 2,138,032 | 3,364,957 |
| Current liabilities | 4,650,861 | 7,627,845 | 114,272 | 721,229 | 4,765,133 | 8,349,074 |
| Noncurrent liabilities | 25,444,753 | 23,544,113 | 4,578,783 | 4,941,735 | 30,023,536 | 28,485,848 |
| Total Liabilities | <u>30,095,614</u> | <u>31,171,958</u> | <u>4,693,055</u> | <u>5,662,964</u> | <u>34,788,669</u> | <u>36,834,922</u> |
| Deferred Inflows of Resources | 1,895,822 | 1,921,630 | -- | -- | 1,895,822 | 1,921,630 |
| Net investment in capital assets | 72,480,963 | 70,944,473 | 4,509,508 | 4,080,025 | 76,990,471 | 75,024,498 |
| Restricted | 8,639,324 | 2,078,112 | -- | -- | 8,639,324 | 2,078,112 |
| Unrestricted | 11,209,773 | 19,707,367 | (1,173,172) | (888,228) | 10,036,601 | 18,819,139 |
| Total Net Position | <u>\$ 92,330,060</u> | <u>\$ 92,729,952</u> | <u>\$ 3,336,336</u> | <u>\$ 3,191,797</u> | <u>\$ 95,666,396</u> | <u>\$ 95,921,749</u> |

As demonstrated in Table A-1, Summary of Net Position, the Village's Net Position decreased by \$399,892. This resulted from reductions in long-term liabilities provided for with resources from the current year, which was offset by reductions in current assets, mostly restricted cash and investments. Capital Assets decreased by \$2.5 million in the Governmental Activities, and decreased by \$311,000, in the Business-type activities.

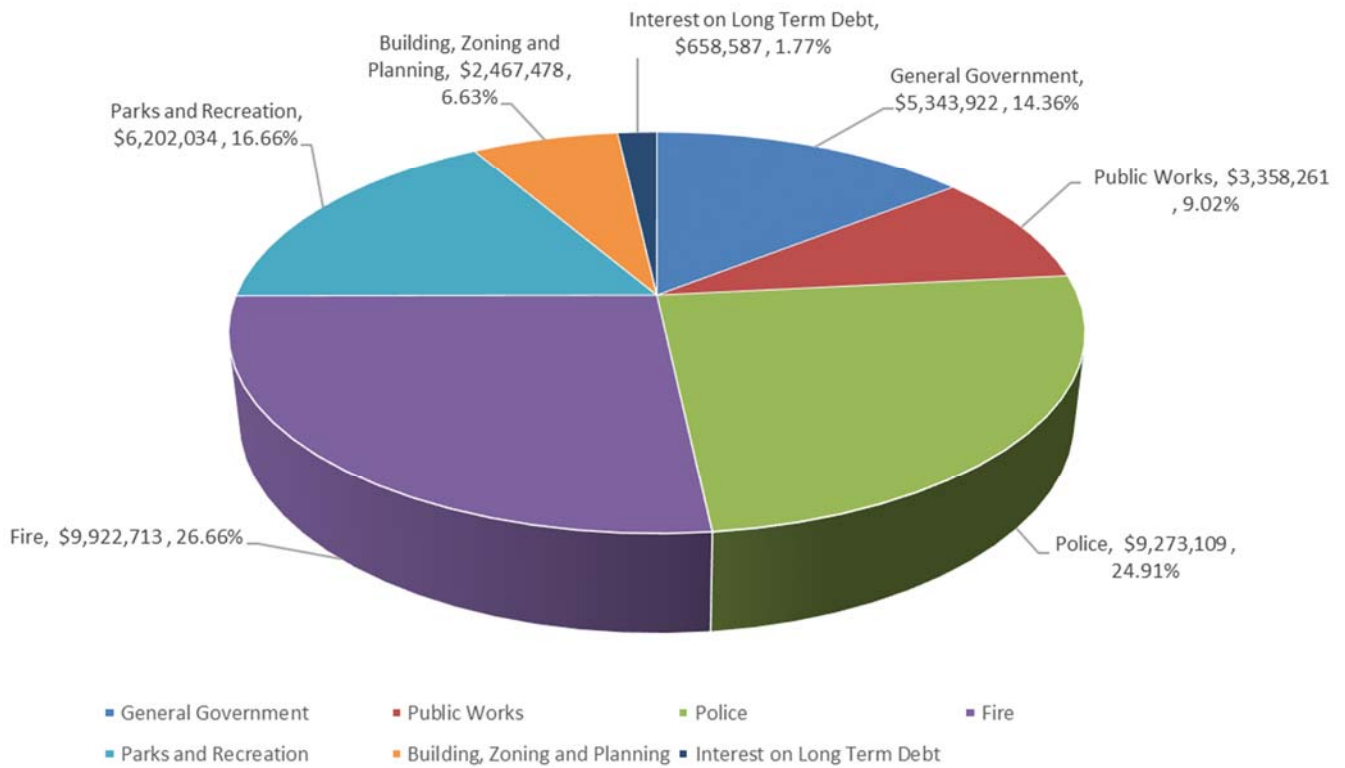
Table A - 2
Summary of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 4,813,768 | \$ 5,015,541 | \$ 1,758,116 | \$ 1,782,803 | \$ 6,571,884 | \$ 6,798,344 |
| Operating grants and contributions | 62,174 | 53,210 | -- | -- | 62,174 | 53,210 |
| Capital grants and contributions | 475,058 | 1,733,691 | -- | -- | 475,058 | 1,733,691 |
| General revenues: | | | | | | |
| Property taxes | 25,400,645 | 24,992,663 | -- | -- | 25,400,645 | 24,992,663 |
| Utility taxes | 2,128,389 | 2,136,221 | -- | -- | 2,128,389 | 2,136,221 |
| Communications services tax | 681,648 | 734,422 | -- | -- | 681,648 | 734,422 |
| Franchise fees | 192,753 | 655,599 | -- | -- | 192,753 | 655,599 |
| Unrestricted intergovernmental revenue | 2,667,562 | 2,595,087 | -- | -- | 2,667,562 | 2,595,087 |
| Investment income and miscellaneous | 404,215 | 282,153 | 22,584 | 23,278 | 426,799 | 305,431 |
| Total Revenues | 36,826,212 | 38,198,587 | 1,780,700 | 1,806,081 | 38,606,912 | 40,004,668 |
| Transfers | -- | 9,545,452 | -- | -- | -- | 9,545,452 |
| Total General Revenues, Contributions, and Transfers | 36,826,212 | 47,744,039 | 1,780,700 | 1,806,081 | 38,606,912 | 49,550,120 |
| Expenses | | | | | | |
| General government | 5,343,922 | 5,221,656 | -- | -- | 5,343,922 | 5,221,656 |
| Public Safety | 19,195,822 | 15,309,618 | -- | -- | 19,195,822 | 15,309,618 |
| Parks and Recreation | 6,202,034 | 6,944,248 | -- | -- | 6,202,034 | 6,944,248 |
| Public Works | 3,358,261 | 4,188,854 | -- | -- | 3,358,261 | 4,188,854 |
| Building, Zoning and Planning | 2,467,478 | 2,366,496 | -- | -- | 2,467,478 | 2,366,496 |
| Interest on long-term debt | 658,587 | 701,558 | -- | -- | 658,587 | 701,558 |
| Stormwater | -- | -- | 856,653 | 1,234,916 | 856,653 | 1,234,916 |
| Solid waste collection | -- | -- | 779,508 | 9,545,452 | 779,508 | 9,545,452 |
| Sanitary sewer construction | -- | -- | -- | 698,321 | -- | 698,321 |
| Total Expenses | 37,226,104 | 34,732,430 | 1,636,161 | 11,478,689 | 38,862,265 | 46,211,119 |
| Change in Net Position before transfers | (399,892) | 3,466,157 | 144,539 | (9,672,608) | (255,353) | (6,206,451) |
| Transfers | -- | 9,545,452 | -- | -- | -- | 9,545,452 |
| Changes in Net Position | (399,892) | 13,011,609 | 144,539 | (9,672,608) | (255,353) | 3,339,001 |
| Net Position, Beginning, as previously reported | 92,729,952 | 79,107,352 | 3,191,797 | 12,864,405 | 95,921,749 | 91,971,757 |
| Prior period adjustment | -- | 610,991 | -- | -- | -- | 610,991 |
| Net Position, Beginning, restated | 92,729,952 | 79,718,343 | -- | -- | 92,582,748 | 92,582,748 |
| Net Position - Ending | \$ 92,330,060 | \$ 92,729,952 | \$ 3,336,336 | \$ 3,191,797 | \$ 95,666,396 | \$ 95,921,749 |

Revenues by Source - Governmental Activities



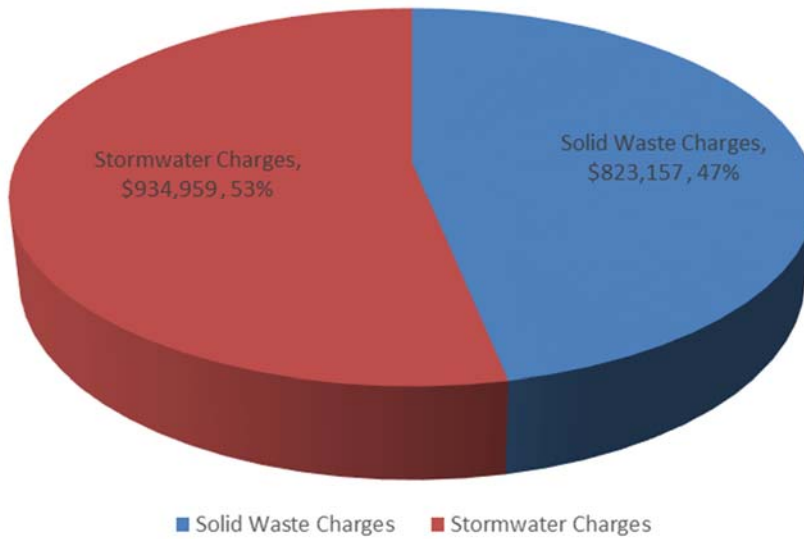
Expenses - Governmental Activities



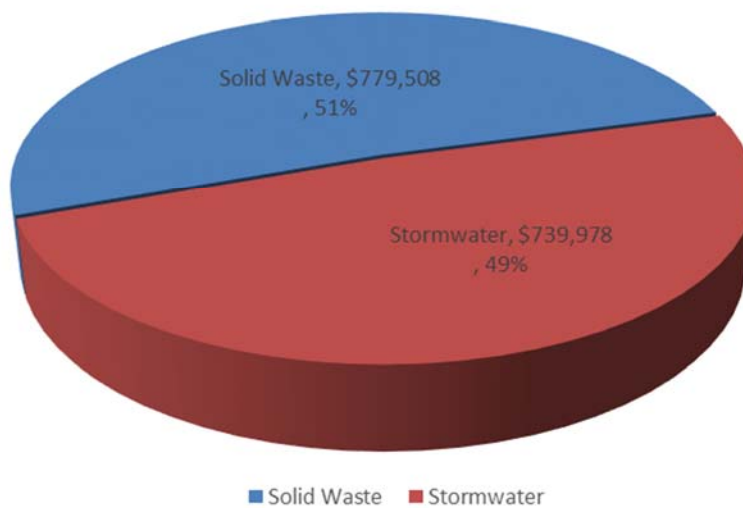
Business-type Activities

Business-type activities increased the Village's net position by \$144,539. Stormwater Utility System Fund Net Position increased by \$100,890, mostly as a result of reduction in operational expenditures. The Solid Waste fund increased its Net Position by \$43,649, entirely due to an increase in Operating Income. The pie charts below illustrate the various sources of revenues and expenditures of the general fund:

Revenues by Source - Business-Type Activities



Expenses - Business-Type Activities



Governmental funds. The focus of the Village of Key Biscayne’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

At the end of the current fiscal year, fund balance of the General Fund was \$15,107,504, a decrease of \$2,114,564 compared to prior year. The decrease results entirely from the transfer out from the General Fund assigned fund balance to the Capital Improvements Fund for \$4.3 million.

The Village’s Assigned and Committed General Fund balances, together with the balance of the 1% ad-valorem transfers into the PROS Land Trust can be used by the Village in case of an emergency. Together, these fund balances amount to \$12.7 million, or roughly 38% of the fiscal year 2019 General Fund expenditures. This represents approximately 5 months of General Fund operating expenditures.

A summary of the general fund’s balance sheet and statement of revenues, expenditures and changes in fund balance is presented in Table B-1 and B-2 for September 30, 2019 and 2018, is as follows:

**Table B-1
Summary of General Fund Balance Sheet**

| | 2019 | 2018 |
|---|---------------|---------------|
| Total Assets | \$ 26,209,109 | \$ 26,351,391 |
| Total Liabilities | \$ 11,101,605 | \$ 9,129,323 |
| Fund Balance | | |
| Nonspendable | 1,289,448 | 914,616 |
| Restricted | 1,125,496 | 1,254,841 |
| Committed | 4,000,000 | 4,090,000 |
| Assigned | 8,692,560 | 10,962,611 |
| Total Fund Balance | 15,107,504 | 17,222,068 |
| Total Liabilities and Fund Balance | \$ 26,209,109 | \$ 26,351,391 |

**Table B-2
Summary of General Fund Statement of
Revenues, Expenditures and Changes in Fund Balances**

| | 2019 | 2018 |
|---|----------------|-----------------|
| Total Revenues | \$ 35,440,707 | \$ 36,001,337 |
| Total Expenditures | 33,262,890 | 34,021,256 |
| Excess of Revenues over Expenditures | 2,177,817 | 1,980,081 |
| Total Other Financing Sources (Uses) | (4,292,381) | (15,604,398) |
| Change in Fund Balance | \$ (2,114,564) | \$ (13,624,317) |

Overall, total General Fund revenues in fiscal year 2019 were \$35,440,707, a decrease of \$560,630 compared to fiscal year 2018 amount of \$36,001,337, or 1.6%. Expenditures totaled \$33,262,890 for fiscal year 2019, a decrease of \$758,366 compared to fiscal year 2018 amount of \$34,021,256, or 2.2%.

The Transportation Special Revenue Fund was established to account for the construction and future maintenance of the Village's roadways. County bridge toll revenues are the source of funding for construction of roadways, while the local option gas tax funds maintenance and the transportation surtax funds debt service. In 2019, the Transportation Fund shows a fund balance of \$2,036,456, fully restricted for future transit & transportation projects.

The Capital Improvement Fund historically receives an annual budgeted transfer of surplus funds from the General Fund to pay for capital improvements. Fiscal year 2019 had reflected a positive committed balance of \$2,291,441, which was made up of various projects detailed in the annually adopted Capital Improvement Plan. Most projects customarily span a five-year period while others are revolving. Additional detail regarding these projects is described in the Capital Asset section on the following page.

General Fund Budgetary Highlights

The General Fund had a favorable \$998,784 budget to actual performance, representing additional revenues over expenditures, but before operating transfers out to other funds. Notable highlights were:

Revenues

Chapter 175 & 185 State Premium Tax Rebates were \$540,834 higher because they appear to have been underbudgeted. Interest Income was \$116,174 higher than budgeted as the Village implemented a cash flow management system and re-negotiated with banks to increase investment income.

Expenditures

General governmental expenditures were 2.94% less than expected. Public Works expenditures were 20.96% under original budget and Parks and Recreation were 6.7% under budget mainly due to program reductions.

Capital Assets

As of September 30, 2019, the Village's capital assets, net of accumulated depreciation, amounted to \$98,006,666, compared to \$100,872,483 for the prior year. Major capital asset events during the fiscal year included the following:

- Street Light replacement program (LED)
- Village Green Improvements/Tot Lot Lighting
- Artificial Turf Field-Village Green
- Landscape Master Plan
- Police Vehicles
- Police Server Replacement/911 Dispatch Software
- Police Equipment (Video Management System)
- Police Bulletproof Vests

Additional information on the Village's capital assets can be found in Note 7 on pages 44-45 of this report.

Debt Administration

At September 30, 2019, the Village had bonded debt outstanding of \$22,412,722 (composed of \$17,833,939 in governmental activities and \$4,578,783 of business-type activities) compared to \$26,829,102 as of September 30, 2018.

Additional information on the Village's long-term debt can be found in Note 8 on pages 46-55 of this report.

Economic Factors and Risks

The businesses that exist on the island are generally supportive retail operations or those related to tourism. The Village is not dependent upon tourism for its financial health. The Village's millage rate for fiscal year 2019 and fiscal year 2020 is 3.100 and 3.195, respectively.

The Village of Key Biscayne is located on the island of Key Biscayne and is just east of the City of Miami. Because of its low elevation, it is a greater risk of storm surge from hurricanes and also for rising ocean levels.

The Village's median age is 44.7 years. The median household income is \$134,626 and the median home value is \$1,209,868. The median net worth is \$646,561. The average renter's expense is \$6,936 monthly and the average homeowner's monthly expense is \$32,367 (inclusive of mortgage principal and interest). Nearly three-fourths of the households have college degrees and 92% of all households have some college. Seventy-seven percent (compared to 9% nationally) of the households typically have established wealth, are well-educated and well-traveled, almost always own their own home, are married with children ranging from grade school to college. They expect quality and invest in time-saving services. They actively participate in the community and are active in sports. They tend to be enthusiastic travelers. The remaining twenty-three percent of households is characterized as prosperous married couples that are ambitious and hard-working, with 70% of them owning their own homes. They tend to be more diverse and are financially responsible. They appreciate both quality and bargains. They are active in fitness pursuits.¹

The Village has 5,480 workers, with about 78% of them driving alone to work. The typical travel time to work ranging from 20-35 minutes. Most workers who live in the Village work elsewhere. Ninety-one percent of the workers are white collar and the unemployment rate is 2.6%. Ninety-six percent of the population is white and nearly 67% is of Hispanic origin.

The demographics of the Village will not likely change over the next five years.

The emergence of the COVID-19 pandemic caused business and social disruption to the global economy. The financial impact of this pandemic on the global economy is not readily determinable as of the date of issuance of this CAFR. The extent to which the COVID-19 may financially impact the Village will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the COVID-19 and the actions required to contain it or treat its impact.

Undiversified Tax Base and limits on homestead property growth. The Village's tax base is roughly 95% residential and 5% commercial. This makes the Village exposed to movements in the residential property markets. Further, Florida's Constitution restricts residential homestead assessment growth to 3% per year, or less, on each home that has a homestead exemption. Commercial properties are limited to a maximum 10% annual increase on their assessment and they are not generally provided any exemptions from assessment. The Village is overwhelmingly residential in nature, but is fortunate to have a number of residential units that are not subject to this annual limitation. Further, the value of the homes that are subject to the annual assessment cap is substantial. However, the Village may be exposed to changes in the manner with which annual assessments are valued or the limit to which they may be taxed, or additional homestead exemptions granted by the Legislature.

¹ Esri Tapestry Segmentation, 2019, LifeMode Groups.

Labor Agreements. The Village's bargaining groups continue to request improvements to pay, benefits, and working conditions. Given the increasing cost of personnel, coupled with moderately increasing revenues, the Village will continue to face a structural budget issue whereas the pace of expenses exceeds revenues.

Reliance upon Intergovernmental Revenue. The Village received \$3.1 million in revenue from other governments during fiscal year 2019, or about 8.43% of General Fund total revenues. Since the Village does not directly control the assessment or collection of these revenues, it is exposed to the risk that those revenues will not grow or even be available in future years. The loss of these revenues would likely require the Village to raise more money through higher local taxing efforts. The Village has the capacity to raise its tax rates to more than offset the loss of these other governmental revenues.

Environmental Risks. The Village is located on an island between Biscayne Bay and the Atlantic Ocean and is exposed to significant risks caused by weather, particularly hurricanes. In addition to the potential damage to structures and infrastructure, substantial loss of beach can occur during hurricanes, hurting tourism and reducing property values. The Village is concerned with rising sea levels. Sea levels are increasing, and we are concerned about the impact to our island. Mitigating the impact to sea level rise could have a considerable financial impact on the Village and its property owners. Additionally, demand for property that would be adversely affected by rising sea levels may be reduced, affecting the Village's tax base. The Village is evaluating various resiliency efforts, including undergrounding of utilities, improvements to stormwater systems, and nourishment of its beaches. The cost of these improvements will be tens of millions of dollars, however the Village believes they will be affordable to the property owners over time.

Requests for Information

This financial report is designed to provide a general overview of the Village of Key Biscayne'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 Office of the Village Manager, 88 West McIntyre Street, Key Biscayne, Florida, 33149.

BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAIYNE, FLORIDA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

| | Governmental Activities | Business- type Activities | Total |
|--|----------------------------|---------------------------------|----------------------|
| Assets | | | |
| Cash | \$ 9,462,336 | \$ 712,509 | \$ 10,174,845 |
| Investments | 15,070,265 | -- | 15,070,265 |
| Receivables, net | 1,559,884 | 702,085 | 2,261,969 |
| Prepaid items | 1,061,516 | -- | 1,061,516 |
| Internal balances | 2,473,494 | (2,473,494) | -- |
| Restricted assets: | | | |
| Cash | 1,228,947 | -- | 1,228,947 |
| Investments | 324,493 | 2,084,154 | 2,408,647 |
| Capital assets not being depreciated | 35,009,585 | 1,040,522 | 36,050,107 |
| Capital assets being depreciated, net | <u>55,992,944</u> | <u>5,963,615</u> | <u>61,956,559</u> |
| Total Assets | <u>122,183,464</u> | <u>8,029,391</u> | <u>130,212,855</u> |
| Deferred Outflows of Resources | | | |
| Pension | <u>2,138,032</u> | -- | <u>2,138,032</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 2,977,132 | 114,272 | 3,091,404 |
| Accrued interest payable | 90,487 | -- | 90,487 |
| Deposit | 42,000 | -- | 42,000 |
| Unearned revenue | 996,228 | -- | 996,228 |
| Due to pension fund | 545,012 | -- | 545,012 |
| Noncurrent liabilities: | | | |
| Due within one year | 4,742,058 | -- | 4,742,058 |
| Due in more than one year | 17,011,390 | 4,578,783 | 21,590,173 |
| Net pension liability | 3,011,137 | -- | 3,011,137 |
| Total OPEB liability | <u>680,170</u> | -- | <u>680,170</u> |
| Total Liabilities | <u>30,095,614</u> | <u>4,693,055</u> | <u>34,788,669</u> |
| Deferred Inflows of Resources | | | |
| Pension | 1,853,660 | -- | 1,853,660 |
| OPEB | <u>42,162</u> | -- | <u>42,162</u> |
| Total Deferred Inflows of Resources | <u>1,895,822</u> | -- | <u>1,895,822</u> |
| Net Position | | | |
| Net investment in capital assets | 72,480,963 | 4,509,508 | 76,990,471 |
| Restricted: | | | |
| Building and zoning | 221,505 | -- | 221,505 |
| Transportation | 1,053,098 | -- | 1,053,098 |
| Law enforcement | 317,125 | -- | 317,125 |
| Fire rescue | 331,238 | -- | 331,238 |
| Open space land trust | 6,716,358 | -- | 6,716,358 |
| Unrestricted | <u>11,209,773</u> | <u>(1,173,172)</u> | <u>10,036,601</u> |
| Total Net Position | <u>\$ 92,330,060</u> | <u>\$ 3,336,336</u> | <u>\$ 95,666,396</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAIYNE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| Functions/Programs | Expenses | Charges for Services | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | Total |
|--|----------------------|----------------------------|--|--|--|---------------------------------|----------------------|
| | | | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- type Activities | |
| Governmental Activities | | | | | | | |
| General government | \$ 5,343,922 | \$ 224,750 | \$ -- | \$ -- | \$ (5,119,172) | \$ -- | \$ (5,119,172) |
| Police | 9,273,109 | 21,559 | -- | -- | (9,251,550) | -- | (9,251,550) |
| Fire | 9,922,713 | 161,450 | -- | -- | (9,761,263) | -- | (9,761,263) |
| Public works | 3,358,261 | -- | -- | 475,058 | (2,883,203) | -- | (2,883,203) |
| Building, zoning and planning | 2,467,478 | 1,639,820 | -- | -- | (827,658) | -- | (827,658) |
| Parks and recreation | 6,202,034 | 2,766,189 | 62,174 | -- | (3,373,671) | -- | (3,373,671) |
| Interest on long-term debt | 658,587 | -- | -- | -- | (658,587) | -- | (658,587) |
| Total Governmental Activities | <u>37,226,104</u> | <u>4,813,768</u> | <u>62,174</u> | <u>475,058</u> | <u>(31,875,104)</u> | <u>--</u> | <u>(31,875,104)</u> |
| Business-type Activities | | | | | | | |
| Stormwater | 856,653 | 934,959 | -- | -- | -- | 78,306 | 78,306 |
| Solid waste | 779,508 | 823,157 | -- | -- | -- | 43,649 | 43,649 |
| Total Business-type Activities | <u>1,636,161</u> | <u>1,758,116</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>121,955</u> | <u>121,955</u> |
| Total | <u>\$ 38,862,265</u> | <u>\$ 6,571,884</u> | <u>\$ 62,174</u> | <u>\$ 475,058</u> | <u>(31,875,104)</u> | <u>121,955</u> | <u>(31,753,149)</u> |
| General Revenues | | | | | | | |
| Property taxes | | | | | 25,400,645 | -- | 25,400,645 |
| Franchise fees based on gross receipts | | | | | 192,753 | -- | 192,753 |
| Utility taxes | | | | | 2,128,389 | -- | 2,128,389 |
| Communications services tax | | | | | 681,648 | -- | 681,648 |
| Unrestricted intergovernmental revenue | | | | | 2,667,562 | -- | 2,667,562 |
| Unrestricted investment earnings | | | | | 146,404 | 22,584 | 168,988 |
| Miscellaneous | | | | | 257,811 | -- | 257,811 |
| Total General Revenues | | | | | <u>31,475,212</u> | <u>22,584</u> | <u>31,497,796</u> |
| Change in Net Position | | | | | (399,892) | 144,539 | (255,353) |
| Net Position - Beginning | | | | | <u>92,729,952</u> | <u>3,191,797</u> | <u>95,921,749</u> |
| Net Position - Ending | | | | | <u>\$ 92,330,060</u> | <u>\$ 3,336,336</u> | <u>\$ 95,666,396</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAWAYNE, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2019

| | General | Transportation Special Revenue | PROS Land Trust Special Revenue | Capital Improvements | Total Governmental Funds |
|--|----------------------|--------------------------------------|---------------------------------------|-------------------------|--------------------------------|
| Assets | | | | | |
| Cash | \$ 5,001,671 | \$ -- | \$ 1,569,704 | \$ 2,890,961 | \$ 9,462,336 |
| Investments | 15,070,265 | -- | -- | -- | 15,070,265 |
| Receivables, net | 1,559,884 | -- | -- | -- | 1,559,884 |
| Due from other funds | 2,707,735 | 1,101,985 | 5,895,458 | -- | 9,705,178 |
| Prepaid items | 1,289,433 | 52,083 | -- | -- | 1,341,516 |
| Restricted cash | 255,628 | 972,332 | -- | 987 | 1,228,947 |
| Restricted investments | 324,493 | -- | -- | -- | 324,493 |
| Total Assets | \$ 26,209,109 | \$ 2,126,400 | \$ 7,465,162 | \$ 2,891,948 | \$ 38,692,619 |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | \$ 2,517,588 | \$ 87,344 | \$ -- | \$ 372,200 | \$ 2,977,132 |
| Due to other funds | 7,000,777 | 2,600 | -- | 228,307 | 7,231,684 |
| Due to pension fund | 545,012 | -- | -- | -- | 545,012 |
| Deposit | 42,000 | -- | -- | -- | 42,000 |
| Unearned revenue | 996,228 | -- | -- | -- | 996,228 |
| Total Liabilities | 11,101,605 | 89,944 | -- | 600,507 | 11,792,056 |
| Fund Balances (Note 9) | | | | | |
| Non-spendable | 1,289,443 | -- | -- | -- | 1,289,443 |
| Restricted | 869,868 | 1,053,098 | 6,716,358 | -- | 8,639,324 |
| Committed | 4,000,000 | -- | 748,804 | 2,291,441 | 7,040,245 |
| Assigned | 8,948,193 | 983,358 | -- | -- | 9,931,551 |
| Total Fund Balances | 15,107,504 | 2,036,456 | 7,465,162 | 2,291,441 | 26,900,563 |
| Total Liabilities and Fund Balances | \$ 26,209,109 | \$ 2,126,400 | \$ 7,465,162 | \$ 2,891,948 | |

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

| | |
|--|--------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 91,002,529 |
| Prepaid debt service in general fund not considered a prepaid asset for governmental activities | (280,000) |
| Deferred outflows of resources related to pensions are recorded in the statement of net position | 2,138,032 |
| Deferred inflows of resources related to pensions are recorded in the statement of net position | (1,853,660) |
| Deferred inflows of resources related to other post-employment benefits (OPEB) | (42,162) |
| Long-term liabilities, including bonds and notes payable and accrued interest payable are not due and payable in the current period and therefore not reported in the funds (Note 2) | (21,843,935) |
| The total other post-employment benefits liability not due and payable in the current period and therefore not reported in the funds | (680,170) |
| The net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds | <u>(3,011,137)</u> |

Net Position of Governmental Activities **\$ 92,330,060**

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

| | General | Transportation Special Revenue | PROS Land Trust Special Revenue | Capital Improvements | Total Governmental Funds |
|--|----------------------|--------------------------------------|---------------------------------------|-------------------------|--------------------------------|
| Revenues | | | | | |
| Property taxes | \$ 25,146,639 | \$ -- | \$ 254,006 | \$ -- | \$25,400,645 |
| Utility taxes | 2,128,389 | -- | -- | -- | 2,128,389 |
| Communications services tax | 681,648 | -- | -- | -- | 681,648 |
| Franchise fees | 192,753 | -- | -- | -- | 192,753 |
| Licenses and permits | 1,658,676 | -- | -- | -- | 1,658,676 |
| Intergovernmental | 2,006,651 | 1,131,269 | -- | -- | 3,137,920 |
| Charges for services | 3,155,092 | -- | -- | -- | 3,155,092 |
| Interest | 146,174 | 230 | -- | -- | 146,404 |
| Grants | 62,174 | -- | -- | -- | 62,174 |
| Contributions | 4,700 | -- | -- | -- | 4,700 |
| Miscellaneous revenue and other | 257,811 | -- | -- | -- | 257,811 |
| Total Revenues | <u>35,440,707</u> | <u>1,131,499</u> | <u>254,006</u> | <u>--</u> | <u>36,826,212</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General government | 3,469,253 | 320,461 | -- | -- | 3,789,714 |
| Fire | 8,203,230 | -- | -- | -- | 8,203,230 |
| Police | 7,656,656 | -- | -- | -- | 7,656,656 |
| Public works | 2,093,899 | -- | -- | -- | 2,093,899 |
| Building, zoning and planning | 2,446,847 | -- | -- | -- | 2,446,847 |
| Parks and recreation | 5,071,347 | -- | 3,500 | -- | 5,074,847 |
| Capital outlay | 62,541 | -- | -- | 2,000,940 | 2,063,481 |
| Debt service: | | | | | |
| Principal | 3,666,599 | 517,134 | -- | -- | 4,183,733 |
| Interest and fiscal charges | 592,518 | 88,889 | -- | -- | 681,407 |
| Total Expenditures | <u>33,262,890</u> | <u>926,484</u> | <u>3,500</u> | <u>2,000,940</u> | <u>36,193,814</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,177,817</u> | <u>205,015</u> | <u>250,506</u> | <u>(2,000,940)</u> | <u>632,398</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | -- | -- | -- | 4,292,381 | 4,292,381 |
| Transfers out | (4,292,381) | -- | -- | -- | (4,292,381) |
| Total Other Financing Sources (Uses) | <u>(4,292,381)</u> | <u>--</u> | <u>--</u> | <u>4,292,381</u> | <u>--</u> |
| Change in Fund Balances | (2,114,564) | 205,015 | 250,506 | 2,291,441 | 632,398 |
| Fund Balances - Beginning | <u>17,222,068</u> | <u>1,831,441</u> | <u>7,214,656</u> | <u>--</u> | <u>26,268,165</u> |
| Fund Balances - Ending | <u>\$ 15,107,504</u> | <u>\$ 2,036,456</u> | <u>\$7,465,162</u> | <u>\$ 2,291,441</u> | <u>\$26,900,563</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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

| | | |
|--|----|---------|
| Change in fund balances - total governmental funds | \$ | 632,398 |
|--|----|---------|

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

The details of the difference are as follows:

| | | |
|----------------------|--------------------|-------------|
| Cost of assets | \$ 1,788,350 | |
| Depreciation expense | <u>(4,343,495)</u> | (2,555,145) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

The detail of the differences are as follows:

| | | |
|---------------------------------|----------------|-----------|
| Debt payments and related items | 3,688,865 | |
| Capital lease payments | <u>494,868</u> | 4,183,733 |

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

The details of the difference is:

| | | |
|-----------------------|---------------|-------------|
| Compensated absences | (63,469) | |
| Accrued interest | 22,820 | |
| Total OPEB liability | (72,804) | |
| Net pension liability | (1,358,202) | |
| Other | <u>11,894</u> | (1,459,761) |

| | |
|---|--------------------|
| Changes in the Village's pension deferred outflows and pension deferred inflows for the current year are not reported in the governmental funds but are reported in the statement of activities | <u>(1,158,955)</u> |
|---|--------------------|

| | |
|---|-----------------|
| Changes in the Village's OPEB deferred outflows and OPEB deferred inflows for the current year are not reported in the governmental funds but are reported in the statement of activities | <u>(42,162)</u> |
|---|-----------------|

| | |
|---|---------------------|
| Change in net position of governmental activities | <u>\$ (399,892)</u> |
|---|---------------------|

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

SEPTEMBER 30, 2019

| | <u>Business-type Activities -</u> <u>Enterprise Funds</u> | | |
|--|--|-------------------|---------------------|
| | Stormwater | | |
| | Utility System | Solid Waste | Totals |
| Assets | | | |
| Current Assets | | | |
| Cash | \$ 643,910 | \$ 68,599 | \$ 712,509 |
| Accounts receivables, net | 236,938 | 465,147 | 702,085 |
| Restricted investments | 2,084,154 | -- | 2,084,154 |
| Due from other funds | <u>3,269</u> | <u>65</u> | <u>3,334</u> |
| Total Current Assets | <u>2,968,271</u> | <u>533,811</u> | <u>3,502,082</u> |
| Noncurrent Assets | | | |
| Capital assets being depreciated, net | 5,963,615 | -- | 5,963,615 |
| Construction in Progress | <u>1,040,522</u> | <u>--</u> | <u>1,040,522</u> |
| Total Noncurrent Assets | <u>7,004,137</u> | <u>--</u> | <u>7,004,137</u> |
| Total Assets | <u>9,972,408</u> | <u>533,811</u> | <u>10,506,219</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 50,347 | 63,925 | 114,272 |
| Due to other funds | <u>2,235,006</u> | <u>241,822</u> | <u>2,476,828</u> |
| Total Current Liabilities | <u>2,285,353</u> | <u>305,747</u> | <u>2,591,100</u> |
| Noncurrent Liabilities | | | |
| Revenue bonds payable | <u>4,578,783</u> | <u>--</u> | <u>4,578,783</u> |
| Total Noncurrent Liabilities | <u>4,578,783</u> | <u>--</u> | <u>4,578,783</u> |
| Total Liabilities | <u>6,864,136</u> | <u>305,747</u> | <u>7,169,883</u> |
| Net Position | | | |
| Net investment in capital assets | 4,509,508 | -- | 4,509,508 |
| Unrestricted | <u>(1,401,236)</u> | <u>228,064</u> | <u>(1,173,172)</u> |
| Total Net Position | <u>\$ 3,108,272</u> | <u>\$ 228,064</u> | <u>\$ 3,336,336</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|--|--|------------------|---------------------|
| | Stormwater Utility System | Solid Waste | Totals |
| Operating Revenues | | | |
| Charges for services | \$ 934,959 | \$823,157 | \$ 1,758,116 |
| Operating Expenses | | | |
| General and administrative | 407,733 | 779,508 | 1,187,241 |
| Depreciation | <u>332,245</u> | <u> --</u> | <u>332,245</u> |
| Total Operating Expenses | <u>739,978</u> | <u>779,508</u> | <u>1,519,486</u> |
| Operating Income | <u>194,981</u> | <u>43,649</u> | <u>238,630</u> |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | 22,584 | -- | 22,584 |
| Interest expense | <u>(116,675)</u> | <u> --</u> | <u>(116,675)</u> |
| Total Non-Operating Expenses | <u>(94,091)</u> | <u> --</u> | <u>(94,091)</u> |
| Change in Net Position | 100,890 | 43,649 | 144,539 |
| Net Position- Beginning | <u>3,007,382</u> | <u>184,415</u> | <u>3,191,797</u> |
| Net Position - Ending | <u>\$3,108,272</u> | <u>\$228,064</u> | <u>\$ 3,336,336</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Business-type Activities - Enterprise Funds</u> | | |
|---|--|--------------------|--------------------|
| | Stormwater Utility System | Solid Waste | Totals |
| | System | Solid Waste | Totals |
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 952,477 | \$ 553,872 | \$ 1,506,349 |
| Receipts for interfund services | 766,925 | -- | 766,925 |
| Payments to suppliers | <u>(723,996)</u> | <u>(646,874)</u> | <u>(1,370,870)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>995,406</u> | <u>(93,002)</u> | <u>902,404</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Payments for construction of capital assets | (21,573) | -- | (21,573) |
| Interest and fees paid on long term debt | <u>(116,675)</u> | <u>--</u> | <u>(116,675)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(855,819)</u> | <u>--</u> | <u>(855,819)</u> |
| Cash Flows from Investing Activities | | | |
| Purchase of investments | (22,584) | -- | (22,584) |
| Interest received | <u>22,584</u> | <u>--</u> | <u>22,584</u> |
| Net Cash Provided by Investing Activities | <u>--</u> | <u>--</u> | <u>--</u> |
| Net Increase (Decrease) in Cash | 139,587 | (93,002) | 46,585 |
| Cash - Beginning | <u>504,323</u> | <u>161,601</u> | <u>665,924</u> |
| Cash - Ending | <u>\$ 643,910</u> | <u>\$ 68,599</u> | <u>\$ 712,509</u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | | | |
| Operating income | \$ 194,981 | \$ 43,649 | \$ 238,630 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Depreciation | 332,245 | -- | 332,245 |
| Provision for doubtful accounts | -- | 7,385 | 7,385 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in: | | | |
| Accounts receivable, net | 20,787 | (62,209) | (41,422) |
| Prepaid expenses | -- | 61,324 | 61,324 |
| Due from other funds | (3,269) | (65) | (3,334) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued liabilities | (316,263) | 63,925 | (252,338) |
| Due to other funds | <u>766,925</u> | <u>(207,011)</u> | <u>559,914</u> |
| Total adjustments | <u>800,425</u> | <u>(136,651)</u> | <u>663,774</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 995,406</u> | <u>\$ (93,002)</u> | <u>\$ 902,404</u> |

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND**

SEPTEMBER 30, 2019

Assets

Cash \$ 147,202

Investments

| | |
|---|---------------|
| Money market funds | 3,894,492 |
| Mutual funds | 33,485,201 |
| Real Estate Open-End Fund | 1,988,145 |
| Mutual funds held in the Share Plan | 1,035,502 |
| Mutual funds held in the DROP | 1,985,592 |
| Guaranteed interest fund held in the DROP | 70,182 |
| Guaranteed interest fund held in the Share Plan | <u>68,883</u> |

Total Investments 42,527,997

Receivables

| | |
|----------------------------------|----------------|
| State supplemental appropriation | <u>536,767</u> |
|----------------------------------|----------------|

Total Assets 43,211,966

Deferred Inflows of Resources

| | |
|------------------------------------|----------------|
| Advance contribution from employer | <u>520,921</u> |
|------------------------------------|----------------|

Net Position Restricted for Pension Benefits \$ 42,691,045

The accompanying notes are an integral part of these financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

Additions

Contributions

| | |
|---------------------------|------------------|
| Plan members | \$ 621,376 |
| Village (including State) | <u>1,340,518</u> |

Total Contributions

1,961,894

Investment Income

| | |
|--|-----------------|
| Net appreciation in the fair value of investments | 488,511 |
| Net appreciation in the fair value of investments (Share and DROP) | 39,350 |
| Interest and dividends | <u>192,853</u> |
| | 720,714 |
| Less: investment expenses | <u>(71,700)</u> |

Net Investment Income

649,014

Total Additions

2,610,908

Deductions

| | |
|--------------------------|----------------|
| Benefits paid | 1,035,283 |
| DROP distributions | 54,228 |
| Share Plan distributions | 135,310 |
| Administrative expenses | <u>102,921</u> |

Total Deductions

1,327,742

Change in Net Position

1,283,166

Net Position Restricted for Pension Benefits

| | |
|-------------------|----------------------|
| Beginning of year | <u>41,407,879</u> |
| End of year | <u>\$ 42,691,045</u> |

The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Key Biscayne, Florida (the Village), located in Miami-Dade County, is a political subdivision of the State of Florida. The Village, which was incorporated in 1991, operates under a Council-Manager form of government. In addition to the general government function, the Village provides its residents with public works, public safety (police and fire), parks and recreation, building, zoning and planning functions, sanitation and stormwater management. The Village does not provide educational or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

A. FINANCIAL REPORTING ENTITY

The financial statements were prepared in accordance with GASB Statements related to *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 or has operational responsibility. Based upon the application of these criteria, there were no organizations that met the criteria described above.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 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.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Property taxes, franchise fees and other 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. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

The *Transportation Special Revenue Fund* accounts for the revenues received from the transportation surtax and expenditures restricted for related transportation costs.

The *Parks and Recreational Open Space (PROS) Land Trust Special Revenue Fund* accounts for the acquisition of parks and recreational lands.

The *Capital Improvement Fund* accounts for the acquisition or construction of various major capital projects.

The Village reports the following major proprietary funds in the basic financial statements:

The *Stormwater Utility System Fund* accounts for the construction and maintenance of the Village's stormwater system.

The *Solid Waste Fund* accounts for the provision of solid waste disposal services to Village residents and businesses.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Additionally, the Village reports the following fiduciary fund types:

The *Pension Trust Fund* is used to account for the Village's single-employer defined benefit pension plan covering substantially all of its police officers and firefighters.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's various utility functions and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Effective October 1, 2018, the Village implemented the following GASB Pronouncement:

GASB Statement No. 83, *Certain Asset Retirement Obligations* (ARO) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred for ARO for which there is legally enforceable liability associated with the retirement of a capital asset. This statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. As of September 30, 2019, the Village has no ownership in capital assets that fit the description of capital assets for which there were legally enforceable liabilities associated with the retirement of those assets, therefore this pronouncement had no impact as a result of implementing this standard.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY

1. Deposits and Investments

The Village's cash includes cash on hand; the certificates of deposit are included in investments. Substantially all other investments, including pension investments, are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Money market funds and the Village's repurchase agreement are reported at amortized cost.

The Village's and pension plan's investments are governed by their respective investment policies.

2. Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

3. Receivables

Receivables include amounts due from other governments and others for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances, if any, for uncollectible receivables are based upon historical trends and the periodic aging of receivables.

4. Capital Assets

Capital assets, which include property, plant and equipment, intangible and infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Tangible and intangible capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 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 acquisition value at the date of donation. All infrastructure assets have been capitalized since inception of the Village.

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 projects are constructed.

Intangible assets consist of computer software, which was capitalized as an asset in prior years, and right of ways. The Village elected not to retroactively report all intangible assets.

The Village records impairment losses on long-lived assets used in operations when events and circumstances indicate the assets might be impaired. No impairment losses have been recorded.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

4. Capital Assets (continued)

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 25-50 |
| Improvements other than buildings | 10-50 |
| Furniture, fixtures and equipment | 10 |
| Stormwater utility system | 50 |
| Sanitary sewer system | 19 |

5. Unearned/Unavailable Revenue

Unavailable revenue is recorded for governmental fund revenues that are not both measurable and available. The Village does not have any unavailable revenue in the year. In addition, inflows that do not yet meet the criteria for revenue recognition, such as community center membership dues collected in advance, are recorded as unearned revenue in the government-wide and the fund financial statements. Business tax receipts collected in advance are classified as an unearned revenue in the government-wide and fund level financial statements.

6. Compensated Absences

It is the Village’s policy to permit employees to accumulate within certain limits, earned but unused vacation time and sick leave, which will be paid to employees upon separation from Village service. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations that occurred prior to fiscal year end and were subsequently paid with current available financial resources. The general fund typically is used to liquidate the liability for compensated absences.

VILLAGE OF KEY BISCAWAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures as incurred.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports within its government-wide statement of net position, deferred outflows related to the Village of Key Biscayne Police Officers and Firefighters Retirement Plan as a result of the net pension liability associated with the Plan measured as of September 30, 2018.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

8. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Within the government-wide statement of net position the Village reports as deferred inflows amounts representing the net difference between expected and actual results, changes in assumptions and projected and actual earnings of the Village of Key Biscayne Police Officers and Firefighters Retirement Plan and the Village's Other Post Employment Benefits (OPEB). The amounts will be amortized over a five year closed period beginning in the year in which the difference occurred or over the remaining service lives of all employees, as applicable.

9. Fund Equity

The Village follows accounting standards for fund balance reporting and governmental fund type definitions which establish criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Village's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned. The Village reports the following classifications:

Nonspendable fund balance. Nonspendable fund balances are amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance. Restricted fund balances are amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

9. Fund Equity (continued)

Committed fund balance. These amounts can only be used for the specific purposes determined by a formal action (Ordinance or Resolution, which are both equally binding) of the Village Council, the Village's highest level of decision making authority. Commitments may be changed or removed only by the Village Council taking the same formal action (Ordinance/Resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is established by the Village Manager to which the Council has delegated the authority to assign, modify or rescind amounts to be used for specific purposes. There is no formal policy which has been established by Council delegating this authority. This balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund are assigned for the purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Village itself.

Unassigned fund balance. The Village, based on its charter, is not permitted to have unassigned/unreserved fund balance in the general fund. See Note 9 for the detail of the amounts included in the various fund balance classifications.

10. Net Position

Net position of the government-wide and proprietary funds are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets, is that portion of net position that relates to the Village's capital assets reduced by accumulated depreciation and by any outstanding debt and deferred inflows/outflows incurred to acquire, construct or improve those assets, and also reduced by unexpended proceeds. Restricted net position is that portion of net position that has been restricted

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (CONTINUED)

10. Net Position (continued)

for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of all net position that does not meet the definition of either of the other two components.

11. 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 reported amounts of assets, liabilities and deferred inflows/outflows and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

12. Flow Assumptions

Net Position Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed and assigned fund balance). In order to calculate the amounts to report as restricted, committed and assigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. The detail of this \$21,843,935 difference, excluding the net pension liability and total OPEB liability which are separately disclosed, is as follows:

| | |
|--------------------------|----------------------|
| Bonds payable | \$ 17,833,939 |
| Capital leases payable | 944,242 |
| Compensated absences | 2,975,267 |
| Accrued interest payable | <u>90,487</u> |
| | <u>\$ 21,843,935</u> |

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized.

The Village invests in certificates of deposit. The certificates bear an interest rate ranging from 0.15% to 1.26% and with maturities ranging from 12 months to 24 months totaling \$9,935,327 which are presented as investments in the accompanying financial statements.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS

The Village’s investment policy follows the requirements of Florida Statutes Chapter 218.415, and attempts to promote, in order of priority, safety of principal, adequate liquidity, and maximization of total return. The Village’s investment policy authorizes investments in direct obligations of the U.S. Government, its agencies or instrumentalities. The Village is also authorized to invest in SEC registered money market mutual funds, insured or fully collateralized deposits, repurchase agreements secured by direct obligations of the U.S. Government, and authorized intergovernmental investment pools. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed. The Village maintains a separate investment policy for its pension plan.

INVESTMENTS – VILLAGE

As of September 30, 2019, the Village had the following fixed income investments measured at amortized cost, with the corresponding maturities in its portfolio:

| Investments | Investment Maturities (In Years) | |
|-----------------------|-------------------------------------|---------------------|
| | Value | 1-5 |
| Repurchase Agreements | <u>\$ 7,521,001</u> | <u>\$ 7,521,001</u> |

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Village’s investment policy limits the maturities on fixed income holdings in the general and special revenue funds to two years and capital projects funds shall not exceed the lesser of the anticipated expenditures schedule for five years.

Credit Risk

State law and the Village’s investment policy limits investments in bonds, U.S. treasuries and agency obligations, or other evidences of indebtedness to the top ratings issued by nationally recognized statistical rating organizations of the United States. The Village is currently not invested in any of these types of investments.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – VILLAGE (CONTINUED)

Custodial Credit Risk

For an investment, custodial credit risk 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 investments or collateral securities that are in the possession of an outside party. The Village’s \$7.5 million investment (approximately) in repurchase agreements is held by the investment’s counterparty, not in the name of the Village. The Village’s investment policy does not have a limit on holding of securities by counterparties.

INVESTMENTS – PENSION PLAN

For the Village of Key Biscayne Police Officers and Firefighters Retirement Plan, Florida statutes and the Plan’s investment policy authorize the Trustees to invest funds in various investments. A Master Custodian Agreement is maintained whereby the investment securities are held in the Plan’s name by a financial institution acting as the Plan’s agent. The current target allocation of these investments are as follows:

| Authorized Investments | Target % | Allowable Range |
|---------------------------|---------------|-----------------|
| Large-cap | 45.0% | 35% - 55% |
| Mid-cap | 10.0% | 5% - 15% |
| Small-cap | 5.0% | 0% - 10% |
| International equity | 15.0% | 5% - 25% |
| Private real estate | 5.0% | 2% - 8% |
| Fixed income bonds | 10.0% | 7% - 15% |
| Cash and cash equivalents | <u>10.0%</u> | 7% - 15% |
| Total | <u>100.0%</u> | |

As of September 30, 2019, the Village’s Pension Plan had the following fixed income investments with the corresponding maturities in its portfolio:

| Investments | Investment Maturities (In Years) | | | | |
|-------------------|----------------------------------|--------------|---------------------|---------------------|--------------|
| | Fair Value | Less Than 1 | 1-5 | 6-10 | 10+ |
| Bond Mutual Funds | <u>\$ 4,034,473</u> | <u>\$ --</u> | <u>\$ 2,540,460</u> | <u>\$ 1,494,013</u> | <u>\$ --</u> |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS – PENSION PLAN (CONTINUED)

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

Credit Risk

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy limits fixed income securities to a rating no lower than Standard & Poor's BBB or Moody's BAA (high yield and foreign bonds are exempt).

The Plan's fixed income securities which are subject to a rating, were all rated "BBB" or better under Standard & Poor's ratings.

Concentration of Credit Risk

The Plan's investment policy prohibits equity and fixed income securities concentrations greater than 5% and 10%, respectively, in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2019, the value of each position held in the Plan's portfolio comprised less than 5% of fiduciary net position.

RISKS AND UNCERTAINTIES

The Village and the Plan invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. The Village and the Plan, through its investment advisor, monitors the investments and the risks associated therewith on a regular basis which the Village and the Plan believes minimizes these risks.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 - Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments.

Level 1 and Level 2 prices are obtained from various pricing sources by the Plan's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. This includes common stock, foreign stock, and mutual fund equities.

The Plan invests in a core real estate fund, which hold a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies, which include pricing models, discounted cash flow models, market appraisals, and similar techniques.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

The following is a summary of the fair value hierarchy of the Plan investments as of September 30, 2019:

| | Fair Value Measurements Using | | | |
|---|-------------------------------|---|---|--|
| | 9/30/2019 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| International mutual fund | \$ 5,135,400 | \$ 5,135,400 | \$ -- | \$ -- |
| Fixed income mutual funds | 4,034,473 | 4,034,473 | -- | -- |
| Mutual fund equities | 24,315,328 | 24,315,328 | -- | -- |
| Mutual funds (DROP) | 1,985,592 | 1,985,592 | -- | -- |
| Mutual funds (Share) | <u>1,035,502</u> | <u>1,035,502</u> | -- | -- |
| Total Investments at Fair Value | <u>36,506,295</u> | <u>\$ 36,506,295</u> | <u>\$ --</u> | <u>\$ --</u> |
| Investment Measured at Net Asset Value (NAV) | | | | |
| Real estate open-end fund | <u>1,988,145</u> | | | |
| Total investments measured at NAV | <u>1,988,145</u> | | | |
| Money market funds (exempt) | 3,894,492 | | | |
| Guaranteed interest fund (exempt) | <u>139,065</u> | | | |
| Total Investments | <u>\$ 42,527,997</u> | | | |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

| Investment Measured at NAV | Fair Value | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|--|---------------|-------------------------|--|--------------------------------|
| Real estate open-end fund ⁽¹⁾ | \$ 1,988,145 | \$ -- | Quarterly | 1 day |

⁽¹⁾ *Real Estate Open-End Fund. The Fund is an open-end, commingled real estate fund established as a means for the collective investment in real estate properties and loans by funds of retirement, pension, profit sharing, and other organizations that are exempt from federal income taxes.*

GUARANTEED INTEREST FUND

In 2019, the Village’s Deferred Retirement Option Program (See Note 11) and the Village of Key Biscayne Firefighters’ Share Plan elected to offer a Guaranteed Interest Fund (GIF) to each respective Plan’s participants managed by Great-West Life & Annuity Insurance Company (Great-West). The contract value of each respective Plan’s assets in the GIF in respect of the participant accounts is determined as the value of the sum of contributions and deposits by and on behalf of participants allocated to the GIF plus interest credited to the Plan’s assets less the sum of any amounts distributed and transferred from the GIF, as well as charges and fees and applicable taxes, if any. The value of the GIF in the Deferred Retirement Option Program and the Village of Key Biscayne Firefighters’ Share Plan as of September 30, 2019 was \$70,182 and \$68,883, respectively.

The GIF is a general account product. The methodology for calculating the interest crediting rate is based on the earnings of the underlying assets in the entire medium-long term new portfolio compared to the minimum interest crediting rate, as stated in the contract, and prevailing market conditions. Interest crediting rate is reset quarterly. The average yield earned by the plan for the benefit responsive fund can be derived by averaging the quarterly gross interest rates for the fund over the year. The average for 2019 was 1.45%. The actual average yield earned by the plan for this benefit responsive fund for 2019 was 1.45%.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

GUARANTEED INTEREST FUND (CONTINUED)

Certain events limit the fund’s ability to transact at contract value, including premature termination of the contracts by the plan, plant closings, layoffs, plan termination, bankruptcy, mergers, and early retirement incentives. No such events existed during the year. The contracts allows each respective Plan to terminate the contract if the Plan Sponsor notifies Great-West in writing of its contract termination option at least 60 calendar days before the contract termination date.

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2019 for the Village’s individual major funds, non-major funds and fiduciary fund in the aggregate, including the allowances for uncollectible accounts, are as follows:

| | General | Storm- water | Solid Waste | Pension Trust Fund | Total |
|---------------------------------------|---------------------------|-------------------------|--------------------------|--------------------------|----------------------------|
| Customers billed | \$ -- | \$ -- | \$ 517,911 | \$ -- | \$ 517,911 |
| Contributions | -- | -- | -- | 536,767 | 536,767 |
| Intergovernmental | <u>1,559,884</u> | <u>236,938</u> | <u>--</u> | <u>--</u> | <u>1,796,822</u> |
| Gross receivables | 1,559,884 | 236,938 | 517,911 | 536,767 | 2,851,500 |
| Less: Allowance for uncollectibles | <u>--</u> | <u>--</u> | <u>(52,764)</u> | <u>--</u> | <u>(52,764)</u> |
| Net Total Receivables | <u>\$1,559,884</u> | <u>\$236,938</u> | <u>\$ 465,147</u> | <u>\$ 536,767</u> | <u>\$ 2,798,736</u> |

NOTE 5 – PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Village is certified by the Property Appraiser and the Village levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1. The millage rate assessed by the Village for the fiscal year ended September 30, 2019 was 3.10.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 5 – PROPERTY TAXES (CONTINUED)

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Village for its share of those receipts. At September 30, 2019, there were no material delinquent taxes.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2019 is as follows:

| Receivable Fund | Payable Fund | | | | | |
|-----------------|---------------------|-----------------|----------------------|---------------------|-------------------|---------------------|
| | General | Transportation | Capital Improvements | Stormwater | Solid Waste | Total |
| General | \$ -- | \$ 2,600 | \$ 228,307 | \$ 2,235,006 | \$ 241,822 | \$ 2,707,735 |
| Transportation | 1,101,985 | -- | -- | -- | -- | 1,101,985 |
| PROS Land Trust | 5,895,458 | -- | -- | -- | -- | 5,895,458 |
| Stormwater | 3,269 | -- | -- | -- | -- | 3,269 |
| Solid Waste | 65 | -- | -- | -- | -- | 65 |
| Total | <u>\$ 7,000,777</u> | <u>\$ 2,600</u> | <u>\$ 228,307</u> | <u>\$ 2,235,006</u> | <u>\$ 241,822</u> | <u>\$ 9,708,512</u> |

The outstanding balances between funds result mainly from the time lag 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:

| Transfers Out | Transfer In | Amount |
|---------------|----------------------|---------------------|
| General Fund | Capital Improvements | <u>\$ 4,292,381</u> |

Transfers are used to move unrestricted general fund revenues to finance various capital projects in accordance with budgetary authorizations.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2019 was as follows:

| | Beginning Balance | Increases and Transfers | Decreases and Transfers | Ending Balance |
|---|----------------------|----------------------------|----------------------------|----------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 23,941,979 | \$ -- | \$ -- | \$ 23,941,979 |
| Construction in progress | 12,670,911 | 472,194 | (2,075,499) | 11,067,606 |
| Total Capital Assets, Not Being Depreciated | 36,612,890 | 472,194 | (2,075,499) | 35,009,585 |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 26,135,888 | -- | (71,276) | 26,064,612 |
| Improvements other than buildings | 36,741,662 | 2,554,626 | -- | 39,296,288 |
| Furniture, fixtures and equipment | 13,525,814 | 950,789 | (663,659) | 13,812,944 |
| Sanitary Sewer system | 18,808,259 | -- | -- | 18,808,259 |
| Total Capital Assets, Being Depreciated | 95,211,623 | 3,505,415 | (734,935) | 97,982,103 |
| Less: Accumulated Depreciation for | | | | |
| Buildings | (7,980,882) | (527,594) | -- | (8,508,476) |
| Improvements other than buildings | (13,281,728) | (1,693,283) | -- | (14,975,011) |
| Furniture, fixtures and equipment | (10,074,870) | (1,132,710) | 621,175 | (10,586,405) |
| Sanitary Sewer system | (6,929,359) | (989,908) | -- | (7,919,267) |
| Total Accumulated Depreciation | (38,266,839) | (4,343,495) | 621,175 | (41,989,159) |
| Total Capital Assets, Being Depreciated, Net | 56,944,784 | (838,080) | (113,760) | 55,992,944 |
| Governmental Activities Capital Assets, Net | \$ 93,557,674 | \$ (365,886) | \$ (2,189,259) | \$ 91,002,529 |
| <u>Business-type Activities</u> | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Construction in progress | \$ 1,018,949 | \$ 21,573 | \$ -- | \$ 1,040,522 |
| Total Capital Assets, Not Being Depreciated | 1,018,949 | 21,573 | -- | 1,040,522 |
| Capital Assets, Being Depreciated | | | | |
| Stormwater utility system | 12,473,447 | -- | -- | 12,473,447 |
| Total Capital Assets, Being Depreciated | 12,473,447 | -- | -- | 12,473,447 |
| Less: Accumulated Depreciation for | | | | |
| Stormwater utility system | (6,177,587) | (332,245) | -- | (6,509,832) |
| Total Accumulated Depreciation | (6,177,587) | (332,245) | -- | (6,509,832) |
| Total Capital Assets, Being Depreciated, Net | 6,295,860 | (332,245) | -- | 5,963,615 |
| Business-type Activities Capital Assets, Net | \$ 7,314,809 | \$ (310,672) | \$ -- | \$ 7,004,137 |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 7 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

| | |
|-------------------------------|------------------|
| General government | \$ 1,112,536 |
| Police | 458,474 |
| Fire | 360,305 |
| Public works | 1,264,362 |
| Building, zoning and planning | 20,631 |
| Parks and recreation | <u>1,127,187</u> |

Total Depreciation Expense - Governmental Activities \$ 4,343,495

Business-type Activities

| | |
|------------|-------------------|
| Stormwater | <u>\$ 332,245</u> |
|------------|-------------------|

Total Depreciation Expense - Business-Type Activities \$ 332,245

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the Village for governmental activities for the fiscal year ended September 30, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds and Loans Payable | | | | | |
| Land acquisition and capital improvement revenue bonds, Series 1999 | \$ 1,590,000 | \$ -- | \$ (775,000) | \$ 815,000 | \$ 815,000 |
| Capital improvement revenue refunding bonds, Series 2011A | 2,255,000 | -- | (735,000) | 1,520,000 | 750,000 |
| Capital improvement revenue refunding bonds, Series 2011B | 2,945,000 | -- | (670,882) | 2,274,118 | 665,882 |
| Capital improvement and land acquisition revenue refunding bonds, Series 2011 | 770,000 | -- | (170,000) | 600,000 | 200,000 |
| Transportation tax revenue refunding bonds, Series 2011 | 1,546,178 | -- | (205,221) | 1,340,957 | 210,232 |
| Road improvement revenue bonds, Series 2006 | 1,083,747 | -- | (311,930) | 771,817 | 329,301 |
| School improvement revenue bonds, Series 2012 | 4,751,889 | -- | (295,197) | 4,456,692 | 298,450 |
| School improvement revenue bonds, Series 2014 | 3,530,000 | -- | (280,000) | 3,250,000 | -- |
| Sewer improvement revenue bonds, Series 2016 | 2,942,067 | -- | (230,327) | 2,711,740 | 234,887 |
| Revolving loan, 1996 | 118,867 | -- | (25,252) | 93,615 | 25,902 |
| Total Bonds and Loans Payable | <u>21,532,748</u> | <u>--</u> | <u>(3,698,809)</u> | <u>17,833,939</u> | <u>3,529,654</u> |
| Other Liabilities | | | | | |
| Capital leases | 1,439,110 | -- | (494,868) | 944,242 | 468,586 |
| Compensated absences | 2,911,798 | 1,184,075 | (1,120,606) | 2,975,267 | 743,818 |
| Total Other Liabilities | <u>4,350,908</u> | <u>1,184,075</u> | <u>(1,615,474)</u> | <u>3,919,509</u> | <u>1,212,404</u> |
| Governmental Activities Long-Term Liabilities | <u>\$ 25,883,656</u> | <u>\$ 1,184,075</u> | <u>\$ (5,314,283)</u> | <u>\$ 21,753,448</u> | <u>\$ 4,742,058</u> |

Long-term obligations related to governmental activities, including pension and OPEB, are generally liquidated from the general fund.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

LAND ACQUISITION AND CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 1999

On July 23, 1999, the Village issued \$10,000,000 Land Acquisition and Capital Improvement Revenue Bonds, Series 1999, the proceeds of which were used for the acquisition of property and financing of the construction of the Civic Center project. The bonds mature on December 1, 2019. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments. Interest accrues at 4.715% per annum.

Debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-------------------|------------------|-------------------|
| Fiscal Year Ending September 30 | | | |
| 2020 | \$ 815,000 | \$ 19,214 | \$ 834,214 |
| | <u>\$ 815,000</u> | <u>\$ 19,214</u> | <u>\$ 834,214</u> |

CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2011A

On June 13, 2011, the Village issued \$6,890,000 of Capital Improvement Revenue Refunding Bonds, Series 2011A for the purpose of refunding the Village's Capital Improvement Revenue Bonds, Series 2000. The bonds mature on December 1, 2020. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds are due in annual principal installments on each December 1, commencing December 1, 2011. Interest accrues at 2.31% per annum.

Effective January 1, 2018, the Tax Cuts and Jobs Act amended the interest rate of this bond, increasing the interest rate by a factor of 1.215 to 2.81% per annum.

Debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|------------------|---------------------|
| Fiscal Year Ending September 30 | | | |
| 2020 | \$ 750,000 | \$ 26,450 | \$ 776,450 |
| 2021 | <u>770,000</u> | <u>8,894</u> | <u>778,894</u> |
| | <u>\$ 1,520,000</u> | <u>\$ 35,344</u> | <u>\$ 1,555,344</u> |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL IMPROVEMENTS REVENUE REFUNDING BONDS, SERIES 2011B

On August 1, 2011, the Village issued \$7,130,000 of Capital Improvement Revenue Refunding Bonds, Series 2011B for the purpose of refunding the Village's Capital Improvement Revenue Bonds, Series 2002. The bonds mature on November 1, 2022. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds bear interest on the outstanding principal balance from its date of issuance payable quarterly on the first day of each February, May, August and November commencing November 1, 2011, at an interest rate equal to 2.41% per annum.

Effective January 1, 2018, the Tax Cuts and Jobs Act amended the interest rate of this bond, increasing the interest rate by a factor of 1.215 to 2.81% per annum.

Debt service to maturity is as follows:

| Fiscal Year Ending September 30 | Principal | Interest | Total |
|--|---------------------|-------------------|---------------------|
| 2020 | \$ 665,882 | \$ 59,928 | \$ 725,810 |
| 2021 | 665,882 | 40,365 | 706,247 |
| 2022 | 665,882 | 20,590 | 686,472 |
| 2023 | <u>276,472</u> | <u>112,070</u> | <u>388,542</u> |
| | <u>\$ 2,274,118</u> | <u>\$ 232,953</u> | <u>\$ 2,507,071</u> |

CAPITAL IMPROVEMENT AND LAND ACQUISITION REVENUE REFUNDING BONDS, SERIES 2011

On August 1, 2011, the Village issued the \$1,865,000 Capital Improvement and Land Acquisition Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Capital Improvement and Land Acquisition Revenue Bonds, Series 2004. The Village has pledged non-ad valorem revenues to secure payment of the principal and interest on the bonds. The bonds mature on November 1, 2022. The bonds bear interest on the outstanding principal balance from its date of issuance payable quarterly on the first day of each February, May, August and November, commencing November 1, 2011, at an interest rate equal to 2.41% per annum.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL IMPROVEMENT AND LAND ACQUISITION REVENUE REFUNDING BONDS, SERIES 2011 (CONTINUED)

Effective January 1, 2018, the Tax Cuts and Jobs Act amended the interest rate of this bond, increasing the interest rate by a factor of 1.215 to 2.92% per annum. As a result of this amended rate and the Village's historical principal payments on the bond, the bond's final debt service payment is expected to be August 1, 2022.

Debt service requirements to maturity are as follows:

| Fiscal Year Ending September 30 | Principal | Interest | Total |
|--|-------------------|------------------|-------------------|
| 2020 | \$ 200,000 | \$ 15,638 | \$ 215,638 |
| 2021 | 200,000 | 9,658 | 209,658 |
| 2022 | 200,000 | 3,718 | 203,718 |
| | <u>\$ 600,000</u> | <u>\$ 29,014</u> | <u>\$ 629,014</u> |

TRANSPORTATION TAX REVENUE REFUNDING BONDS, SERIES 2011

On September 30, 2011, the Village issued \$2,808,952 of Transportation Tax Revenue Refunding Bonds, Series 2011 for the purpose of refunding the Transportation Tax Revenue Bonds, Series 2005. The Village has pledged Transportation Surtax Revenues and Local Option Gas Tax revenues in the amounts of \$540,592 and \$213,463, respectively, to secure payment of the principal and interest on the bonds. The bonds mature on July 1, 2025. The bonds bear interest on the outstanding principal balance from its date of issuance payable quarterly on each January 1, April 1, July 1 and October 1 commencing January 1, 2012, at an interest rate equal to 2.42% per annum.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

TRANSPORTATION TAX REVENUE REFUNDING BONDS, SERIES 2011

Debt service requirements to maturity are as follows:

| Fiscal Year Ending September 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|-------------------|---------------------|
| 2020 | \$ 210,232 | \$ 30,553 | \$ 240,785 |
| 2021 | 215,366 | 25,419 | 240,785 |
| 2022 | 220,625 | 20,160 | 240,785 |
| 2023 | 226,013 | 14,772 | 240,785 |
| 2024 | 231,533 | 9,252 | 240,785 |
| Thereafter | <u>237,188</u> | <u>3,598</u> | <u>240,786</u> |
| | <u>\$ 1,340,957</u> | <u>\$ 103,754</u> | <u>\$ 1,444,711</u> |

ROAD IMPROVEMENT REVENUE BONDS, SERIES 2006

On December 14, 2006, the Village issued \$4,000,000 Road Improvement Revenue Bonds, Series 2006, for the purpose of financing a portion of the costs of road improvements within the Village (Crandon Boulevard Improvements – Phase III), financing architectural, engineering, environmental, legal, and other planning costs. The bonds mature on December 1, 2021. The Village has pledged toll revenues to secure payment of the principal and interest on the bonds. Total principal and interest remaining on the bonds is \$1,165,328. For the current year, debt service and pledged revenues were \$357,125 and \$365,000, respectively. The bonds are due in quarterly principal installments. Interest accrues at 4.05% per annum.

On January 22, 2018, the Tax Cuts and Jobs Act amended the interest rate of this bond, increasing the interest rate by a factor of 1.215 to 4.92% per annum. As a result of this amended rate and the Village’s historical principal payments on the bond, the bond’s final debt service payment is expected to be March 1, 2022.

Debt service requirements to maturity are as follows:

| Fiscal Year Ending September 30 | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|-------------------|------------------|-------------------|
| 2020 | \$ 329,301 | \$ 31,913 | \$ 361,214 |
| 2021 | 345,812 | 15,399 | 361,211 |
| 2022 | <u>96,704</u> | <u>1,283</u> | <u>97,987</u> |
| | <u>\$ 771,817</u> | <u>\$ 48,595</u> | <u>\$ 820,412</u> |

VILLAGE OF KEY BISCAAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT REVENUE BONDS, SERIES 2012

On October 24, 2012, the Village issued \$5,575,000 of School Improvement Revenue Bonds, Series 2012 for the purpose of providing a portion of the financing of a permanent secondary educational facility and recreational fields owned and operated by the School Board of Miami-Dade County for Village residents located at the Mast Academy campus as well as necessary renovations of the Key Biscayne K-8 Center, financing architectural, engineering, environmental, legal, and other planning costs related thereto, and paying cost of issuance of the bonds. The bonds mature on October 1, 2032. The bonds bear interest on the outstanding principal balance from its date of issuance payable semiannually on each April 1 and October 1 (the “interest payment dates”) commencing April 1, 2013, at an interest rate equal to 3.35% per annum. The bonds require the Village to appropriate in its annual budget, from non-ad valorem revenues amounts sufficient to cover debt service.

Debt service requirements to maturity are as follows:

| Fiscal Year Ending September 30 | Principal | Interest | Total |
|--|---------------------|-------------------|---------------------|
| 2020 | \$ 298,450 | \$ 59,443 | \$ 357,893 |
| 2021 | 301,712 | 112,686 | 414,398 |
| 2022 | 304,982 | 104,336 | 409,318 |
| 2023 | 308,258 | 95,896 | 404,154 |
| 2024 | 311,539 | 87,365 | 398,904 |
| 2025-2029 | 1,607,019 | 305,694 | 1,912,713 |
| 2030-2033 | <u>1,324,732</u> | <u>79,847</u> | <u>1,404,579</u> |
| | <u>\$ 4,456,692</u> | <u>\$ 845,267</u> | <u>\$ 5,301,959</u> |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

SCHOOL IMPROVEMENT REVENUE BONDS, SERIES 2014

On July 1, 2014, the Village issued \$4,575,000 of School Improvement Revenue Bonds, Series 2014 for the purpose of providing an additional portion of the financing of a permanent secondary educational facility and recreational fields owned and operated by the School Board of Miami-Dade County for Village residents located at the Mast Academy campus as well as necessary renovations of the Key Biscayne K-8 Center, financing architectural, engineering, environmental, legal, and other planning costs related thereto, and paying cost of issuance of the bonds. The bonds mature on October 1, 2029. Principal of the bonds are paid in annual installments on each October 1, commencing October 1, 2015. The bonds bear interest on the outstanding principal balance from its date of issuance payable semi-annually on each April 1 and October 1 (the "interest payment dates") commencing October 1, 2014, at an interest rate equal to 2.76% per annum. The bonds require the Village to appropriate in its annual budget, from non-ad valorem revenues amounts sufficient to cover debt service.

Debt service requirements to maturity are as follows:

| | Principal | Interest | Total |
|--|---------------------|-------------------|---------------------|
| Fiscal Year Ending September 30 | | | |
| 2020* | \$ -- | \$ 97,248 | \$ 97,248 |
| 2021 | 285,000 | 89,700 | 374,700 |
| 2022 | 295,000 | 81,834 | 376,834 |
| 2023 | 305,000 | 73,692 | 378,692 |
| 2024 | 310,000 | 65,274 | 375,274 |
| 2025-2029 | 1,690,000 | 192,648 | 1,882,648 |
| 2030 | 365,000 | 10,074 | 375,074 |
| | <u>\$ 3,250,000</u> | <u>\$ 610,470</u> | <u>\$ 3,860,470</u> |

Debt service payment due on October 1, 2019 was paid prior to fiscal year ended September 30, 2019.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

SEWER IMPROVEMENT REVENUE BONDS, SERIES 2016

On June 29, 2016, the Village issued \$3,490,000 of Sewer Improvement Revenue Bonds, Series 2016 for the purpose of refinancing the State Revolving Fund Loan, 2009. The bonds require the Village to appropriate in its annual budget, from non-ad valorem revenue amounts sufficient to cover debt service. The bonds mature on February 15, 2030. The bonds bear interest on the outstanding principal balance from its date of issuance payable semi-annually on each February 15 and August 15, at an interest rate equal to 1.97% per annum.

Debt service requirements to maturity are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|---------------------|-------------------|---------------------|
| Fiscal Year Ending September 30 | | | |
| 2020 | \$ 234,887 | \$ 52,270 | \$ 287,157 |
| 2021 | 239,537 | 47,620 | 287,157 |
| 2022 | 244,279 | 42,878 | 287,157 |
| 2023 | 249,115 | 38,042 | 287,157 |
| 2024 | 254,047 | 33,110 | 287,157 |
| 2025-2029 | 1,347,697 | 88,089 | 1,435,786 |
| 2030 | <u>142,178</u> | <u>1,400</u> | <u>143,578</u> |
| | <u>\$ 2,711,740</u> | <u>\$ 303,409</u> | <u>\$ 3,015,149</u> |

STATE REVOLVING FUND LOAN, 1996

In June 1996, the Village entered into a loan agreement in the amount of \$887,983 for the financing of the planning and engineering of the proposed sanitary sewer construction project under a State Revolving Fund Loan. The loan is secured by the state revenue sharing funds. Debt service for fiscal year 2019 was \$28,134 and state revenue sharing was \$348,151. The loan is payable in semi-annual payments over 20 years beginning on April 15, 2003 at an interest rate of 2.56% per annum. The loan matures on October 15, 2022.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

STATE REVOLVING FUND LOAN, 1996 (CONTINUED)

Debt service requirements to maturity are as follows:

| | Principal | Interest | Total |
|--|-----------|----------|-----------|
| Fiscal Year Ending September 30 | | | |
| 2020 | \$ 25,902 | \$ 2,232 | \$ 28,134 |
| 2021 | 26,570 | 1,565 | 28,135 |
| 2022 | 27,254 | 880 | 28,134 |
| 2023 | 13,889 | 178 | 14,067 |
| | \$ 93,615 | \$ 4,855 | \$ 98,470 |

CAPITAL LEASES

The Village has entered into lease purchase agreements for financing the acquisition of vehicles and equipment in the General Fund and Capital Improvement Fund. The lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date.

Assets

| | |
|--------------------------|--------------|
| Machinery and equipment | \$ 2,302,023 |
| Accumulated depreciation | (1,212,281) |

Carrying Value

\$ 1,089,742

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2019 are as follows:

Fiscal Year Ending September 30

| | |
|------------------------------------|------------|
| 2020 | \$ 483,188 |
| 2021 | 483,017 |
| Total minimum lease payments | 966,205 |
| Less: amount representing interest | 21,963 |
| | \$ 944,242 |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 8 – LONG-TERM DEBT (CONTINUED)

CAPITAL LEASES (CONTINUED)

The following is a summary of changes in long-term liabilities of the Village for business-type activities for the fiscal year ended September 30, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|--------------|---------------------|---------------------|------------------------|
| Business-type Activities | | | | | |
| Bonds Payable | | | | | |
| Stormwater utility refunding and improvement revenue bonds, Series 2016 | \$ 5,296,354 | \$ -- | \$ (717,571) | \$ 4,578,783 | \$ -- |
| Long-Term Liabilities | <u>\$ 5,296,354</u> | <u>\$ --</u> | <u>\$ (717,571)</u> | <u>\$ 4,578,783</u> | <u>\$ --</u> |

STORMWATER UTILITY REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2016

On October 7, 2016, the Village issued \$5,668,152 of Stormwater Utility Refunding and Improvement Revenue Bonds, Series 2016 for the purpose of refunding the Village's Stormwater Utility Refunding and Improvement Revenue Bonds, Series 2013, which provided the financing of improvements and replacements of drainage wells and outfalls for the Village's Stormwater Utility System. The Village has pledged stormwater utility fees. Stormwater utility fees totaled \$934,959 for the fiscal year ended September 30, 2019. The bonds bear interest on the outstanding balance from their date of issuance payable semi-annually every October 1st and April 1st, commencing April 1, 2017, at an interest rate equal to 2.35% per annum. The bond matures on October 1, 2030. Principal is paid annually on each October 1, commencing on October 1, 2014.

Debt service requirements to maturity are as follows:

| Fiscal Year Ending September 30 | Principal | Interest | Total |
|--|---------------------|-------------------|---------------------|
| 2020* | \$ -- | \$ 54,073 | \$ 54,073 |
| 2021 | 371,482 | 103,780 | 475,262 |
| 2022 | 380,212 | 94,948 | 475,160 |
| 2023 | 389,147 | 85,908 | 475,055 |
| 2024 | 398,292 | 76,656 | 474,948 |
| 2025-2029 | 2,136,333 | 236,702 | 2,373,035 |
| 2030-2031 | 903,317 | 21,898 | 925,215 |
| | <u>\$ 4,578,783</u> | <u>\$ 673,965</u> | <u>\$ 5,252,748</u> |

* Debt service payment due on October 1, 2019 was paid prior to fiscal year ended September 30, 2019.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 9 – FUND BALANCE CLASSIFICATIONS

As of September 30, 2019, fund balances in the governmental funds have been set aside for the following purposes. The Village, by its charter, cannot have any unassigned fund balance, therefore, many of the committed and assigned balances are established to fund current operations, such as working capital.

General Fund:

Nonspendable

Prepaid items \$ 1,289,443

Restricted

Building inspections 221,505
Fire code violations 331,238
Law enforcement seizures 317,125
869,868

Committed

Emergencies 4,000,000
4,000,000

Assigned

Compensated absences 743,818
Fire rescue transport fees 2,153,493
Working capital (surplus) 6,050,882
8,948,193

Total Fund Balance - General Fund \$ 15,107,504

VILLAGE OF KEY BISCAZYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 9 – FUND BALANCE CLASSIFICATIONS (CONTINUED)

| | |
|--|---------------------|
| Restricted | |
| Transportation surtax | \$ 1,053,098 |
| Assigned | <u>983,358</u> |
| Total Fund Balance - Transportation Special Revenue | <u>\$ 2,036,456</u> |
| Restricted | |
| Open space land trust | \$ 6,716,358 |
| Committed | |
| Open space land trust | <u>748,804</u> |
| Total Fund Balance - PROS Land Trust | <u>\$ 7,465,162</u> |
| Committed | |
| Capital improvements | <u>\$ 2,291,441</u> |
| Total Fund Balance - Capital Improvements | <u>\$ 2,291,441</u> |

NOTE 10 – DEFINED CONTRIBUTION PLANS

The Village, as a single-employer, contributes to the Village of Key Biscayne Money Purchase Plans, which are defined contribution plans created in accordance with Internal Revenue Code Section 401(a). The Plans are administered by a third party administrator. Under the first Plan, which is available to general employees, the Village contributes 12% and the employees contribute 6%. Under the second Plan, which is available only to the Village Manager, the Village contributes 12% and Village Manager contributions are not required. Under the third plan, which is available only to sworn or certified police officers and firefighters, there are currently no employee or employer contributions. Original participants still have vested funds deposited in the third Plan.

Total employer contributions into the general employees and the Village Manager's plans were approximately \$474,000 and \$30,000 for the year ended September 30, 2019, respectively. Amendments to the Plans must be authorized by the Village Council.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 11 – DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

Effective October 1, 1997, the Village established the Village of Key Biscayne Police Officers and Firefighters Retirement Plan (a single-employer Public Employee Retirement System - PERS) to provide pension benefits for its police officers and firefighters. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial reports as a pension trust fund. The Plan was created under Village Ordinance 97-21. The PERS is administered by a five member Board of Trustees, comprised of two members appointed by Village Council, one member elected by/from the police officer members, one member elected by/from the firefighter members and the fifth member is chosen by the majority of the four Trustees and formally appointed by the Village Council. The latest available actuarial valuation is as of October 1, 2018. The PERS does not issue a publicly available stand-alone financial report for the Plan. The Plan received a favorable IRS determination letter dated September 12, 2014. Amendments to the Plan must be authorized by the Village Council.

Under this Plan, all full-time firefighters and police officers employed by the Village are eligible to participate. Prior to March 11, 2014 for firefighters and August 26, 2014 for police officers, the monthly retirement benefit was equal to 3% of the average final compensation for each year of service.

As of March 11, 2014, the monthly retirement benefit for firefighters is equal to 3% of average final compensation for the first fifteen years of credited service; 4% of average final compensation for each year of credit service in excess of fifteen years; and 2.75% of average final compensation earned after March 10, 2014, and before October 1, 2017. After October 1, 2017, the monthly retirement benefit is equal to 3% of average final compensation for the remaining years of credited service.

As of August 26, 2014, the monthly retirement benefit for police officers is equal to 3% of average final compensation for each year of credited service earned before August 26, 2014 and 2.75% of average final compensation for each year of credit service earned after August 26, 2014. After October 1, 2017, the monthly retirement benefit is equal to 3% of average final compensation for each year of credited service. The calculation for the average final compensation is computed as one-twelfth of the average salary of the five highest years within the last ten years of credited service. Credited service is determined by the total number of years employed by the Village since August 1, 1993.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Prior to March 11, 2014 for firefighters and August 26, 2014 for police officers, vested employees could retire at the earlier of age 55 and the completion of five years of credited service or the age of 52 and the completion of 25 years of credited service, or at age 50 with 5 years of service with the benefit discounted 3% for each year under age 55. As of March 11, 2014 for firefighters and August 26, 2014 for police officers, vested employees may retire at the earlier of age 55 and the completion of ten years of credited service or the age of 52 and the completion of 25 years of credited service or when their age (computed in full months) plus credited service (computed in full months) equals 900 months (i.e. 75 years).

Administrative costs of the Plan are financed through investment earnings. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Benefits and refunds are recorded when paid.

Based on the October 1, 2018 (date of the latest actuarial valuation), Plan membership consisted of the following:

| | |
|--|-------------------|
| Inactive plan members and beneficiaries currently receiving benefits | 33 |
| Inactive plan members entitled but not yet receiving benefits | 5 |
| Active plan members | <u>66</u> |
| Total Members | <u><u>104</u></u> |

FUNDING POLICY

The participant contribution rate is fixed by Ordinance at 10.5%.

The Village's contribution rate is adjusted each year to an amount equal to the total pension cost for the year, as determined by the most recent actuarial valuation, less the amount of revenue received from the State of Florida pursuant to Chapters 175 and 185 of the Florida Statutes. Effective March 11, 2014 for firefighter participants and August 26, 2014 for police officer participants, the Village's annual contribution into the Plan shall not exceed 20% of the Plan's covered payroll. As such, any required excess as determined by the actuarial valuation is covered by additional participant contributions. This funding policy is designed to limit the Village's exposure to contribute to the Plan. State contributions are recognized as a revenue and expenditure in the General Fund.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 11 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

FUNDING POLICY (CONTINUED)

The Village's (including the State) contribution rate was 15.67% of covered payroll for the fiscal year ended September 30, 2019 which was determined by the October 1, 2017 actuarial valuation.

SHARE PLAN

In fiscal year 2009, the Village created the Village of Key Biscayne Firefighters' Share Plan (the "Share Plan"). Prior to March 11, 2014, the Share Plan was funded by premium tax revenues from the State of Florida in excess of the amounts used to satisfy funding requirements of the defined benefit plan of the firefighters. Effective March 11, 2014, the Share Plan was closed, and as such, all premium tax revenues received pursuant to Chapter 175 are transferred into the PERS to reduce the Village's contribution and no subsequent allocations were paid into the Share Plan. The Village has contracted Empower Retirement Advisory Services to provide certain administrative plan services. Benefits are paid to vested participants in a single lump sum or in equal installments. The investment balance of the Share Plan at September 30, 2019 is \$1,104,385, which is accounted for in the pension trust fund.

DROP PROGRAM

In fiscal year 2009, the Village created a deferred retirement option program (DROP) for the benefit of the firefighters that have reached their normal retirement date. Election in the DROP is voluntary. The maximum period of participation is five years. The DROP is funded by the participants' retirement benefit that would be received if the participant had retired on the election date plus earnings thereon. Retirement benefits from the DROP can be paid in a single lump sum payment; equal monthly installments or an annuity. The Village has contracted Empower Retirement Advisory Services to provide certain administrative plan services. As of September 30, 2019 there were fourteen (14) participants in the DROP. The balance in the DROP at September 30, 2019 is \$2,055,774, which is accounted for in the pension trust fund.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 –NET PENSION LIABILITY OF THE VILLAGE

At September 30, 2019, the Village reported a net pension liability (NPL) of \$3,011,137, which was measured as of September 30, 2018 (GASB 68 measurement date). In accordance with GASB 67, information related to the NPL as of September 30, 2019 has also been disclosed.

| | 2019 | 2018 |
|---|---------------|---------------|
| Total pension liability | \$ 48,235,286 | \$ 44,714,321 |
| Plan fiduciary net position (a) | (43,211,966) | (41,703,184) |
| Net pension liability | \$ 5,023,320 | \$ 3,011,137 |
| Plan fiduciary net position as a percentage of total pension liability | 89.59% | 93.27% |

(a) The 2019 and 2018 plan fiduciary net position disclosed above does not agree to the pension trust fund statement of fiduciary net position due to the timing of recognition of the deferred inflow of resources reported in each year for actuarial purposes in the amount of \$520,921 and \$295,305, respectively.

Changes in the Village’s net pension liability for the fiscal year ended September 30, 2019 is as follows:

| | Police Officers and Firefighters | | |
|--|----------------------------------|-----------------------------------|-----------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Beginning Balances - September 30, 2017 | \$ 38,994,690 | \$ 37,341,755 | \$ 1,652,935 |
| Changes for the Year: | | | |
| Service cost | 1,019,667 | -- | 1,019,667 |
| Interest | 3,044,406 | -- | 3,044,406 |
| Benefit changes | 3,561,208 | -- | 3,561,208 |
| Differences between actual and expected experience | (636,655) | -- | (636,655) |
| Assumption changes | 194,414 | -- | 194,414 |
| Benefit payments | (1,456,886) | (1,456,886) | -- |
| Refunds | (6,523) | (6,523) | -- |
| Contributions - employer (from Village) | -- | 1,278,819 | (1,278,819) |
| Contributions - employer (from State) | -- | 406,773 | (406,773) |
| Contributions - employee (including buyback contributions) | -- | 650,201 | (650,201) |
| Net investment income | -- | 3,576,144 | (3,576,144) |
| Administrative expense | -- | (87,099) | 87,099 |
| Net Changes | 5,719,631 | 4,361,429 | 1,358,202 |
| Ending Balances - September 30, 2018 | \$ 44,714,321 | \$ 41,703,184 | \$ 3,011,137 |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 –NET PENSION LIABILITY OF THE VILLAGE (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability of the Village was determined using the following actuarial assumptions:

| | | |
|----------------------|--|--|
| Measurement Date: | September 30, 2019 | September 30, 2018 |
| Actuarial Valuation: | October 1, 2018 | October 1, 2017 |
| Interest rates: | | |
| Single discount rate | 7.65% | 7.70% |
| Inflation rate | 2.75% | 2.75% |
| Salary Increases | 3.50% to 9.25% depending on age, including inflation | 3.50% to 9.25% depending on age, including inflation |
| Mortality table | RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality and the RP-2000 Mortality Table for Annuitants for post-retirement mortality, with mortality improvements projected to all future years after 2000 using Scale BB. | RP-2000 Combined Healthy Participant Mortality Table for pre-retirement mortality and the RP-2000 Mortality Table for Annuitants for post-retirement mortality, with mortality improvements projected to all future years after 2000 using Scale BB. |

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rates of return on pension plan investments were determined based upon the historical average (means returns) which best-estimate ranges of expected future real rates of return. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return and investment expenses.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 –NET PENSION LIABILITY OF THE VILLAGE (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

The long-term expected rate of return for the Plan was calculated by weighting the expected future rates of return of each asset class by the corresponding target allocation percentages. Best estimates of real rates of return for each major asset class included in the Plan’s target asset allocation as of September 30, 2019 and 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>2019</u> | <u>2018</u> |
|----------------------|-------------|-------------|
| Domestic equity | 7.50% | 8.30% |
| International equity | 2.70% | 3.40% |
| Fixed income | 3.60% | 3.60% |
| Real estate | 4.90% | 4.90% |
| Cash | 0.60% | 0.70% |

RATE OF RETURN

For the fiscal years ended September 30, 2019 and 2018, the annual money-weighted rate of return on Plan investments, net of investment expense, was 3.15% and 9.98%, respectively. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

DISCOUNT RATE

For the fiscal years ended September 30, 2019 and 2018, a single discount rate of 7.65% and 7.70%, respectively were used to measure the total pension liability. This single discount rate was based on the expected rate of return on Plan investments. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 –NET PENSION LIABILITY OF THE VILLAGE (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

Below is a table providing the sensitivity of the net pension liability (asset) to changes in the discount rate. In particular, the table presents the Village’s net pension liability (asset), if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

| As of September 30, | 1% Decrease | Current Single Discount Rate Assumption | 1% Increase |
|------------------------|----------------|---|----------------|
| | 6.65% | 7.65% | 8.65% |
| 2019 | \$ 10,051,778 | \$ 5,023,320 | \$ 802,419 |
| | 6.70% | 7.70% | 8.70% |
| 2018 | \$ 7,748,461 | \$ 3,011,137 | \$ (970,583) |

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the fiscal year ended September 30, 2019, based on a September 30, 2018 measurement date, the Village recognized pension expense of approximately \$719,000 related to the Plan. In addition, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Village contribution subsequent to year end | \$ 1,367,629 | \$ -- |
| Differences between expected and actual experience | 35,432 | (780,709) |
| Change of assumptions | 734,971 | (7,153) |
| Net difference between projected and actual earnings on pension plan investments | -- | (1,065,798) |
| Total | \$ 2,138,032 | \$ (1,853,660) |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 12 –NET PENSION LIABILITY OF THE VILLAGE (CONTINUED)

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)

The deferred outflow of resources, resulting from the Village’s contributions to the Plan subsequent to the measurement date of September 30, 2018 in the amount of \$1,367,629 will be recognized as a reduction of the Village’s net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized as pension expense (income) as follows:

| <u>Fiscal Year Ending September 30</u> | <u>Amount</u> |
|--|-----------------------|
| 2020 | \$ 61,048 |
| 2021 | (486,031) |
| 2022 | (458,290) |
| 2023 | (199,984) |
| | <u>\$ (1,083,257)</u> |

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

PLAN DESCRIPTION

The Village provides an optional single employer defined benefit post-employment healthcare plan (the OPEB Plan) to eligible individuals. The OPEB Plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the OPEB Plan conform to Florida Statutes, which are the legal authority for the plan. The OPEB Plan is not accounted for as a trust fund since an irrevocable trust has not been established to fund the OPEB Plan. The OPEB Plan has no assets and does not issue a separate financial report. As of the September 30, 2018 measurement date, the following employees were covered by the benefit terms:

| | |
|---|------------------|
| Inactive members and beneficiaries currently receiving benefits | -- |
| Inactive members entitled but not yet receiving benefits | -- |
| Active members | <u>86</u> |
| Total | <u><u>86</u></u> |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Village and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

| | |
|-----------------------------|--|
| Valuation date | September 30, 2017 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions: | |
| Inflation | 2.50% |
| Discount rate | 3.83% |
| Projected salary increases | 3.50% - 9.25% |
| Healthcare cost trend rate: | 2.90%, initial Per Capital Cost trend rate. |
| Mortality | Mortality tables used for Regular Class and Special Risk Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013 |

The Village does not provide funding for any portion of the premiums after retirement; however, the Village recognizes that there is an “implicit subsidy” arising as a result of the blended rate premium since retiree health care costs, on average, are higher than active employee healthcare costs.

Changes in assumptions and other inputs include the change in the discount rate from 3.50% as of the beginning of the measurement period to 3.83% as of September 30, 2018. This change is reflected in the scheduled of changes in total OPEB liability. There were no benefit changes during the year.

TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY

At September 30, 2019, the Village reported a total OPEB liability of \$680,170 using a measurement date of September 30, 2018.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY (CONTINUED)

The detail of the changes in total OPEB liability for fiscal year 2019 is presented below:

| | Total OPEB Liability |
|---|-------------------------|
| Beginning balance | \$ 607,366 |
| Changes for the Year: | |
| Service cost | 73,044 |
| Interest on the total OPEB liability | 23,814 |
| Plan changes: | |
| Changes in assumptions and other inputs | (24,054) |
| Net Change | 72,804 |
| Ending balance | \$ 680,170 |

SENSITIVITY OF TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE OR HEALTHCARE COST TREND RATE

The chart below presents the total OPEB liability of the Village, calculated using the discount rate of 3.83%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Discount Rate Assumption | 1% Increase |
|----------------------------------|----------------|--|----------------|
| <u>September 30,</u> 2019 | 2.83% | 3.83% | 4.83% |
| | \$ 756,045 | \$ 680,170 | \$ 612,945 |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TOTAL OPEB LIABILITY AND CHANGES IN TOTAL OPEB LIABILITY (CONTINUED)

The chart below presents the total OPEB liability of the Village, calculated using the healthcare cost trend rate of 2.90%, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| September 30, | 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|---------------|----------------|---|----------------|
| | 1.90% | 2.90% | 3.90% |
| 2019 | \$ 582,526 | \$ 680,170 | \$ 799,251 |

OPEB EXPENSE AND DEFERRED INFLOWS/OUTFLOWS OF RESOURCES RELATED TO OPEB

For the fiscal year ended September 30, 2019, the Village recognized an OPEB expense of \$91,574. At September 30, 2019, the Village reported deferred outflows and inflows of resources related to OPEB from the following source:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------|--------------------------------------|-------------------------------------|
| Change of assumptions | \$ -- | \$ 42,162 |
| Total | \$ -- | \$ 42,162 |

Deferred inflows of resources of \$42,162 are the result of a change in assumption. This balance will be recognized as follows:

| Fiscal Year Ending September 30 | Amount |
|---------------------------------|--------------------|
| 2020 | \$ (5,284) |
| 2021 | (5,284) |
| 2022 | (5,284) |
| 2023 | (5,284) |
| 2024 | (5,284) |
| Thereafter | (15,742) |
| | \$ (42,162) |

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 14 – 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 and natural disasters for which the Village carries commercial insurance. There was no reduction in insurance coverage from coverages in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

LITIGATION

The Village is involved in several lawsuits incidental to its operations, the outcome of which, in the opinion of management and legal counsel, would not have a material adverse effect on the financial condition of the Village.

GRANTS CONTINGENCY

Federal and State programs in which the Village participates are subject to audit by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the financial condition of the Village.

NOTE 16 – SUBSEQUENT EVENT

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China and has spread around the world resulting in business and social disruption. On January 30, 2020 the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020 declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the Village's operations, suppliers or other vendors and customer base. Any business or social disruptions to the Village's operations, or those of its customers and residents may adversely impact the Village's revenues, ability to provide services and operating results. The duration and full impacts of the challenges responding to these disruptions are yet unknown and may have a negative impact on the local, national, and global economy. It could result in an economic downturn that could affect demand for goods and services. The extent to which COVID-19 may impact the Village's financial condition or results of operations is highly uncertain and cannot be predicted.

VILLAGE OF KEY BISCAYNE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 17 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Public Safety expenditures exceeded budgeted amounts due to the payouts of compensated absences in the Fire Department that were not previously budgeted. The Village now budgets for compensated absences to normalize the impact to our operating department budgets. The excess of expenditures was funded from available current year working capital.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF KEY BISCAYNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$ 25,128,583 | \$ 25,128,583 | \$ 25,146,639 | \$ (18,056) |
| Utility taxes/communications services tax | 2,825,426 | 2,825,426 | 2,810,037 | 15,389 |
| Franchise fees | 600,000 | 600,000 | 192,753 | 407,247 |
| Licenses and permits | 1,987,500 | 1,987,500 | 1,658,676 | 328,824 |
| Intergovernmental | 1,475,897 | 1,475,897 | 2,006,651 | (530,754) |
| Charges for services | 3,431,700 | 3,431,700 | 3,155,092 | 276,608 |
| Interest | 30,000 | 30,000 | 146,174 | (116,174) |
| Grants | -- | -- | 62,174 | (62,174) |
| Miscellaneous income | 45,000 | 45,000 | 262,511 | (217,511) |
| Total Revenues | <u>35,524,106</u> | <u>35,524,106</u> | <u>35,440,707</u> | <u>83,399</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Elected officials | 209,550 | 209,550 | 166,426 | 43,124 |
| Village Clerk | 417,360 | 417,360 | 387,395 | 29,965 |
| Administration | 2,324,276 | 2,324,276 | 2,261,299 | 62,977 |
| Village Attorney | 775,000 | 775,000 | 654,133 | 120,867 |
| Total general government | <u>3,726,186</u> | <u>3,726,186</u> | <u>3,469,253</u> | <u>256,933</u> |
| Public safety: | | | | |
| Police | 7,816,758 | 7,816,758 | 7,682,898 | 133,860 |
| Fire | 8,005,948 | 8,005,948 | 8,210,230 | (204,282) |
| Total public safety | <u>15,822,706</u> | <u>15,822,706</u> | <u>15,893,128</u> | <u>(70,422)</u> |
| Public works | 2,652,899 | 2,652,899 | 2,094,389 | 558,510 |
| Building, zoning and planning | 2,514,403 | 2,514,403 | 2,446,847 | 67,556 |
| Parks and recreation: | | | | |
| Parks | 1,591,460 | 1,591,460 | 1,654,734 | (63,274) |
| Community center | 2,882,684 | 2,882,684 | 2,881,563 | 1,121 |
| Athletic division | 895,572 | 895,572 | 563,859 | 331,713 |
| Total parks and recreation | <u>5,369,716</u> | <u>5,369,716</u> | <u>5,100,156</u> | <u>269,560</u> |
| Debt service: | | | | |
| Principal | 3,658,373 | 3,658,373 | 3,666,599 | (8,226) |
| Interest and fiscal charges | 517,391 | 517,391 | 592,518 | (75,127) |
| Total Expenditures | <u>34,261,674</u> | <u>34,261,674</u> | <u>33,262,890</u> | <u>998,784</u> |
| Excess of Revenues over Expenditures | <u>1,262,432</u> | <u>1,262,432</u> | <u>2,177,817</u> | <u>915,385</u> |
| Other Financing Uses | | | | |
| Transfers out | (4,543,668) | (4,543,668) | (4,292,381) | (251,287) |
| Total Other Financing Uses | <u>(4,543,668)</u> | <u>(4,543,668)</u> | <u>(4,292,381)</u> | <u>(251,287)</u> |
| Net Change in Fund Balance | <u>\$ (3,281,236)</u> | <u>\$ (3,281,236)</u> | <u>\$ (2,114,564)</u> | <u>\$ (1,166,672)</u> |

See notes to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
TRANSPORTATION SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

| | <u>Budgeted Amounts</u> | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|-----------------------------------|-------------------------|------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental | \$ 1,106,082 | \$ 1,106,082 | \$ 1,131,269 | \$ 25,187 |
| Interest | 100 | 100 | 230 | 130 |
| Total Revenues | <u>1,106,182</u> | <u>1,106,182</u> | <u>1,131,499</u> | <u>25,317</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Transit | 504,494 | 504,494 | 320,461 | 184,033 |
| Total general government | <u>504,494</u> | <u>504,494</u> | <u>320,461</u> | <u>184,033</u> |
| Debt service: | | | | |
| Principal | 518,800 | 518,800 | 517,134 | 1,666 |
| Interest and fiscal charges | 82,888 | 82,888 | 88,889 | (6,001) |
| Total Expenditures | <u>1,106,182</u> | <u>1,106,182</u> | <u>926,484</u> | <u>179,698</u> |
| Net Change in Fund Balance | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 205,015</u> | <u>\$ (205,015)</u> |

See notes to budgetary comparison schedule.

VILLAGE OF KEY BISCAYNE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is prepared for the General Fund and the Transportation Special Revenue Fund. The Village prepares a budget for its capital projects fund; however, this budget is prepared as a project budget and not as annually appropriated budget. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Village Manager submits to Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature. Public hearings are conducted to obtain taxpayer comments.
- (b) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (c) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During fiscal year ended September 30, 2019, there were no supplemental appropriations.
- (d) Formal budgetary integration is employed as a management control device for the General Fund.
- (e) The budgets for the general fund and the transportation special revenue fund are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for certain unbudgeted expenditures of prior year reserves.
- (f) The Village Manager is authorized to transfer part or all of an encumbered appropriation balance within departments within a fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Village Council. The classification detail at which expenditures may not legally exceed appropriations is at the department level.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

| Measurement Date: September 30, | 2018 | 2017 |
|---|--------------------------|--------------------------|
| Total OPEB Liability | | |
| Service cost | \$ 73,044 | \$ 75,574 |
| Interest on the total OPEB liability | 23,814 | 19,205 |
| Changes in assumptions and other inputs | (24,054) | (26,144) |
| Benefit payments | <u>--</u> | <u>(10,412)</u> |
| Net change in total OPEB liability | 72,804 | 58,223 |
| Total OPEB Liability - Beginning | <u>607,366</u> | <u>549,143</u> |
| Total OPEB Liability - Ending | <u><u>\$ 680,170</u></u> | <u><u>\$ 607,366</u></u> |
| Covered payroll | \$ 11,015,562 | \$ 7,011,729 |
| Total OPEB Liability as a percentage of covered payroll | 6.17% | 8.66% |

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

VILLAGE OF KEY BISCAYNE, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND**

**SCHEDULE OF CHANGES IN THE VILLAGE'S NET PENSION LIABILITY
AND RELATED RATIOS**

PENSION TRUST FUND

| | September 30, | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total Pension Liability | | | | | | |
| Service cost | \$ 1,218,739 | \$ 1,019,667 | \$ 982,149 | \$ 892,483 | \$ 905,151 | \$ 1,325,960 |
| Interest | 3,488,514 | 3,044,406 | 2,815,914 | 2,655,690 | 2,423,657 | 2,505,808 |
| Benefit changes | -- | 3,561,208 | -- | -- | -- | (4,253,914) |
| Difference between actual and expected experience | (159,538) | (636,655) | 17,729 | (678,816) | 413,544 | (40,185) |
| Assumption changes | 228,627 | 194,414 | 608,244 | 368,874 | 351,602 | (96,578) |
| Benefit payments | (1,158,268) | (1,456,886) | (1,060,547) | (570,278) | (653,498) | (447,084) |
| Refunds | (97,109) | (6,523) | (36,765) | (32,769) | (8,759) | (99,486) |
| Other (release of excess state reserves) | -- | -- | -- | (206,710) | (297,383) | -- |
| Net Change in Total Pension Liability | 3,520,965 | 5,719,631 | 3,326,724 | 2,428,474 | 3,134,314 | (1,105,479) |
| Total Pension Liability - Beginning | 44,714,321 | 38,994,690 | 35,667,966 | 33,239,492 | 30,105,178 | 31,210,657 |
| Total Pension Liability - Ending (a) | \$ 48,235,286 | \$ 44,714,321 | \$ 38,994,690 | \$ 35,667,966 | \$ 33,239,492 | \$ 30,105,178 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - employer (from Village) | \$ 944,855 | \$ 1,278,819 | \$ 937,715 | \$ 322,848 | \$ 383,181 | \$ 844,637 |
| Contributions - employer (from State) | 594,120 | 406,772 | -- | 397,294 | 456,253 | 475,709 |
| Contributions - employee (including buyback contributions) | 621,376 | 650,201 | 599,086 | 606,697 | 579,425 | 639,478 |
| Net investment income | 706,729 | 3,576,145 | 4,090,514 | 2,574,564 | (103,179) | 2,632,785 |
| Benefit payments | (1,158,268) | (1,456,886) | (1,060,547) | (570,278) | (653,498) | (447,084) |
| Refunds | (97,109) | (6,523) | (36,765) | (32,769) | (8,759) | (99,486) |
| Administrative expense | (102,921) | (87,099) | (60,179) | (69,369) | (85,607) | (86,629) |
| Net Change in Plan Fiduciary Net Position | 1,508,782 | 4,361,429 | 4,469,824 | 3,228,987 | 567,816 | 3,959,410 |
| Plan Fiduciary Net Position - Beginning | 41,703,184 | 37,341,755 | 32,871,931 | 29,642,944 | 29,075,128 | 25,115,718 |
| Plan Fiduciary Net Position - Ending (b) * | \$ 43,211,966 | \$ 41,703,184 | \$ 37,341,755 | \$ 32,871,931 | \$ 29,642,944 | \$ 29,075,128 |
| Net Pension Liability - Ending (a) - (b) | \$ 5,023,320 | \$ 3,011,137 | \$ 1,652,935 | \$ 2,796,035 | \$ 3,596,548 | \$ 1,030,050 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 89.59% | 93.27% | 95.76% | 92.16% | 89.18% | 96.58% |
| Covered Payroll | \$ 5,917,871 | \$ 6,192,393 | \$ 5,671,587 | \$ 5,778,063 | \$ 5,518,334 | \$ 6,053,762 |
| Net Pension Liability as a Percentage of Covered Payroll | 84.88% | 48.63% | 29.14% | 48.39% | 65.17% | 17.02% |

* The 2019 and 2018 plan fiduciary net position disclosed above does not agree to the pension trust statement of fiduciary net position due to the timing of

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

VILLAGE OF KEY BISCAYNE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION PENSION TRUST FUND

SCHEDULE OF VILLAGE CONTRIBUTIONS

| Fiscal Year Ended September 30, | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contribution as a % of Covered Payroll |
|---------------------------------------|---|------------------------|--|--------------------|---|
| 2014 | \$ 1,106,628 | \$ 1,320,346 | \$ (213,718) | \$ 6,053,762 | 21.81% |
| 2015 | 934,532 | 839,434 | * | 5,518,334 | 15.21% |
| 2016 | 926,852 | 720,142 | * | 5,778,063 | 12.46% |
| 2017 | 937,715 | 937,715 | -- | 5,671,587 | 16.53% |
| 2018 | 1,032,174 | 1,685,592 | ** | 6,192,393 | 27.22% |
| 2019 | 1,340,518 | 1,538,975 | ** | 5,917,871 | 26.01% |

* The contribution deficiencies for the fiscal years ending September 30, 2015 and September 30, 2016 were made up by the release of excess state contribution reserve funds and the use of prepaid employer contributions.

** A portion of this over-contribution resulted from recognizing previous years' prepaid (advance) employer contributions in the amount of \$289,001 during fiscal year 2018 and \$520,921 during fiscal year 2019.

Methods and Assumptions Used to Determine Contribution Rate for the Fiscal Year Ending September 30, 2019:

| | |
|-------------------------------|---|
| Valuation Date | October 1, 2017 |
| Notes | Actuarially determined contributions are calculated as of October 1, which is 24 months prior to the end of the year in which contributions are reported. |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Dollar, Closed |
| Remaining Amortization Period | 10 years (single equivalent period); 30 years (longest period) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary Increases | 3.50% to 9.25% depending on age, including inflation |
| Investment Rate of Return | 7.70% |
| Experience studies | The most recent experience study was completed June 10, 2014. This experience study examined actual demographic and economic experience during the eight-year period ending September 30, 2013. Based on the results of this experience study, salary scale, withdrawal and retirement assumption changes were implemented effective September 30, 2014. |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. |
| Mortality | RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar and 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. |

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

VILLAGE OF KEY BISCAYNE, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
PENSION TRUST FUND**

SCHEDULE OF INVESTMENT RETURNS

| | 2019 | 2018 | September 30, | | 2015 | 2014 |
|--|-------|-------|---------------|-------|-------|--------|
| | | | 2017 | 2016 | | |
| Annual Money-Weighted Rate of Return, Net of Investment Expense | 3.15% | 9.98% | 13.02% | 9.03% | 0.10% | 10.70% |

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Village of Key Biscayne's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Village's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|---|--------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time. These schedules include:</i> | 79-83 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the Village's most significant local revenue source, the property tax.</i> | 84-88 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.</i> | 89-92 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village's financial activities take place.</i> | 93-95 |
| Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial report relates to the services the Village provides and the activities it performs.</i> | 96-97 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

VILLAGE OF KEY BISCAIYNE, FLORIDA

NET POSITION BY COMPONENT

**LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 41,377,118 | \$ 43,428,433 | \$ 44,373,229 | \$ 43,714,666 | \$ 51,426,773 | \$ 54,854,783 | \$ 51,961,356 | \$ 62,100,873 | \$ 70,944,473 | \$ 72,480,963 |
| Restricted | -- | 1,170,247 | 500,137 | 3,138,445 | 3,455,654 | 2,405,158 | 3,425,433 | 2,665,724 | 2,078,112 | 8,639,324 |
| Unrestricted | <u>16,540,883</u> | <u>16,491,371</u> | <u>19,598,291</u> | <u>16,968,354</u> | <u>6,195,833</u> | <u>14,490,922</u> | <u>19,326,602</u> | <u>14,340,755</u> | <u>19,707,367</u> | <u>11,209,773</u> |
| Total governmental activities net position | <u>57,918,001</u> | <u>61,090,051</u> | <u>64,471,657</u> | <u>63,821,465</u> | <u>61,078,260</u> | <u>71,750,863</u> | <u>74,713,391</u> | <u>79,107,352</u> | <u>92,729,952</u> | <u>92,330,060</u> |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | 16,680,711 | 16,970,470 | 16,462,270 | 15,884,955 | 13,788,293 | 12,995,027 | 13,260,222 | 13,463,710 | 4,080,025 | 4,509,507 |
| Unrestricted | <u>1,116,111</u> | <u>1,133,034</u> | <u>706,195</u> | <u>439,166</u> | <u>1,477,416</u> | <u>719,861</u> | <u>651,997</u> | <u>(599,305)</u> | <u>(888,228)</u> | <u>(1,173,171)</u> |
| Total business-type activities net position | <u>17,796,822</u> | <u>18,103,504</u> | <u>17,168,465</u> | <u>16,324,121</u> | <u>15,265,709</u> | <u>13,714,888</u> | <u>13,912,219</u> | <u>12,864,405</u> | <u>3,191,797</u> | <u>3,336,336</u> |
| Total government | | | | | | | | | | |
| Net investment in capital assets | 58,057,829 | 60,398,903 | 60,835,499 | 59,599,621 | 65,215,066 | 67,849,810 | 65,221,578 | 75,564,583 | 75,024,498 | 76,990,470 |
| Restricted | -- | 1,170,247 | 500,137 | 3,138,445 | 3,455,654 | 2,405,158 | 3,425,433 | 2,665,724 | 2,078,112 | 8,639,324 |
| Unrestricted | <u>17,656,994</u> | <u>17,624,405</u> | <u>20,304,486</u> | <u>17,407,520</u> | <u>7,673,249</u> | <u>15,210,783</u> | <u>19,978,599</u> | <u>13,741,450</u> | <u>18,819,139</u> | <u>10,036,602</u> |
| Total Government Net Position | <u>\$ 75,714,823</u> | <u>\$ 79,193,555</u> | <u>\$ 81,640,122</u> | <u>\$ 80,145,586</u> | <u>\$ 76,343,969</u> | <u>\$ 85,465,751</u> | <u>\$ 88,625,610</u> | <u>\$ 91,971,757</u> | <u>\$ 95,921,749</u> | <u>\$ 95,666,396</u> |

VILLAGE OF KEY BISCAWAYNE, FLORIDA

CHANGES IN NET POSITION

**LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 2,751,697 | \$ 2,830,412 | \$ 3,379,954 | \$ 9,344,606 | \$ 8,526,705 | \$ 4,100,859 | \$ 7,579,355 | \$ 4,536,855 | \$ 6,211,564 | \$ 5,343,922 |
| Police | 5,360,548 | 6,853,329 | 5,818,890 | 6,065,025 | 6,362,729 | 4,103,543 | 6,240,840 | 6,881,360 | 7,681,000 | 9,273,109 |
| Fire | 6,762,228 | 5,685,278 | 7,299,320 | 7,024,661 | 7,823,159 | 5,345,543 | 7,149,458 | 7,106,286 | 7,628,618 | 9,922,713 |
| Public works | 1,614,443 | 1,719,526 | 1,736,803 | 2,221,905 | 1,798,163 | 1,823,897 | 2,078,721 | 2,901,870 | 4,188,854 | 3,358,261 |
| Building, zoning and planning | 1,611,119 | 1,714,303 | 1,808,574 | 2,306,446 | 2,153,954 | 2,075,416 | 2,165,717 | 2,550,733 | 2,366,496 | 2,467,478 |
| Parks and recreation | 4,134,830 | 4,232,147 | 4,201,578 | 4,175,408 | 4,623,868 | 4,850,623 | 5,388,588 | 5,839,083 | 5,954,340 | 6,202,034 |
| Interest on long-term debt | 1,366,437 | 1,217,874 | 843,965 | 935,242 | 962,167 | 816,313 | 796,152 | 894,934 | 701,558 | 658,587 |
| Total governmental activities | <u>23,601,302</u> | <u>24,252,869</u> | <u>25,089,084</u> | <u>32,073,293</u> | <u>32,250,745</u> | <u>23,116,194</u> | <u>31,398,831</u> | <u>30,711,121</u> | <u>34,732,430</u> | <u>37,226,104</u> |
| Business-type activities: | | | | | | | | | | |
| Stormwater | 603,262 | 815,402 | 689,287 | 715,836 | 1,109,510 | 1,783,865 | 934,223 | 1,060,705 | 1,234,916 | 856,653 |
| Sanitary sewer | 39,178 | 197,474 | 1,234,279 | 1,133,209 | 1,126,907 | 1,120,166 | 1,137,592 | 994,042 | 9,545,452 | -- |
| Solid waste | 585,927 | 546,534 | 563,995 | 574,686 | 583,083 | 582,943 | 840,730 | 792,044 | 698,321 | 779,508 |
| Total business-type activities | <u>1,228,367</u> | <u>1,559,410</u> | <u>2,487,561</u> | <u>2,423,731</u> | <u>2,819,500</u> | <u>3,486,974</u> | <u>2,912,545</u> | <u>2,846,791</u> | <u>11,478,689</u> | <u>1,636,161</u> |
| Total government expenses | <u>\$ 24,829,669</u> | <u>\$ 25,812,279</u> | <u>\$ 27,576,645</u> | <u>\$ 34,497,024</u> | <u>\$ 35,070,245</u> | <u>\$ 26,603,168</u> | <u>\$ 34,311,376</u> | <u>\$ 33,557,912</u> | <u>\$ 46,211,119</u> | <u>\$ 38,862,265</u> |
| Program revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 181,992 | \$ 169,307 | \$ 177,574 | \$ 140,587 | \$ 160,800 | \$ 157,868 | \$ 147,693 | \$ 183,901 | \$ 161,527 | \$ 224,750 |
| Police | (1,479) | 1,763 | 375 | 1,455 | 4,700 | 20,011 | -- | 3,571 | 68,809 | 21,559 |
| Fire | 158,975 | 190,989 | 145,544 | 188,169 | 210,678 | 193,442 | 165,106 | 162,683 | 191,529 | 161,450 |
| Building, zoning and planning | 1,247,715 | 2,184,127 | 2,347,092 | 2,744,711 | 2,256,151 | 3,136,916 | 2,714,085 | 1,338,485 | 1,216,539 | 1,639,820 |
| Parks and recreation | 2,107,397 | 2,287,983 | 2,614,034 | 2,622,554 | 2,805,925 | 2,710,396 | 3,033,636 | 3,142,475 | 3,377,137 | 2,766,189 |
| Operating grants and contributions | 163,752 | 77,638 | 6,629 | 426,917 | 97,970 | 85,315 | 54,331 | 59,412 | 53,210 | 62,174 |
| Capital grants and contributions | 959,360 | 730,492 | 783,886 | 803,620 | 826,282 | 7,854,679 | 867,197 | 873,734 | 1,733,691 | 475,058 |
| Total governmental activities program revenues | <u>4,817,712</u> | <u>5,642,299</u> | <u>6,075,134</u> | <u>6,928,013</u> | <u>6,362,506</u> | <u>14,158,627</u> | <u>6,982,048</u> | <u>5,764,261</u> | <u>6,802,442</u> | <u>5,351,000</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Stormwater | 484,932 | 979,865 | 935,352 | 958,114 | 907,324 | 939,798 | 908,269 | 933,683 | 941,302 | 934,959 |
| Solid waste | 615,480 | 597,431 | 588,449 | 592,480 | 591,079 | 600,688 | 652,455 | 651,344 | 841,501 | 823,157 |
| Capital grants and contributions: | | | | | | | | | | |
| Stormwater | 172,164 | -- | -- | -- | -- | 47,872 | -- | -- | -- | -- |
| Sanitary sewer | 2,501,287 | 258,500 | -- | -- | -- | -- | -- | -- | -- | -- |
| Operating grants and contributions: | | | | | | | | | | |
| Stormwater | -- | -- | -- | -- | -- | -- | 164,176 | -- | -- | -- |
| Total business-type activities program revenues | <u>3,773,863</u> | <u>1,835,796</u> | <u>1,523,801</u> | <u>1,550,594</u> | <u>1,498,403</u> | <u>1,588,358</u> | <u>1,724,900</u> | <u>1,585,027</u> | <u>1,782,803</u> | <u>1,758,116</u> |
| Total program revenues | <u>\$ 8,591,575</u> | <u>\$ 7,478,095</u> | <u>\$ 7,598,935</u> | <u>\$ 8,478,607</u> | <u>\$ 7,860,909</u> | <u>\$ 15,746,985</u> | <u>\$ 8,706,948</u> | <u>\$ 7,349,288</u> | <u>\$ 8,585,245</u> | <u>\$ 7,109,116</u> |

(Continued)

VILLAGE OF KEY BISCAIYNE, FLORIDA

CHANGES IN NET POSITION

(Continued)

**LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Net (expense) revenue | | | | | | | | | | |
| Governmental activities | \$ (18,783,590) | \$ (18,610,570) | \$ (19,013,950) | \$ (25,145,280) | \$ (25,888,239) | \$ (8,957,567) | \$ (24,416,783) | \$ (24,946,860) | \$ (27,929,988) | \$ (31,875,104) |
| Business-type activities | 2,545,496 | 276,386 | (963,760) | (873,137) | (1,321,097) | (1,898,616) | (1,187,645) | (1,261,764) | (9,695,886) | 121,955 |
| Total net expense | <u>\$ (16,238,094)</u> | <u>\$ (18,334,184)</u> | <u>\$ (19,977,710)</u> | <u>\$ (26,018,417)</u> | <u>\$ (27,209,336)</u> | <u>\$ (10,856,183)</u> | <u>\$ (25,604,428)</u> | <u>\$ (26,208,624)</u> | <u>\$ (37,625,874)</u> | <u>\$ (31,753,149)</u> |
| General revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 17,832,874 | \$ 16,646,040 | \$ 16,985,109 | \$ 17,499,835 | \$ 17,857,711 | \$ 19,353,288 | \$ 22,249,642 | \$ 24,202,255 | \$ 24,992,663 | \$ 25,400,645 |
| Utility taxes | 1,655,032 | 1,705,238 | 1,727,651 | 1,789,909 | 1,967,061 | 1,979,733 | 2,007,095 | 2,110,494 | 2,136,221 | 2,128,389 |
| Franchise fees | 1,006,415 | 735,519 | 846,252 | 780,245 | 574,639 | 595,196 | 603,889 | 479,194 | 655,599 | 192,753 |
| Communications services tax | 1,029,087 | 964,324 | 946,399 | 1,010,931 | 917,449 | 862,165 | 753,385 | 698,927 | 734,422 | 681,648 |
| Intergovernmental | 1,391,242 | 1,575,314 | 1,667,597 | 1,772,208 | 1,902,177 | 1,901,774 | 1,955,183 | 1,555,215 | 2,595,087 | 2,667,562 |
| Investment earnings | 21,346 | 37,254 | 37,985 | 16,722 | 34,991 | 47,004 | 111,484 | 78,443 | 37,503 | 146,404 |
| Miscellaneous | 131,847 | 147,065 | 212,697 | 1,627,479 | 148,140 | 139,196 | 81,516 | 184,489 | 244,650 | 257,811 |
| Transfers | (212,308) | (28,134) | (28,134) | (28,134) | (257,134) | (343,884) | (382,883) | 31,804 | 9,545,452 | -- |
| Total governmental activities | <u>22,855,535</u> | <u>21,782,620</u> | <u>22,395,556</u> | <u>24,469,195</u> | <u>23,145,034</u> | <u>24,534,472</u> | <u>27,379,311</u> | <u>29,340,821</u> | <u>40,941,597</u> | <u>31,475,212</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 1,974 | 2,162 | 587 | 659 | 5,551 | 3,911 | 5,986 | 24,282 | 23,278 | 22,584 |
| Capital Contributions from General Fund | -- | -- | -- | -- | -- | -- | -- | 221,472 | -- | -- |
| Transfers | 212,308 | 28,134 | 28,134 | 28,134 | 257,134 | 343,884 | 382,883 | (31,804) | -- | -- |
| Total business-type activities | <u>214,282</u> | <u>30,296</u> | <u>28,721</u> | <u>28,793</u> | <u>262,685</u> | <u>347,795</u> | <u>388,869</u> | <u>213,950</u> | <u>23,278</u> | <u>22,584</u> |
| Total general revenues | <u>\$ 23,069,817</u> | <u>\$ 21,812,916</u> | <u>\$ 22,424,277</u> | <u>\$ 24,497,988</u> | <u>\$ 23,407,719</u> | <u>\$ 24,882,267</u> | <u>\$ 27,768,180</u> | <u>\$ 29,554,771</u> | <u>\$ 40,964,875</u> | <u>\$ 31,497,796</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 4,071,945 | \$ 3,172,050 | \$ 3,381,606 | \$ (676,085) | \$ (2,743,205) | \$ 15,576,905 | \$ 2,962,528 | \$ 4,393,961 | \$ 13,011,609 | \$ (399,892) |
| Business-type activities | 2,759,778 | 306,682 | (935,039) | (844,344) | (1,058,412) | (1,550,821) | (798,776) | (1,047,814) | (9,672,608) | 144,539 |
| Total change in Net Position | <u>\$ 6,831,723</u> | <u>\$ 3,478,732</u> | <u>\$ 2,446,567</u> | <u>\$ (1,520,429)</u> | <u>\$ (3,801,617)</u> | <u>\$ 14,026,084</u> | <u>\$ 2,163,752</u> | <u>\$ 3,346,147</u> | <u>\$ 3,339,001</u> | <u>\$ (255,353)</u> |

VILLAGE OF KEY BISCAIYNE, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General fund | | | | | | | | | | |
| Non-spendable | \$ -- | \$ 305,730 | \$ 303,918 | \$ 272,330 | \$ 353,823 | \$ 268,176 | \$ 443,084 | \$ 598,249 | \$ 914,616 | \$ 1,289,448 |
| Restricted | -- | 1,170,247 | 1,054,070 | 1,466,704 | 1,574,817 | 1,875,857 | 2,795,695 | 1,950,591 | 1,254,841 | 1,125,496 |
| Committed | -- | 12,039,224 | 4,858,269 | 5,065,439 | 5,214,654 | 13,538,053 | 11,606,197 | 12,034,340 | 4,090,000 | 4,000,000 |
| Assigned | -- | 4,028,870 | 8,178,544 | 10,852,640 | 11,756,540 | 11,870,006 | 13,104,992 | 16,263,205 | 10,962,611 | 8,692,560 |
| Reserved | 15,286,689 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total General Fund | <u>15,286,689</u> | <u>17,544,071</u> | <u>14,394,801</u> | <u>17,657,113</u> | <u>18,899,834</u> | <u>27,552,092</u> | <u>27,949,968</u> | <u>30,846,385</u> | <u>17,222,068</u> | <u>15,107,504</u> |
| All other governmental funds | | | | | | | | | | |
| Committed | -- | 3,665,259 | 6,060,286 | 4,240,104 | 4,371,204 | 3,188,871 | 629,740 | -- | 7,214,656 | 9,756,603 |
| Unassigned | -- | (1,077,816) | (690,343) | (278,254) | (314,462) | -- | -- | -- | -- | -- |
| Restricted | -- | -- | 573,701 | 1,671,741 | 470,334 | 529,301 | -- | 715,133 | 823,271 | 1,053,098 |
| Assigned | -- | -- | -- | -- | -- | 59,404 | 414,264 | 825,896 | 1,008,170 | 983,358 |
| Unassigned (Deficit) | -- | -- | -- | -- | -- | -- | (2,114,581) | (6,305,354) | -- | -- |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue fund | (1,299,432) | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital projects funds | 5,195,557 | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total Other Governmental Funds | <u>3,896,125</u> | <u>2,587,443</u> | <u>5,943,644</u> | <u>5,633,591</u> | <u>4,527,076</u> | <u>3,777,576</u> | <u>(1,070,577)</u> | <u>(4,764,325)</u> | <u>9,046,097</u> | <u>11,793,059</u> |
| Total Governmental Funds | <u>\$ 19,182,814</u> | <u>\$ 20,131,514</u> | <u>\$ 20,338,445</u> | <u>\$ 23,290,704</u> | <u>\$ 23,426,911</u> | <u>\$ 31,329,668</u> | <u>\$ 26,879,391</u> | <u>\$ 26,082,060</u> | <u>\$ 26,268,165</u> | <u>\$ 26,900,563</u> |

Note: The Village implemented GASB Statement No. 54 for the fiscal year ended September 30, 2011.

VILLAGE OF KEY BISCAYNE, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-----------------------|---------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Ad valorem taxes | \$ 17,832,874 | \$ 16,646,040 | \$ 16,985,109 | \$ 17,499,835 | \$ 17,857,711 | \$ 19,353,288 | \$ 22,249,642 | \$ 24,202,255 | \$ 24,992,663 | \$ 25,400,645 |
| Franchise fees | 1,006,415 | 735,519 | 846,252 | 780,245 | 574,639 | 595,196 | 603,889 | 479,194 | 655,599 | 192,753 |
| Utility taxes/communication services tax | 2,731,766 | 2,717,209 | 2,709,498 | 2,800,840 | 2,884,510 | 2,841,898 | 2,760,480 | 2,809,421 | 2,870,643 | 2,810,037 |
| Licenses and permits | 1,329,823 | 1,948,820 | 2,383,500 | 2,542,103 | 2,090,916 | 3,076,414 | 2,484,872 | 1,239,116 | 1,211,159 | 1,658,676 |
| Intergovernmental revenue | 2,089,015 | 2,305,806 | 2,451,483 | 2,575,828 | 2,728,459 | 2,756,453 | 2,822,380 | 2,428,949 | 3,462,454 | 3,137,920 |
| Charges for services | 2,364,777 | 2,885,349 | 2,901,119 | 3,155,373 | 3,347,338 | 3,142,219 | 3,548,985 | 3,591,999 | 3,804,382 | 3,155,092 |
| Grants | 425,339 | 77,638 | 6,629 | 426,917 | 97,970 | 85,315 | 54,331 | 59,412 | 881,210 | 62,174 |
| Investment income | 21,346 | 37,254 | 37,985 | 16,722 | 34,991 | 47,004 | 111,484 | 78,443 | 37,503 | 146,404 |
| Contributions | -- | -- | -- | -- | -- | 7,000,000 | -- | -- | 38,325 | 4,700 |
| Miscellaneous | 131,848 | 147,065 | 212,697 | 1,627,479 | 148,140 | 139,196 | 81,516 | 184,489 | 244,650 | 257,811 |
| Total revenues | <u>27,933,203</u> | <u>27,500,700</u> | <u>28,534,272</u> | <u>31,425,342</u> | <u>29,764,674</u> | <u>39,036,983</u> | <u>34,717,579</u> | <u>35,073,278</u> | <u>38,198,588</u> | <u>36,826,212</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 1,934,341 | 1,929,153 | 2,066,501 | 2,255,188 | 2,468,672 | 2,884,740 | 3,783,031 | 3,265,030 | 3,755,605 | 3,789,714 |
| Fire | 6,584,784 | 6,557,442 | 7,056,020 | 7,014,382 | 7,574,576 | 6,726,873 | 6,895,590 | 6,882,673 | 7,499,587 | 8,203,230 |
| Police | 5,093,601 | 5,312,977 | 5,453,853 | 5,750,069 | 6,018,581 | 6,077,940 | 5,957,079 | 6,621,521 | 7,603,393 | 7,656,656 |
| Public works | 1,608,193 | 1,711,868 | 1,727,203 | 1,826,782 | 1,732,554 | 1,752,803 | 1,873,594 | 2,683,504 | 3,968,495 | 2,093,899 |
| Building, planning and zoning | 1,602,651 | 1,702,541 | 1,777,349 | 1,842,175 | 2,064,687 | 1,982,159 | 2,074,777 | 2,476,950 | 2,336,937 | 2,446,847 |
| Parks and recreation | 3,717,935 | 3,799,408 | 3,764,570 | 4,092,835 | 4,170,205 | 4,258,750 | 4,754,626 | 5,073,774 | 5,071,372 | 5,074,847 |
| Capital outlay | 2,349,935 | 1,963,219 | 3,793,179 | 2,294,068 | 1,769,634 | 3,334,821 | 6,938,850 | 6,567,150 | 3,278,569 | 2,063,481 |
| Intergovernmental: | | | | | | | | | | |
| Payment under interlocal agreement | -- | -- | -- | -- | 4,574,703 | 8,545 | 2,390,330 | -- | -- | -- |
| Debt service: | | | | | | | | | | |
| Principal | 2,140,684 | 2,348,506 | 2,436,139 | 2,531,116 | 2,716,772 | 2,920,699 | 3,294,521 | 3,459,733 | 3,771,867 | 4,183,733 |
| Interest and other fiscal charges | 1,386,913 | 1,520,433 | 828,393 | 913,409 | 875,949 | 973,012 | 822,575 | 777,099 | 726,658 | 681,407 |
| Total expenditures | <u>26,419,037</u> | <u>26,845,547</u> | <u>28,903,207</u> | <u>28,520,024</u> | <u>33,966,333</u> | <u>30,920,342</u> | <u>38,784,973</u> | <u>37,807,434</u> | <u>38,012,483</u> | <u>36,193,814</u> |
| Excess (deficiency) of revenues over expenditures | 1,514,166 | 655,153 | (368,935) | 2,905,318 | (4,201,659) | 8,116,641 | (4,067,394) | (2,734,156) | 186,105 | 632,398 |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | -- | -- | 5,816,222 | -- | 904,093 | 1,855,623 | 4,260,203 | 2,327,481 | 15,604,398 | 4,292,381 |
| Transfers out | (212,308) | (28,134) | (5,844,356) | (28,134) | (1,161,227) | (2,199,507) | (4,643,086) | (2,295,677) | (15,604,398) | (4,292,381) |
| Bonds issued | -- | -- | -- | 5,575,075 | 4,575,000 | -- | -- | -- | -- | -- |
| Payment for interlocal agreement | -- | -- | -- | (5,500,000) | -- | -- | -- | -- | -- | -- |
| Refunding bonds issued | -- | 18,693,952 | -- | -- | -- | -- | -- | -- | -- | -- |
| Debt service - principal | -- | (18,693,952) | -- | -- | -- | -- | -- | -- | -- | -- |
| Capital lease proceeds | 188,444 | 321,681 | 604,000 | -- | 20,000 | 130,000 | -- | 1,905,021 | -- | -- |
| Total other financing sources (uses) | <u>(23,864)</u> | <u>293,547</u> | <u>575,866</u> | <u>46,941</u> | <u>4,337,866</u> | <u>(213,884)</u> | <u>(382,883)</u> | <u>1,936,825</u> | <u>--</u> | <u>--</u> |
| Net Change in Fund Balances | <u>\$ 1,490,302</u> | <u>\$ 948,700</u> | <u>\$ 206,931</u> | <u>\$ 2,952,259</u> | <u>\$ 136,207</u> | <u>\$ 7,902,757</u> | <u>\$ (4,450,277)</u> | <u>\$ (797,331)</u> | <u>\$ 186,105</u> | <u>\$ 632,398</u> |
| Debt service as a percentage of non-capital expenditures | 15% | 16% | 13% | 13% | 11% | 14% | 14% | 14% | 13% | 14% |

VILLAGE OF KEY BISCAIYNE, FLORIDA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

**LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

| Fiscal Year | Ad Valorem Taxes | Franchise Taxes | Utility Taxes | Inter-governmental | Communications Services Tax | Total |
|-------------|------------------|-----------------|---------------|--------------------|-----------------------------|---------------|
| 2010 | \$ 17,832,874 | \$ 1,006,415 | \$ 2,731,766 | \$ 1,203,221 | \$ 1,029,087 | \$ 23,803,363 |
| 2011 | 16,646,040 | 735,519 | 1,705,238 | 1,358,573 | 1,011,971 | 21,457,341 |
| 2012 | 16,985,109 | 846,252 | 1,727,651 | 2,451,483 | 981,847 | 22,992,342 |
| 2013 | 17,499,835 | 780,245 | 1,789,909 | 2,575,828 | 1,010,931 | 23,656,748 |
| 2014 | 17,857,711 | 574,639 | 1,967,061 | 2,728,459 | 917,449 | 24,045,319 |
| 2015 | 19,353,288 | 595,196 | 1,979,733 | 2,756,453 | 862,165 | 25,546,835 |
| 2016 | 22,249,642 | 603,889 | 2,007,095 | 2,822,380 | 753,385 | 28,436,391 |
| 2017 | 24,202,255 | 479,194 | 2,110,494 | 2,428,949 | 698,927 | 29,919,819 |
| 2018 | 24,992,663 | 655,599 | 2,136,221 | 3,462,454 | 734,422 | 31,981,359 |
| 2019 | 25,400,645 | 192,753 | 2,128,389 | 3,137,920 | 681,648 | 31,541,355 |

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

NET ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Tax Roll Year | Real Property | | | Total Net Assessed Value | Total Direct Tax Rate |
|---------------------------------------|------------------|-------------------------|------------------------|----------------------|--------------------------------|--------------------------------|
| | | Residential Property | Commercial Property | Personal Property | | |
| 2010 | 2009 | \$ 5,593,947,239 | \$ 302,747,017 | \$ 39,521,761 | \$ 5,936,216,017 | 3.200 |
| 2011 | 2010 | 5,114,029,641 | 276,917,774 | 38,812,865 | 5,429,760,280 | 3.200 |
| 2012 | 2011 | 5,458,639,449 | 281,666,505 | 41,574,020 | 5,781,879,974 | 3.200 |
| 2013 | 2012 | 5,445,595,704 | 294,710,250 | 38,326,390 | 5,778,632,344 | 3.200 |
| 2014 | 2013 | 5,800,745,002 | 313,747,054 | 37,410,973 | 6,151,903,029 | 3.000 |
| 2015 | 2014 | 6,306,477,954 | 353,222,413 | 37,956,862 | 6,697,657,229 | 3.000 |
| 2016 | 2015 | 7,291,699,676 | 393,809,175 | 36,239,673 | 7,721,748,524 | 3.000 |
| 2017 | 2016 | 7,875,742,931 | 425,303,529 | 38,238,417 | 8,339,284,877 | 3.000 |
| 2018 | 2017 | 8,148,976,226 | 445,692,829 | 39,913,640 | 8,634,582,695 | 3.000 |
| 2019 | 2018 | 7,913,504,848 | 481,397,840 | 47,424,912 | 8,442,327,600 | 3.100 |

Note: Property in the Village is reassessed each year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

Source: Miami-Dade County Property Appraiser's Office.

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

| Fiscal Year | Tax Roll Year | Village of Key Biscayne | | | Overlapping Rates (1) | | | | | | | | | |
|-------------|---------------|-------------------------|--------------|---------------|-----------------------|-----------------|----------------|--------------------|-----------------|----------------|------------------------------------|--------------------------------|-------|------------------------------------|
| | | General Operations | Debt Service | Total Village | Miami-Dade County | | | Miami-Dade Schools | | | Florida Inland Navigation District | South Florida Water Management | Other | Total Direct and Overlapping Rates |
| | | | | | Operating Millage | Service Millage | County Millage | Operating Millage | Service Millage | School Millage | | | | |
| 2010 | 2009 | 3.200 | - | 3.200 | 4.838 | 0.285 | 5.123 | 7.698 | 0.297 | 7.995 | 0.035 | 0.535 | 0.972 | 17.859 |
| 2011 | 2010 | 3.200 | - | 3.200 | 5.428 | 0.445 | 5.873 | 7.864 | 0.385 | 8.249 | 0.035 | 0.535 | 0.873 | 18.764 |
| 2012 | 2011 | 3.200 | - | 3.200 | 4.805 | 0.285 | 5.090 | 7.765 | 0.240 | 8.005 | 0.035 | 0.374 | 0.742 | 17.445 |
| 2013 | 2012 | 3.200 | - | 3.200 | 4.704 | 0.285 | 4.989 | 7.765 | 0.233 | 7.998 | 0.035 | 0.368 | 0.734 | 17.322 |
| 2014 | 2013 | 3.000 | - | 3.000 | 4.704 | 0.422 | 5.126 | 7.644 | 0.333 | 7.977 | 0.035 | 0.352 | 0.731 | 17.221 |
| 2015 | 2014 | 3.000 | - | 3.000 | 4.667 | 0.450 | 5.117 | 7.775 | 0.199 | 7.974 | 0.035 | 0.158 | 1.011 | 17.294 |
| 2016 | 2015 | 3.000 | - | 3.000 | 4.667 | 0.450 | 5.117 | 7.413 | 0.199 | 7.612 | 0.032 | 0.146 | 0.993 | 16.900 |
| 2017 | 2016 | 3.000 | - | 3.000 | 4.667 | 0.400 | 5.067 | 7.138 | 0.184 | 7.322 | 0.032 | 0.136 | 0.979 | 16.536 |
| 2018 | 2017 | 3.000 | - | 3.000 | 4.667 | 0.400 | 5.067 | 6.774 | 0.220 | 6.994 | 0.032 | 0.128 | 0.934 | 16.154 |
| 2019 | 2018 | 3.100 | - | 3.100 | 4.667 | 0.464 | 5.131 | 6.504 | 0.229 | 6.733 | 0.032 | 0.121 | 0.898 | 16.015 |

Note: All millage rates are based on \$1 for every \$1,000 of assessed value.

Sources: Village of Key Biscayne Finance Department and Miami-Dade County Property Appraiser's Office.

(1) Overlapping rates are those of local and county governments that apply to property owners within the Village of Key Biscayne. Not all overlapping rates apply to all Village of Key Biscayne property owners (i.e., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

VILLAGE OF KEY BISCAIYNE, FLORIDA

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

| 2019 | | | | 2010 | | | |
|---------------------------------|-----------------------|------|---|----------------------------------|-----------------------|------|---|
| Taxpayer | Net Taxable Value | Rank | Percent of Total Village Net Assessed Value | Taxpayer | Net Taxable Value | Rank | Percent of Total Village Net Assessed Value |
| GB JT Hotel Partners LP | \$ 77,220,000 | 1 | 0.91% | GB Hotel Partners LTD | \$ 46,000,000 | 1 | 0.85% |
| Red Dragon's Sands LTD | 34,351,442 | 2 | 0.41% | SBR Fortune Associates | 44,568,400 | 2 | 0.82% |
| Galleria of Key Biscayne Inc | 28,800,000 | 3 | 0.34% | EDW A McCarthy-Archbishop | 23,527,994 | 3 | 0.43% |
| Timothy Bryan | 20,496,732 | 4 | 0.24% | Galleria of Key Biscayne Inc | 19,300,000 | 4 | 0.36% |
| Edgardo Defortuna | 20,274,285 | 5 | 0.24% | Key Biscayne Properties LLC | 15,134,130 | 5 | 0.28% |
| United Real Estate Ventures Inc | 20,223,661 | 6 | 0.24% | Red Dragon's Sands LTD | 14,568,368 | 6 | 0.27% |
| 240 Crandon Investments LLC | 17,000,000 | 7 | 0.20% | United Real Estate Ventures Inc | 13,010,965 | 7 | 0.24% |
| Boca Breeze LLC | 14,920,711 | 8 | 0.18% | 260 Cape FLA LLC | 12,995,950 | 8 | 0.24% |
| Atlantic USA Inc. | 14,398,387 | 9 | 0.17% | Tesaurus Holdings Inc | 12,851,673 | 9 | 0.24% |
| Vali Key LLC | <u>14,300,000</u> | 10 | 0.17% | Key Biscayne Presbyterian Church | <u>12,704,963</u> | 10 | 0.23% |
| | <u>\$ 261,985,218</u> | | <u>3.10%</u> | | <u>\$ 214,662,443</u> | | <u>3.96%</u> |

VILLAGE OF KEY BISCAYNE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTION

LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Total Taxes Levied for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Year's | Total Collections to Date | |
|---------------------------------------|---|--|--------------------|--|------------------------------|--------------------|
| | | Amount | Percent of Levy | | Amount | Percent of Levy |
| 2010 | \$ 18,995,891 | \$ 17,635,675 | 92.84% | \$ 197,199 | \$ 17,832,874 | 93.88% |
| 2011 | 17,375,233 | 16,305,810 | 93.85% | 340,230 | 16,646,040 | 95.80% |
| 2012 | 17,673,192 | 16,915,884 | 95.71% | 69,225 | 16,985,109 | 96.11% |
| 2013 | 18,491,624 | 17,418,348 | 94.20% | 81,487 | 17,499,835 | 94.64% |
| 2014 | 19,686,090 | 17,857,711 | 90.71% | -- | 17,857,711 | 90.71% |
| 2015 | 20,092,972 | 19,353,288 | 96.32% | -- | 19,353,288 | 96.32% |
| 2016 | 23,165,246 | 22,249,642 | 96.05% | -- | 22,249,642 | 96.05% |
| 2017 | 25,017,855 | 24,202,255 | 96.74% | -- | 24,202,255 | 96.74% |
| 2018 | 25,940,310 | 24,992,663 | 96.35% | -- | 24,992,663 | 96.35% |
| 2019 | 26,436,080 | 25,400,645 | 96.08% | -- | 25,400,645 | 96.08% |

Source: Village of Key Biscayne Finance Department and Miami-Dade County Tax Collector's Office

VILLAGE OF KEY BISCAYNE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Governmental Activities | | | Business-type Activities | | | Total | Percent of Household Income (1) | Debt Per Capita |
|---------------------------------------|--------------------------------|------------------|------------------|-----------------------------|------------------|---------------|-------|---------------------------------------|-----------------------|
| | General Obligation Bonds | Revenue Bonds | Loans Payable | Revenue Bonds | Loans Payable | | | | |
| 2010 | \$ -- | \$ 29,950,678 | \$ -- | \$ 4,450,000 | \$ 4,695,812 | \$ 39,096,490 | 0.26% | 3,167 | |
| 2011 | -- | 27,757,222 | -- | 4,130,000 | 4,497,388 | 36,384,610 | 0.29% | 2,948 | |
| 2012 | -- | 25,543,132 | -- | 3,655,000 | 4,254,706 | 33,452,838 | 0.33% | 2,710 | |
| 2013 | -- | 28,759,034 | -- | 3,170,000 | 4,148,944 | 36,077,978 | 0.31% | 2,923 | |
| 2014 | -- | 30,897,605 | -- | 6,255,000 | 3,946,308 | 41,098,913 | 0.28% | 3,329 | |
| 2015 | -- | 28,101,157 | -- | 5,955,000 | 3,736,933 | 37,793,090 | 0.32% | 2,961 | |
| 2016 | -- | 24,969,498 | -- | 9,135,000 | 167,484 | 34,271,982 | 0.43% | 2,659 | |
| 2017 | -- | 21,731,237 | -- | 8,464,278 | 143,485 | 30,339,000 | 0.43% | 2,347 | |
| 2018 | -- | 21,532,747 | -- | 5,296,354 | -- | 26,829,101 | 0.45% | 2,082 | |
| 2019 | -- | 17,833,939 | 944,242 | 4,578,783 | -- | 23,356,964 | 0.58% | 1,818 | |

(1) household income amounts are disclosed on page 93 on the demographic schedule

VILLAGE OF KEY BISCAYNE, FLORIDA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

The Village does not have general obligation debt.

VILLAGE OF KEY BISCAYNE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

| Government Unit | 2019 | | |
|-----------------------------------|----------------------------|---|---|
| | Net Debt Outstanding | Percentage Applicable to the Village of Key Biscayne (1) | Amount Applicable to the Village of Key Biscayne |
| Direct: | | | |
| Village of Key Biscayne | \$ 18,778,181 | 100.00% | \$ 18,778,181 |
| Overlapping debt: | | | |
| Miami-Dade County | 2,070,235,000 | 2.69% | 55,744,334 |
| Miami-Dade County School Board | 885,249,000 | 2.45% | <u>21,664,158</u> |
| Subtotal, Overlapping Debt | | | <u>77,408,492</u> |
| Total Direct and Overlapping Debt | | | <u>\$ 96,186,673</u> |

Sources: Data provided by the Miami-Dade County Finance Department and the Miami-Dade County School Board.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Village. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Village of Key Biscayne. This process recognizes that, when considering the Village's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Value that is within the Village's boundaries and dividing it by the County's and School Board's total taxable assessed value. This approach was also used for the other debt.

VILLAGE OF KEY BISCAIYNE, FLORIDA

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

| Fiscal Year Ended September 30, | Non- Ad Valorem Revenues | Debt Service | | Coverage |
|---------------------------------------|--------------------------------|--------------|--------------|----------|
| | | Principal | Interest | |
| 2010 | \$ 10,854,660 | \$ 2,348,506 | \$ 1,520,433 | 2.81 |
| 2011 | 11,549,163 | 2,436,139 | 828,393 | 3.54 |
| 2012 | 13,925,507 | 2,531,116 | 913,409 | 4.04 |
| 2013 | 19,683,695 | 2,716,772 | 875,949 | 5.48 |
| 2014 | 19,683,695 | 2,920,699 | 973,012 | 5.06 |
| 2015 | 19,683,695 | 2,920,699 | 973,012 | 5.06 |
| 2016 | 12,467,937 | 3,294,521 | 822,575 | 3.03 |
| 2017 | 10,871,023 | 3,459,733 | 777,099 | 2.57 |
| 2018 | 13,205,925 | 3,771,867 | 726,658 | 2.94 |
| 2019 | 11,834,422 | 4,183,733 | 681,407 | 2.43 |

Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

| Year | Population (1) | Median Household Income (1) | Per Capita Personal Income (1) | Unemployment Rate (2) |
|------|----------------|-----------------------------|--------------------------------|-----------------------|
| 2010 | 12,344 | \$ 102,790 | \$ 42,190 | 13.2% |
| 2011 | 12,344 | 105,874 | 43,456 | 9.4% |
| 2012 | 12,344 | 109,050 | 44,759 | 8.5% |
| 2013 | 12,344 | 112,321 | 46,102 | 6.8% |
| 2014 | 12,344 | 115,691 | 47,485 | 6.1% |
| 2015 | 12,762 | 119,241 | 48,910 | 6.0% |
| 2016 | 12,888 | 145,723 | 50,377 | 5.2% |
| 2017 | 12,924 | 129,321 | 83,093 | 4.7% |
| 2018 | 12,887 | 119,920 | 63,614 | 3.6% |
| 2019 | 12,846 * | 134,626 ** | 78,678 ** | 3.3% |

Sources:

- (1) City-data.com; *Bureau of Economic & Business Research, University of Florida
** ESRI estimates for 2019
- (2) United States Bureau of Labor Statistics

VILLAGE OF KEY BISCAYNE, FLORIDA

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

| Employer | 2019 | | | 2010 | | |
|--|---------------------|------|--|---------------------|------|--|
| | Employees | Rank | Percentage of Total Village Employment | Employees | Rank | Percentage of Total Village Employment |
| Ritz Carlton Key Biscayne | 1,500 | 1 | not known | 1,500 | 1 | not known |
| Winn Dixie Stores, Inc. | 142 | 2 | not known | 250 | 2 | not known |
| Village of Key Biscayne | <u>129</u> | 3 | not known | <u>114</u> | 3 | not known |
| All remaining employers are of an extremely small number | | | | | | |
| Total | <u><u>1,771</u></u> | | | <u><u>1,864</u></u> | | |

Notes: All amounts are estimated for timely inclusion in report.
 Source: Village of Key Biscayne Finance Department.

VILLAGE OF KEY BISCAYNE, FLORIDA

FULL-TIME EQUIVALENT VILLAGE GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number of Employees | | | | | | | | | | |
| General government | 7 | 7 | 7 | 7 | 7 | 9 | 10 | 9 | 10 | 10 |
| Public safety | 70 | 68 | 69 | 74 | 74 | 77 | 84 | 86 | 87 | 87 |
| Building, planning and zoning | 13 | 13 | 15 | 17 | 17 | 14 | 14 | 16 | 16 | 16 |
| Public works | 4 | 4 | 4 | 4 | 4 | 5 | 4 | 5 | 5 | 5 |
| Parks and recreation | <u>10</u> | <u>10</u> | <u>10</u> | <u>12</u> | <u>10</u> | <u>9</u> | <u>11</u> | <u>11</u> | <u>11</u> | <u>11</u> |
| Total Number of Employees | <u>104</u> | <u>102</u> | <u>105</u> | <u>114</u> | <u>112</u> | <u>114</u> | <u>123</u> | <u>127</u> | <u>129</u> | <u>129</u> |

Source: Village of Key Biscayne Finance Department

VILLAGE OF KEY BISCAYNE, FLORIDA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

| Function/Program | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Police personnel | 32 | 30 | 30 | 33 | 34 | 36 | 45 | 47 | 47 | 47 |
| Police calls for service | 34,935 | 37,646 | 31,214 | 26,836 | 24,556 | 30,475 | 29,427 | 32,031 | * | * |
| Parking violations | 523 | 563 | 638 | 676 | 440 | 506 | 552 | 2,287 | * | * |
| Traffic violations | 1,425 | 1,269 | 1,542 | 1,875 | 846 | 939 | 956 | 1,531 | * | * |
| Fire: | | | | | | | | | | |
| Fire personnel | 38 | 38 | 39 | 41 | 40 | 41 | 39 | 39 | 40 | 40 |
| Fire incidents | 1,556 | 1,841 | 1,369 | 1,896 | 1,763 | 1,490 | 1,908 | 1,529 | 1,884 | 1,650 |
| Fire inspections performed | 267 | 469 | 323 | 469 | 739 | 667 | 770 | 995 | 991 | 1150 |
| Planning and development: | | | | | | | | | | |
| Building permits issued | 4,371 | 3,723 | 3,402 | 3,885 | 3,876 | 3,684 | 3,501 | 3,746 | 2,935 | 2,658 |
| Business tax receipts issued | 1,129 | 1,165 | 1,187 | 937 | 987 | 1,097 | 1,219 | 1,088 | 1,896 | 1,356 |
| Culture and recreation: | | | | | | | | | | |
| Number of building users | 3,990 | 4,127 | 4,338 | 4,251 | 4,041 | 4,110 | 4,179 | 4,274 | 4,693 | 3,728 |
| Solid waste: | | | | | | | | | | |
| Residential accounts | 1,302 | 1,292 | 1,264 | 1,254 | 1,250 | 1,272 | 1,260 | 1,251 | 1,341 | 1,280 |

Sources: Various Village Departments.

* Data unavailable as the Police Department installed a new software in September 2018 and old data was inaccessible

VILLAGE OF KEY BISCAYNE, FLORIDA

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

| Function/Program | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------|------|------|------|------|------|------|------|------|------|
| General government: | | | | | | | | | | |
| Number of general government buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public safety: | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units/divisions | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire: | | | | | | | | | | |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Transportation: | | | | | | | | | | |
| Miles of streets | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 24.8 | 24.8 |
| Number of street lights | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| Number of traffic signals | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 6 | 6 |
| Culture and recreation: | | | | | | | | | | |
| Parks | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| Parks acreage | 9 | 9 | 9 | 9 | 9 | 9 | 10 | 10 | 14.5 | 14.5 |
| Community center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Sources: Various Village Departments.

REPORTING SECTION

**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***

To the Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have audited, in accordance with the 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 accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Key Biscayne, Florida (the Village), as of and for the fiscal year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item MW2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items SD2019-002 and SD2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the schedule of findings and responses as item 2019-004.

Village Management's Response to Finding

The Village management's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
June 26, 2020

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MATERIAL WEAKNESS

MW2019-001 – INADEQUATE CONTROLS OVER FINANCIAL CLOSING AND REPORTING – PENSION TRUST FUND

Criteria

Prudent financial reporting practices for the Village of Key Biscayne Police Officers and Firefighters Retirement Plan (the Plan) reporting include having a process in place for a timely and accurate financial reporting as this is a critical fiduciary responsibility.

Condition

During the commencement of the audit, the auditor faced delayed receipt of audit requested schedules and financial reports related to the Plan. Upon investigation and performance of audit procedures, the auditor noted the Plans annual financial closing process was inaccurate and incomplete. As a result, the auditor proposed six (6) audit adjusting entries and prepared schedules that Plan's plan administrator should have prepared but was unable to provide. Substantially all of the entries were to correct bookkeeping errors or to propose accruals and other adjustments that should have been made by the Plan. The cumulative amount of the audit adjustments were material to the financial statements. The relevant issues encountered by the auditor were as follows:

1. Lack of recordkeeping of the Plans Deferred Retirement Option Program (DROP) current year activity at the participant account level.
2. Lack of recordkeeping of the Village of Key Biscayne Firefighters' Share Plan (the Share Plan) current year activity at the participant account level.
3. Trial balance received by the auditor included the incorrect opening Net Position Balance and was not reflective of DROP investment activity, Share investment activity, and current-year activity related to the Plans Deferred Inflow of Resources as of September 30, 2019.
4. Trial balance provided by the Plan administrator did not properly reflect the Plans accounts receivables as of September 30, 2019.
5. During the year, the Board of Trustees elected to terminate the investment management service component with the Plan's custodian. As part of these services, the custodian would provide certain GASB Statement No. 40 and GASB Statement No. 72 – Fair Value Measurement and Application schedules to plan management. Subsequently, the Plan was not able to make readily available certain required investment disclosures in order to comply with the financial reporting requirements of GASB Statement No. 40 - Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MATERIAL WEAKNESS (CONTINUED)

MW2019-001 – INADEQUATE CONTROLS OVER FINANCIAL CLOSING AND REPORTING – PENSION TRUST FUND (CONTINUED)

Condition (continued)

6. During the audit, the auditor noted the DROP and Share Plan investments were separated and held in custody of ICMA Retirement Corporation as of the beginning of the fiscal year and certain requested schedules (DROP and Share) by the Plan's actuary for completion of the GASB 67 report for year ended September 30, 2019 were not provided by the Plan Administrator. The auditor assisted with the preparation of required schedules for the actuary. As part of transfer process of DROP and Share accounts from ICMA to Empower, the Plan administrator did not test participant accounts to ensure all participant funds were properly transferred and allocated to the respective participant account through February 2019. On March 1, 2019, the Plan's Board of Trustees transferred all assets of both the DROP and Share Plan to Employer Retirement Advisory Services (Empower). During this transition, a portion of the investment account balances for two (2) Share plan participants were incorrectly transferred and coded into another retirement program offered by the Village of Key Biscayne.

Cause

Inadequate internal controls over reconciliation of participant accounts and the Plan's financial closing and reporting process. Lack of understanding of the technical aspects of the Plan's financial reporting.

Effect

Due to inadequate controls and established processes, the pension administrator was not able to completely close and reconcile the Plan's financial records. As result, there were delays in producing closing entries, the Plan's trial balance, schedules, reconciliation, account analyzes, and other financial reports needed by management and the auditors. In addition, the Plan required significant assistance from the auditors in reconciling the trial balance, the DROP and Share Plan rollforward schedules and required investment financial statement disclosures necessary to meet the reporting requirements set forth by U.S. generally accepted accounting principles and the actuary requested information to complete the Plan's GASB 67 report for the year ended September 30, 2019. All of this caused extensive delay in performing and completion of the Village audit and preparation of the Comprehensive Annual Financial Report.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MATERIAL WEAKNESS (CONTINUED)

MW2019-001 – INADEQUATE CONTROLS OVER FINANCIAL CLOSING AND REPORTING – PENSION TRUST FUND (CONTINUED)

Recommendation

We recommend the Plan enhance its internal controls over the Plan's financial closing and reporting process. This can be accomplished by preparing a quarterly-end closing schedule which includes all tasks that are necessary to close the month-end. Such a list should include, at a minimum, the following: the month-end period; a list of month-end tasks (for example, reconcile custodial statements, post sub-ledger balances to the general ledger, prepare accrual journal entries, reconcile DROP and Share participant accounts, etc. and the due date of each task. Such a closing schedule will have to be expanded accordingly for the Plans year-end. Also, to be effective, the schedule should be updated on a regular basis as situations change. Due dates should be monitored by the Plan's Board of Trustee's to determine that they are being met.

In addition, the Plan's Board of Trustees should engage a Plan administrator who is more familiar with GASB requirements and governmental single-employer defined benefit pension plans. As part of the process, the Board should identify the responsible party to reconcile the Plan's annual GASB statement No. 40 and No. 72 schedules.

View of Responsible Official and Planned Corrective Action

Management concurs with the auditor's recommendation. The Village's Police Officers and Firefighters Retirement Plan Board of Trustees has been made aware of the material weakness finding and will take appropriate action to correct the control deficiencies.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SIGNIFICANT DEFICIENCIES

SD2019-002 – EVIDENCE OF REVIEW OF BANK RECONCILIATIONS

Criteria

Prudent control practices for the cash receipts and disbursements financial cycles of the Village include having a process in place for timely preparation and review of the monthly bank reconciliations.

Condition

During our procedures over Village cash accounts, we selected six (6) months during the year and noted that evidence could not be provided for the timely preparation and review of bank reconciliations.

Cause

Inadequate documentation of internal controls over the policies and procedures for timely preparation and review of bank reconciliations.

Effect

Although none identified, potential effects of this condition may result in failure to timely detect loss or misuse of funds.

Recommendation

We recommend the Village enhance its internal controls over the bank reconciliation preparation and review process. As part of the process, reconciling items should be investigated and adjusted at the time the reconciliations are prepared. Further, we recommend that the Village maintain support for the Finance Director's review of the monthly bank reconciliations, in a timely manner.

View of Responsible Official and Planned Corrective Action

Management concurs with the auditor's recommendation. The Village's Finance Department has prepared monthly bank reconciliations throughout the fiscal year and subsequent to year end. During the reconciliation process, all transactions are reconciled and captured in the general ledger. Subsequent to year-end, the Finance Department has implemented a documentation process which will provide evidence of timely completion and review of bank reconciliations by management.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD2019-003 - INTERNAL CONTROLS OVER REPORTING OF CAPITAL ASSETS

Criteria

Prudent internal control practices for financial reporting over capital assets of the Village include having a process in place for formal and timely reconciliations.

Condition

As a result of our testing procedures over the Village's capital asset schedule, we identified several errors and discrepancies in the Village's capital assets records. Errors consisted of assets sold during fiscal year 2019 that were not included as disposals in the capital assets detail, omitted recognition of depreciation expense for certain asset items and lack of capitalization of capital outlay related to property and equipment which meets the Village's capitalization threshold.

Cause

Inadequate internal controls over policies and procedures for record-keeping and reporting of capital assets and lack of periodic physical asset counts.

Effect

Accounting misstatements in capital asset recording and disclosures. Adjustments proposed by the auditor and accepted by Village management included the following:

1. The sewer system capital assets, were not being properly depreciated in the Village's capital asset schedule. As a result, depreciation expense in the amount of \$989,908 was not captured and may have been omitted in the Village's financial statements.
2. Eight (8) new police vehicles were purchased for which no depreciation was recognized. As a result, depreciation expense increased by \$34,882.
3. Three (3) invoices related to preparing the eight (8) new purchased vehicles for use in the police fleet were not capitalized as part of the newly acquired vehicles. As a result, an adjustment to the cost of police vehicles additions was made in amount of \$44,502, and total depreciation increased by \$6,358.
4. One (1) parks and recreation vehicle was not depreciated during 2017, 2018, or 2019. In order to correct accumulated depreciation as of fiscal year-end, depreciation expense was increased by \$41,619, during 2019.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

SIGNIFICANT DEFICIENCIES (CONTINUED)

SD 2019-003 - INTERNAL CONTROLS OVER REPORTING OF CAPITAL ASSETS (CONTINUED)

Effect (continued)

5. A transfer transaction representing the movement of a capital asset between account groupings (transfer from “Buildings” to “Furniture, fixtures and equipment”) was incorrectly recorded. The correction of the transaction resulted in the recognition of a capital asset in the amount of \$71,276 and recording of related depreciation in the amount of \$14,225.
6. Capital assets (vehicles) sold during the year were not identified in the capital asset detail as disposals. As a result, the cost and related accumulated depreciation of vehicle disposals was overstated by \$572,154 and \$529,670, respectively.

Recommendation

We recommend the Village enhance its internal controls over the accounting and reporting of capital assets by implementation of a formal and timely reconciliation policy and/or the implementation of a capital asset tracking software/systems to reduce the risk of misstatements in capital assets.

View of Responsible Official and Planned Corrective Action

Management concurs with the auditor’s recommendation. During September 2019 the Village Council approved the purchase of an enterprise resource planning system. This new system will provide the Village’s finance department the ability to automate the recordkeeping of capital assets and address the auditor’s recommendation.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NONCOMPLIANCE FINDING

2019-004 - NONCOMPLIANCE WITH SHARE PLAN DOCUMENT

Criteria

The Village is required to adhere and comply with Florida Statutes and the Plan document governing the Village of Key Biscayne Firefighters' Share Plan (Share Plan). The Plan document is memorialized in the Village's Code of Ordinance, Chapter 23, Sec. 23-56 – Firefighters' Share Plan. This code sets the board of trustees of the Village of Key Biscayne Police Officers and Firefighters Retirement Plan, as the governing board of the Share Plan.

Condition

During our audit, as a part of our compliance testing, we noted the Share Plan did not comply with certain underlying provisions stipulated in the Plan document/ordinance, as follows:

- The purpose of the Share Plan was to place additional premium tax revenues pursuant to Florida Statutes (Chapter 175) and earnings generated there from into a separate trust fund to pay extra benefits to Village Firefighters who were participants in the Village of Key Biscayne Police Officers and Firefighters Retirement Plan prior to March 11, 2014. Effective March 11, 2014 the Share Plan was closed to new participants. Currently the investment balance of the Share Plan at September 30, 2019 is of \$1,104,385. During the audit, Marcum noted the Share Plan investments were separated and held in custody of ICMA Retirement Corporation through February 2019. On March 1, 2019, the Board transferred all assets of the Share Plan to Empower Retirement Advisory Services (Empower). During the transfer only 1 account was open with Empower which commingled investments and assets of the Share Plan, the Deferred Retirement Option Program, and the Village's 401(a) retirement plan. As such, the Share plan investments are currently not held in a separate trust as required.
- The Code establishes the Share Plan's year as October 1 through September 30th. During the transfer from ICMA to Empower, the Board adopted a Governmental Volume Submitter Money Purchase Plan document which defines the Plan's year-end as December 31st with Empower. Consequently, the current established year-end does not comply with the Code.

Cause

Inadequate internal controls over compliance of Plan accounts in accordance with the Plan document/ordinance.

Effect

Non-compliance with the Village Code of Ordinances/Plan document.

VILLAGE OF KEY BISCAYNE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

NONCOMPLIANCE FINDING (CONTINUED)

2019-004 - NONCOMPLIANCE WITH SHARE PLAN DOCUMENT (CONTINUED)

Recommendation

We recommend Plan management correct non-compliance noted above by separating trust investments and correcting the Plan's year-end. Management should consider requesting advice from the Plan's legal counsel to ensure corrections and/or amendments to the Plan are properly executed and established in accordance with the Plan document. Consideration should also be given to potential tax implications, if any, caused during the commingling of Plan investments and adoption of the Governmental Volume Submitter Money Purchase Plan document.

View of Responsible Official and Planned Corrective Action

Management concurs with the auditor's recommendation. The Village's Police Officers and Firefighters Retirement Plan Board of Trustees is working diligently with the Plan's legal counsel to determine all necessary steps and required changes are made to adhere and comply with the Plan document.

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

To the Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have audited the financial statements of the Village of Key Biscayne, Florida (the Village), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 26, 2020

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 26, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village of Key Biscayne, Florida was incorporated by the Laws of Florida Chapter 2889. There are no component units related to the Village.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Village has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Village. It is management's responsibility to monitor the Village'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. Our assessment was performed as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did have one recommendation identified as MLC 2019-001.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did report an instance of noncompliance which is described in the Schedule of Findings and Responses as item 2019-004.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal, State, and other granting agencies, the Honorable Mayor, Village Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Miami, FL
June 26, 2020

VILLAGE OF KEY BISCAYNE, FLORIDA

CURRENT YEAR RECOMMENDATIONS TO IMPROVE FINANCIAL MANAGEMENT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

MLC 2019-001 - AUTOMATION OF RECORDKEEPING OF COMPENSATED ABSENCES

Condition

On an ongoing basis the Village tracks overtime, holiday, sick, and vacation time manually on a separate spreadsheet. Activity is keyed into an Excel spreadsheet by the responsible payroll employee, which is then reviewed by the payroll specialist at the time payroll is prepared on a bi-weekly basis.

Cause

The Village currently tracks and reconciles activity related to compensated absences in a manual process.

Effect

Due to the manual tracking of compensated absences in excel, Marcum noted several errors across the selections of employees tested, including:

- A. The accrual of incorrect hours earned for sick leave per month compared to the applicable collective bargaining agreement of the employee tested.
- B. Clerical errors in which the Excel spreadsheet did not correctly add earned hours to the available balance or reduce the available balance by hours used.
- C. Clerical errors in which the Excel did not have the correct carry-forward of the ending balance of available hours as of the calendar year end (December 31st) to the beginning balance of available hours as of the new calendar year (January 1st) beginning within the fiscal year 2019.

Recommendation

We recommend that the Village analyze their current payroll software to determine if the software has the capability of recordkeeping on a real-time basis the accumulation of compensated absences. Automation would eliminate the redundant keying now being done to accumulate total hours by employee, thus saving time and reducing the potential for errors that may occur on a manual spreadsheet.

View of Responsible Official and Planned Corrective Action

Management concurs with the auditor's recommendation. Village management has completed the implementation of Phase I of a time and attendance module with its current payroll system platform. Phase II of the implementation which will take place within fiscal year 2020 will allow for real-time recordkeeping of compensated absences balances. Management believe implementation of Phase II will address the auditor's recommendation.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE PURSUANT TO
SECTION 218.415 FLORIDA STATUTES**

To the Honorable Mayor, Village Council and Village Manager
Village of Key Biscayne, Florida

We have examined the Village of Key Biscayne, Florida's (the Village) compliance with Section 218.415 Florida Statutes, Local Government Investment Policies, for the fiscal year ended September 30, 2019. Management of the Village is responsible for the Village's compliance with the specified requirements. Our responsibility is to express an opinion on the Village's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Village complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Village complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village complied, in all material respects, with Section 218.415 Florida Statutes for the fiscal year ended September 30, 2019.

This report is intended to describe our testing of compliance with Section 218.415 Florida Statutes and it is not suitable for any other purpose.

Marcum LLP

Miami, FL
June 26, 2020