

MIAMI SHORES VILLAGE, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Prepared by

THE FINANCE DEPARTMENT

MIAMI SHORES VILLAGE, FLORIDA

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i-vii
List of Elected and Appointed Officials	viii
Organization Chart	ix
FINANCIAL SECTION	
Report of Independent Certified Public Accountants	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	21
Notes to Basic Financial Statements	22-45
Required Supplementary Information:	
Schedule of Employer Contributions	46
Budgetary Comparison Schedule:	
General Fund	47-48
Special Revenue Funds:	
Excise Tax Fund	49
Local Option Gas Tax Fund	50
Note to Budgetary Comparison Schedules	51
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	54-55
Budgetary Comparison Schedule:	
Half Cent Surtax Fund	56
Debt Service Fund	57

MIAMI SHORES VILLAGE, FLORIDA

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Internal Service Funds:	
Combining Statement of Net Assets	58
Combining Statement of Revenues, Expenses and Changes in Net Assets	59
Combining Statement of Cash Flows	60
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets – Pension Trust Funds	61
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds	62
Statement of Changes in Assets and Liabilities – Agency Fund	63
STATISTICAL SECTION	
Net Assets by Component – Last Four Fiscal Years	64
Changes in Net Assets – Last Four Fiscal Years	65-66
Fund Balances for Governmental Funds – Last Four Fiscal Years	67
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	68
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years	69
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	70
Principal Property Taxpayers – Current Year and Nine Years Ago	71
Property Tax Levies and Collections – Last Ten Fiscal Years	72
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	73
Direct and Overlapping Governmental Activities Debt	74
Legal Debt Margin– Last Ten Fiscal Years	75
Demographic and Economic Statistics – Last Ten Fiscal Years	76
Principal Employers Located in Miami-Dade County – Current and Ten Years Ago	77
City Employees by Function/Program – Last Ten Fiscal Years	78
COMPLIANCE SECTION	
Report of Independent Certified Public Accountants 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>	79-80
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	81-82
Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	83-84
Schedule of Expenditures of Federal Awards	85
Note to the Schedule of Expenditures of Federal Awards	86
Summary Schedule of Prior Year Audit Findings	87-89
Schedule of Findings and Questioned Costs	90-92

INTRODUCTORY SECTION



Miami Shores Village

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Thomas J. Benton
Village Manager

January 29, 2007

The Mayor and Members of the Village Council
10050 Northeast Second Avenue
Miami Shores, Florida 33138-3128

**Subject: FY 2005-06
Financial Report (CAFR)**

To the Mayor and Members of the Village Council:

In compliance with Florida State Statute Chapter §11.45, Chapter §10.550 of the Rules of the Auditor General, and Chapter 34(3) of the Miami Shores Village Code of Ordinances, we are pleased to submit for your review and consideration the *Miami Shores Village Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended September 30, 2006. The report is presented in conformity with generally accepted auditing standards by our outside auditors, Rachlin Cohen & Holtz LLP, Certified Public Accountants.

This report consists of management's representations concerning the financial condition of Miami Shores Village ("The Village"). Consequently, management assumes full responsibility for the complete presentation, reliability, and accuracy of all of the information presented in this report. To provide a reasonable basis for making these representations, the Village's management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Village's financial statements in conformity with principles generally accepted in the United States. Because the cost of internal controls should not outweigh their benefits, the Village'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 management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The accompanying report consists of three parts:

- The **Introductory Section**, including this letter of transmittal, provides general information on the Village's structure and personnel as well as other information that will assist readers to better understand the organization's financial condition.
- The **Financial Section** contains the basic financial statements and required supplementary information including Management's Discussion and Analysis (MD&A), the report of the independent certified public accountants, and other supplemental information useful to statement readers. The MD&A is a narrative required to accompany the basic financial statements, providing an objective and 'easy-to-read' analysis of the Village's financial activities. These activities are based on currently known facts, decisions, or conditions available to management at the time of preparation. This letter of

transmittal is designed to complement the MD&A for a graphical presentation of the report.

- The **Statistical Section** provides tables and graphs of unaudited data depicting the financial history of the Village over the course of the past 10 years including, but not limited to demographics, key taxpayers, revenue and expense trends and more.

Independent Audit

Rachlin Cohen & Holtz LLP, a firm of licensed certified public accountants, has audited the Village's financial statements for the fiscal year ended September 30, 2006. Their audit was in accordance with principles of auditing standards generally accepted in the United States, Government Auditing Standards issued by the Comptroller General of the United States and the Rules of the Auditor General, State of Florida. The goal of the independent auditor was to provide reasonable assurance that the financial statements of the Village for the fiscal year ended September 30, 2006 are free of material misstatements. 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 unqualified opinion that the financial statements of Miami Shores Village for the fiscal year ended September 30, 2006 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the Government

Miami Shores Village, a Florida municipal corporation incorporated in 1932, is located in Northeast Miami-Dade County. The Village has a year-round population estimated at 10,400 residents living within the 2.3 square mile jurisdiction. The Village begins at Biscayne Bay on the east and goes west to Northwest Second Avenue. The north and south boundaries are 115th Street and 91st Street respectively. The Village is a residential-based community with two (2) commercial districts located on Second Avenue and Biscayne Boulevard.

Government structure and services provided

Operating under a Council-Manager form of government, the Council consists of five members elected at large. The Mayor is chosen by each of the newly formed councils. Historically, the individual receiving the highest number of votes during the election is chosen as the Mayor and the Vice-mayor has received the second highest. Both the mayor and vice-mayor serve four (4) year terms, two as mayor/vice-mayor and two as regular council members. The Village Council is responsible for the selection and appointment of the Village Manager, Village Clerk and Village Attorney. The Village Manager is responsible for engaging all department heads and their subordinates.

Miami Shores Village provides a full range of municipal services including public safety through the police, recreation and culture, public works and general administrative services for its residents and businesses. For the fiscal year ended September 30, 2006, no legally separate authorities or agencies operated under the auspices of the Village; therefore, no additional financial information will be incorporated into these statements.

Budgetary Process and Control

Florida State Statute §200.065 requires that all municipal governments prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound fiscal practices. In compliance with this Statute as well other state regulatory items, the Village adopts an annual operating budget into which funds are either formally appropriated by resolution or non-appropriated in nature, depending upon the fund (i.e. – general, special revenue, debt service, enterprise, internal service or trust funds). However, in practice, all funds by those identified as fiduciary in nature, receive annual budgets and corresponding appropriations.

The annual budget serves as a foundation for the financial planning, guidance and control of the Village. Funds which require legal appropriations cannot exceed their original and amended budgets. All departments are required to annually submit requests for appropriations to the Village Manager by June 1st of each year. The Village Manager then uses those requests as the base from which the annual operating and capital budgets are developed. The budget is presented to the Village Council immediately following the release of the tentatively assessed property values in early July of each year. Workshops are held in July during which council members are free to address department staff with general and specific issues proposed in the budget. Following the summer workshops, the Council adopts a resolution which sets the tentative millage rates which are subsequently sent to the County using Florida Form DR420 for inclusion on the *Proposed Tax Bills*. Two public hearings are held in September of each year during which members of the public are offered the opportunity to provide insight and solicit information regarding the operations of their municipality. After the second public hearing, resolutions present the final operating and debt service millage rates along with corresponding budgets for the subsequent fiscal year and are subsequently adopted by the Village Council.

The annual budget is adopted at the fund and department level. Line-item transfers are permitted with the approval of the Chief Financial Officer and Village Manager; however, changes to the bottom line of department or fund totals require council approval and are executed by resolution. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on Page 49 as part of the basic financial statements for the governmental funds. For government funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which begins on page 51. Also included in the governmental fund subsection are project-length budget to actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e. – the capital projects fund).

Cash Management

To maximize returns on liquid cash, the Finance Department pursues aggressive cash management and investment programs within the constraints and parameters imposed by Florida Statutes and local policies. Working capital is maintained in investment accounts including, but not limited to, overnight repurchase agreements, money market accounts, short-term secured financial instruments such as certificate of deposits, commercial paper and other short- and mid-term investments. Interest earnings are allocated based on asset values reported in each fund at the close of each month. For those funds which are used as clearing funds (i.e., Fund 120, Excise Tax Fund), no interest allocations are reported. Additionally, interest earned on dedicated or segregated funds, such as capital loan proceeds and restricted cash funds, are invested at par.

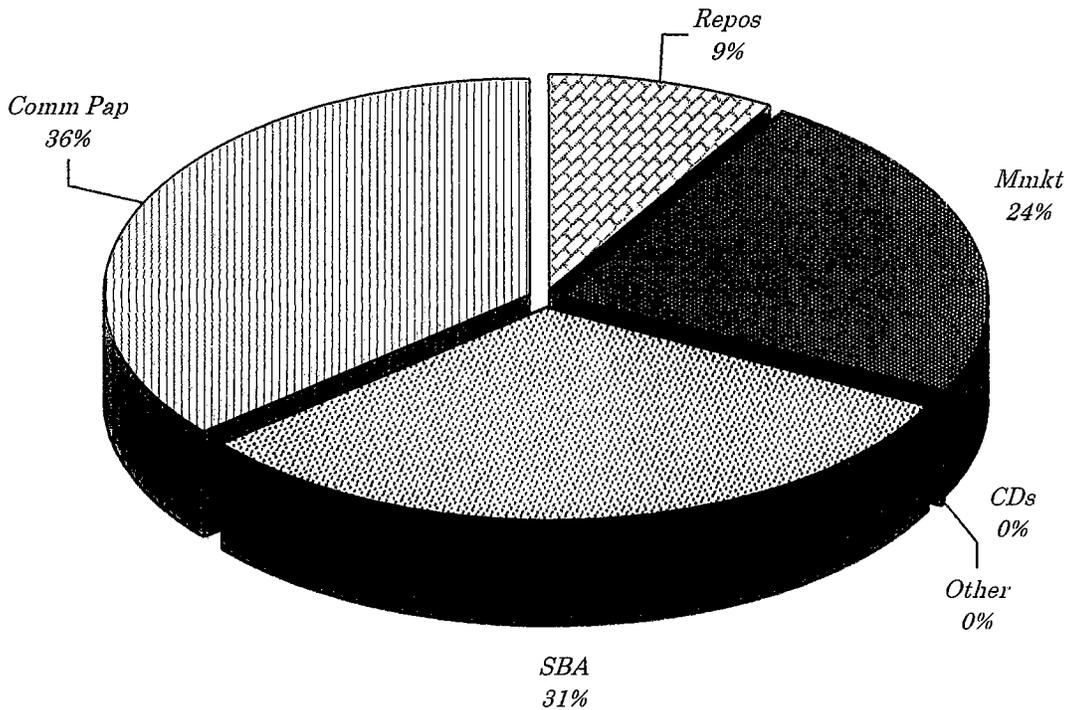
A summary and comparison of treasury activity for the last three fiscal years, not including cash with fiscal agents are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Average Portfolio balance	\$ 5,185,050	\$ 4,886,322	\$7,143,220
Average Yield	5.10 %	2.01%	1.91%
Interest earned on Investments Managed by Finance Department	\$ 201,466	\$ 198,196	\$ 40,282

The following chart summaries the value of Village’s investments as of September 30, 2006 excluding those investments related to the General Employees and Police Officers’ Retirement Funds:

Continued on next page

Cash Equivalent and Investment Types



The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment within which the Village operates.

PENSION and POST-EMPLOYMENT BENEFIT COSTS

The Village sponsors two independent defined benefit pension plans: the **General Employees' Retirement Plan** and the **Police Officers' Retirement Plan**. Additionally, a voluntary deferred compensation plan is made available to those employees who wish to augment their future retirement benefits with no financial obligation to the Village. Complying with the Village's Code, along with various state statutes, an independent actuary is engaged each year to calculate the annual contributions required by the Village to ensure that each benefit plan is able to fully meet its current future obligations for its retirees on a timely basis. As a matter of policy, the Village maintains fully-funded plans and funds each year's annual required contribution to each respective plan as part of the annual budget process. As a result of the conservative approach to these plans, both retirement systems are currently fully funded and report no unfunded liabilities for current or future obligations. No additional post-employment retirement benefits are offered by the Village at this time.

Additional information related to the Village's two pension programs may be found in Note 10 (a-d) in the Notes to the Financial Statements.

Long-term Debt Management

The Village continues to obtain, in an efficient and innovative manner, long-term financing for the construction

or acquisition of long-term assets and equipment. Management’s objective is to adequately plan and meet the Village’s comprehensive capital plan and related demands which are critical to the continue enhancement of our infrastructure. At the same time, however, we do not want to place a significant burden on the taxpayers through general obligation debt through ad valorem taxes.

Following the voters direction, the Village has issued and sold two independent General Obligation Bonds: Series 1999 and Series 2004 funding the capital investment for the Village’s **\$3,500,000 -Aquatics Facility** and **\$5,000,000 - Doctors Charter School of Miami Shores** respectively. The ad valorem levies for the two general obligation bonds were 0.3627 and 0.5659 for the Aquatics Facility and Charter School respectively.

The Following chart indicates the principal amortization of the Village’s *general obligation debt* for the next five fiscal years:

**General Obligation Debt
Principal Amortization
For the Five-Year Increment Following FY 2007-08**

<u>Fiscal Year</u>	<u>Principal Amortization</u>
2009	\$ 185,000
2010	190,000
2011	195,000
2012	205,000
2013	<u>215,000</u>
Total	<u>\$ 990,000</u>

ENTERPRISE OPERATIONS

The Village operates two individual enterprise operations: Sanitation and Stormwater utilities. Each area operates separate from the other functions of the Village and are fully supported by fees charged to users for the service provided. The following is a brief introduction to these two divisions:

Sanitation

Sanitation is an operating division of the Public Works Department. Comprised of 23 full time employees, the department provides comprehensive solid waste collections and recycling services to the Village’s residents and commercial operations. Servicing more than 3,400 customers, the Village provides regular trash services, special pickups, recycling programs and other sanitation-related services. The Village also provides recycling services to the Village of Biscayne Park for a negotiated fee.

Stormwater Utilities

The Public Works Department is also responsible for the day-to-day operations of the Village’s stormwater utility. Stormwater utilities as defined by Section 20-102 of the Village’s Code of Ordinances provides for a comprehensive drainage control program throughout the Village. Through the Public Works Department, the Village is responsible for the maintenance of the system as well as managing various contracts engaged to repair, rehabilitate, replace and expand the system. Charges for this division are based on a fee determined by identifying the impervious area of each residential and commercially-developed property in the Village. The calculation determines each property’s **Equivalent Residential Units [ERUs]** equaling 2,466 square feet divided by the total impervious area. *Impervious means that area of any given property which does not permit rain or run off to naturally filter back through the ground.* The annual fee of \$39.00 funds all costs associated with the function including, but not limited to personnel, operating, administrative, debt service and capital investment costs. This function reports through an Enterprise Fund and uses the full accrual method of accounting including

amortization and depreciation charges.

INTERNAL SERVICE OPERATIONS

The Village provides for two internal service funds: **Fleet Maintenance** and **Risk Management**. Internal service funds are used to capture the true costs for service which are for the sole benefit of Village. The following are brief introductions for both service areas.

Fleet Maintenance

Fleet Maintenance, a division of the Village's Public Works Department, is fully responsible for the day-to-day maintenance of all equipment and vehicles operated by the organization. Maintenance includes the costs for routine repairs, preventive services, general maintenance, fuel, personnel costs and other operational functions. Additionally, the acquisition of all vehicles and equipment, not specifically identified as an asset of an enterprise operation are recorded in this division. Through annual depreciation charges, replacement funds accumulate as a reserve for future equipment requirements. As an internal service fund, operational revenues originate as charges recorded in each 'user' division, transferring the corresponding cash to this self-balancing fund including non-cash charges such as depreciation, amortization and transfers to reserves.

Risk Management

Risk Management is a function of the Finance Department. The Village is insured by the Florida League of Cities since October 1, 2005. The Village converted to first dollar coverage from the self-insurance program due to the significant increases in reinsurance and reserve costs. Claims are filed with the League and various deductibles are in place depending upon the type of coverage associated with the loss.

FACTORS AFFECTING FINANCIAL CONDITIONS

The information presented in the Village's financial statements primarily focus on the financial position at the end of each fiscal year as measured by existing resources and claims against those resources. To better understand the Village's financial condition, readers should focus on both existing and future resources and potential claims (or liabilities) against those resources. This broader concept is used to assist the financial condition of Miami Shores, reflecting the current financial position as well as the prospects that today's financial condition will improve or deteriorate. To achieve this objective, the Village uses a wide-range of information including local economic conditions and outlook; long-term debt management; capital construction and investments; cash management / investments; and, of course, risk controls.

ECONOMIC CONDITION AND OUTLOOK

As seen through much of the country, property values have increased exponentially. The same can be said about many of the properties located in Miami Shores. Over the past five years, we have seen double-digit increases in property sales; however, market conditions are showing a slowdown in growth. Property improvements and investments in homes throughout the Village as demonstrated by the number of building permits issued during the year remains strong. A turnover in ownership on several of the buildings along our NE 2nd Avenue business district has resulted in increased capital expenditures making the area more desirable to attract new businesses in our community.

FUTURE OUTLOOK

Across the State, property owners have contacted their respective legislators to take action to control property taxes, insurance costs and other related issues. We have started to closely evaluate the various proposals which are currently under consideration by the legislature. The impact to the Village from the implementation of several

amortization and depreciation charges.

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As seen through much of the country, property values have increased exponentially. The same can be said about many of the properties located in Miami Shores. Over the past five years, we have seen double-digit increases in property sales; however, market conditions are showing a slowdown in growth. Property improvements and investments in homes throughout the Village as demonstrated by the number of building permits issued during the year remains strong. A turnover in ownership on several of the buildings along our NE 2nd Avenue business district has resulted in increased capital expenditures making the area more desirable to attract new businesses in our community.

FUTURE OUTLOOK

Across the State, property owners have contacted their respective legislators to take action to control property taxes, insurance costs and other related issues. We have started to closely evaluate the various proposals which are currently under consideration by the legislature. The impact to the Village from the implementation of several

of the existing proposals would have severely adverse effects on operations. Basic services would remain in place such as police and sanitation; however, if revenue streams decrease as might occur, the Village would need to reduce or eliminate services and programs currently in place. As it remains uncertain, staff will continue to monitor the events and will respond accordingly.

AWARDS and ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to Village Comptroller, Carolyn Modeste and other members of the department, each of whom dedicated numerous hours of hard work to produce a report of this magnitude. Credit must also be given to Mayor Davis and the members of the Village Council for their unfailing support for maintaining the highest standards of professionalism in the financial and operational management of Miami Shores Village. And, finally, we would like to express our sincere thanks and appreciation to the management and staff of our auditing firm, Rachlin Cohen and Holtz, LLP. Their dedication to ensuring the accuracy of the data presented to you in this report was greatly evident during the past several weeks.

Respectfully submitted,
MIAMI SHORES VILLAGE



THOMAS J. BENTON
Chief Executive Officer



MARK A. MALATAK, CPA
Chief Financial Officer

TJB:MAM:
Attachments

MIAMI SHORES VILLAGE, FLORIDA

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2006

ELECTED OFFICIALS

Mayor Al Davis
Vice Mayor J.C. Rodriguez
Council Member Steve Loffredo
Council Member Jim McCoy
Council Member Herta Holly

APPOINTED OFFICIALS

Village Manager Thomas J. Benton
Village Clerk Barbara A. Estep, MMC
Village Attorney Richard Sarafan

DEPARTMENT HEADS

Building Director Claudio Grande
Chief Financial Officer Mark A. Malatak, CPA
Library Director Elizabeth Esper
Planning & Zoning Director David Dacquisto
Chief of Police Kevin Lystad
Public Works Director Scott Davis
Recreation Director Jerry Estep

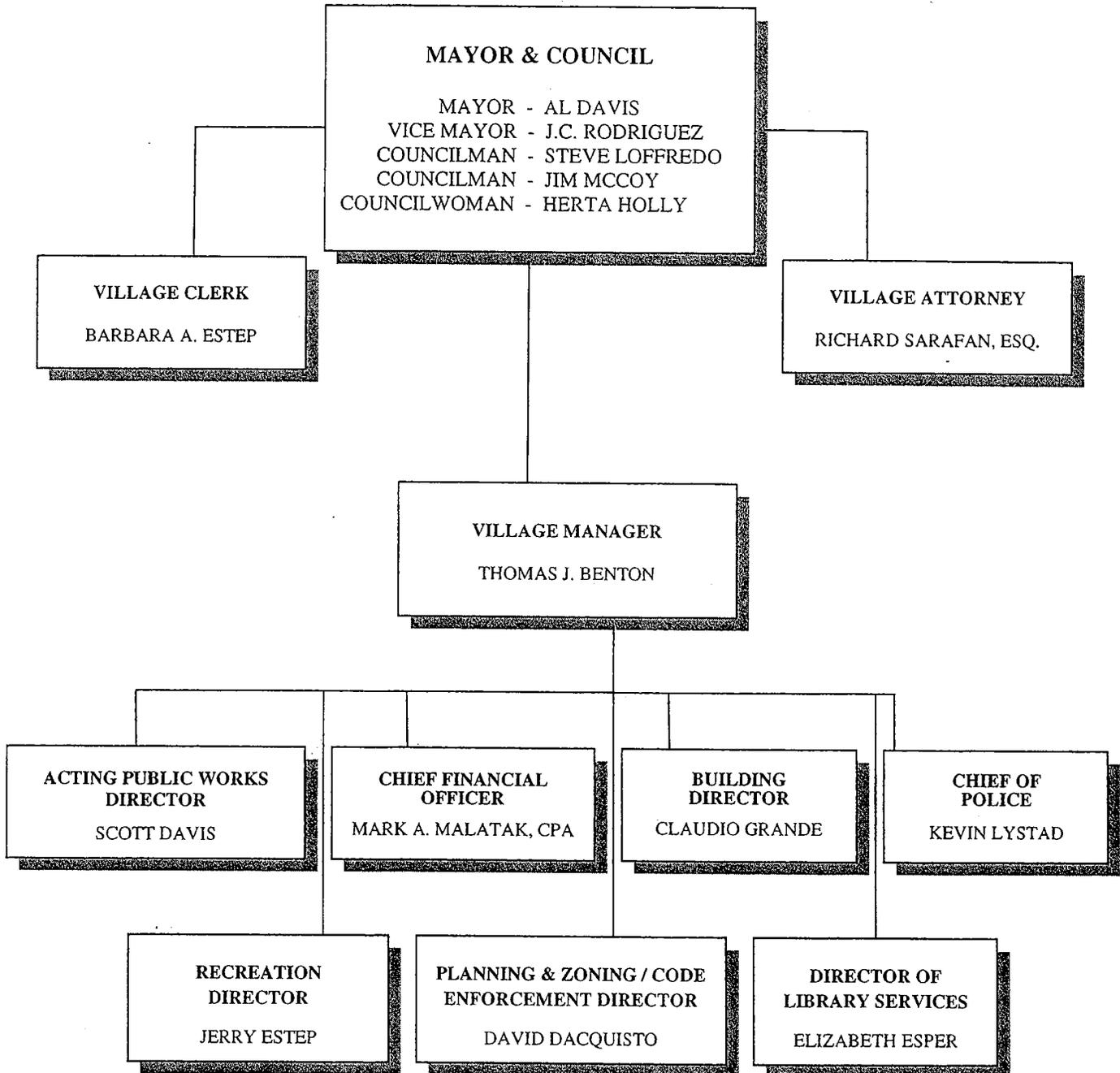
VILLAGE AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Advisors

MIAMI SHORES VILLAGE, FLORIDA

ORGANIZATION CHART

SEPTEMBER 30, 2006



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FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Miami Shores Village, Florida (the Village), as of and for the year ended September 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2007 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

An Independent Member of Baker Tilly International

Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida
Page Two

Management's Discussion and Analysis and the required supplementary information on pages 3 to 11 and 46 to 51, respectively are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Village. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. 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 express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
January 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of **Miami Shores Village**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Miami Shores Village for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i to vii of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

The assets of Miami Shores Village exceeded liabilities at the close of the most recent fiscal year by **\$7,827,026** (*net assets*). This amount includes funds identified and reserved for emergencies and capital construction projects.

- ✓ As of the close of the current fiscal year, Miami Shores Village's governmental funds reported combined ending fund balances of **\$6,400,865**, an increase of **\$2,537,956**.
- ✓ At the end of the current fiscal year, unreserved fund balance for the general fund was **\$2,050,103** or **22.3%** of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of Miami Shores Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) as well as 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 Miami Shores Village include general government, public safety, streets and sidewalks, building, planning, zoning, code enforcement, recreation and leisure. The business-type activities of the Village include Sanitation and Storm water operations.

The government-wide financial statements may be found on pages 12-13 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. Miami Shores Village, like other local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Miami Shores Village can be divided into three categories: governmental funds, proprietary or fiduciary funds.

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

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

Miami Shores Village maintains sixteen (16) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the five major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statement may be found on pages 14 to 15 of this report.

Proprietary funds. Miami Shores Village maintains two proprietary or enterprise funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statement. Miami Shores uses enterprise funds to account for its Sanitation and Storm water Operations. *Internal service funds* provide for an accounting method whereby the organization can accumulate and allocate costs internally among the other user divisions. The Village uses internal service funds to account for its risk management costs as well as its' fleet operation. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Village's Sanitation and Storm water operations, both of which are considered to be major funds of the Village. Additionally, the Village segregates the financial reporting of both internal service funds to better distinguish the costs of each function.

The basic proprietary fund financial statements may be found on pages 17 to 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 basic fiduciary fund financial statements may be found on pages 20 to 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 22 to 45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the progress in funding its obligations to provide pension benefits to the employees of Miami Shores Village.

Required supplementary information may be found on pages 46 to 51 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules may be found on pages 52 to 55 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Miami Shores Village, assets exceeded liabilities by **\$7,827,026** at the close of the most recent reporting year.

By far, the largest component of Miami Shores net assets (56.3%) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Miami Shores uses these capital assets to provide services to citizens consequently these assets are *not* available for future spending. Although Miami Shores' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MIAMI SHORES VILLAGE Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>TOTAL</u>
Current and other assets	\$ 8,243,971	\$ 1,537,814	\$9,781,785
Capital assets	<u>12,477,965</u>	<u>748,120</u>	<u>13,226,085</u>
Total assets	\$ 20,721,936	\$ 2,285,934	\$ 23,007,870
Long-term liabilities outstanding	\$11,268,819	\$ 55,258	\$ 11,324,077
Other liabilities	<u>1,626,091</u>	<u>942,094</u>	<u>2,568,185</u>
Total liabilities	\$ 12,894,910	\$ 997,352	\$ 13,892,262
Invested in capital assets, net of			
Related debt	\$ 4,993,244	\$ 748,120	\$ 5,741,364
Restricted	3,487,313	-	3,487,313
Unrestricted	<u>(653,531)</u>	<u>540,462</u>	<u>(113,069)</u>
Total net assets	<u>\$ 7,827,026</u>	<u>\$ 1,288,582</u>	<u>\$ 9,115,608</u>

Of special interest, you will note that the total *unrestricted fund balance* reflects a deficit. This deficit is the net result of reclassification of previously accumulated deficits in the Risk Management Fund. The existing deficit is \$1,216,200 less than FY 2005. The remaining deficit results from timing and is anticipated to be cleared by the close of the first quarter of FY 2007. Additionally, the net unrestricted funds will be positive at the end of FY 2007 as part of the comprehensive restructuring of the risk management and fleet functions.

Continued on next page

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

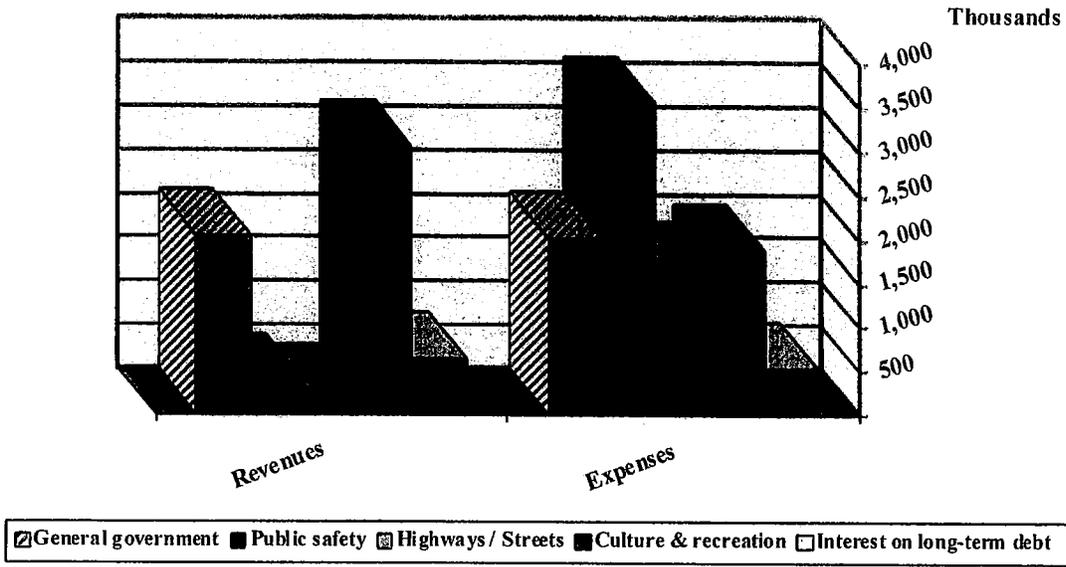
2006

<u>Category</u>	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>TOTAL</u>
Revenues:			
Program revenues:			
Charges for services	\$1,981,342	\$ 2,727,697	\$ 4,709,039
Operating grants & Contributions	1,900,256	-	1,900,256
Capital grants and Contributions	<u>188,709</u>	<u>-</u>	<u>188,709</u>
General Revenues:			
Property taxes	\$ 6,260,392	\$ -	\$ 6,260,392
Other taxes	2,849,982	-	2,849,982
Grants and contributions not Restricted to specific programs	-	-	-
Other	<u>1,875,411</u>	<u>32,368</u>	<u>1,907,779</u>
Total Revenues	<u>\$ 15,056,092</u>	<u>\$ 2,760,065</u>	<u>\$ 13,745,850</u>
Expenses:			
General government	\$ 4,509,714	\$ -	\$ 4,509,714
Public safety	4,166,932	-	4,166,932
Highways / Streets	2,232,714	-	2,232,714
Sanitation / Stormwater	-	2,386,914	2,386,914
Economic development	-	-	-
Culture & recreation	2,273,686	-	2,273,686
Interest on Long-term Debt	<u>448,986</u>	<u>-</u>	<u>448,986</u>
Total Expenses	<u>\$ 13,632,032</u>	<u>\$ 2,386,914</u>	<u>\$ 16,018,946</u>
Increase in net assets			
Before transfers	14,340,060	373,151	1,797,211
ransfers	<u>310,000</u>	<u>(310,000)</u>	<u>-</u>
Increase in Net Assets	\$ 1,734,060	\$ 63,151	\$ 1,797,211
Net assets on October 1, 2005	\$ 6,092,966	\$ 1,225,431	\$ 7,318,397
Net Assets: September 30, 2006	<u>\$ 7,827,026</u>	<u>\$ 1,288,582</u>	<u>\$ 7,318,391</u>

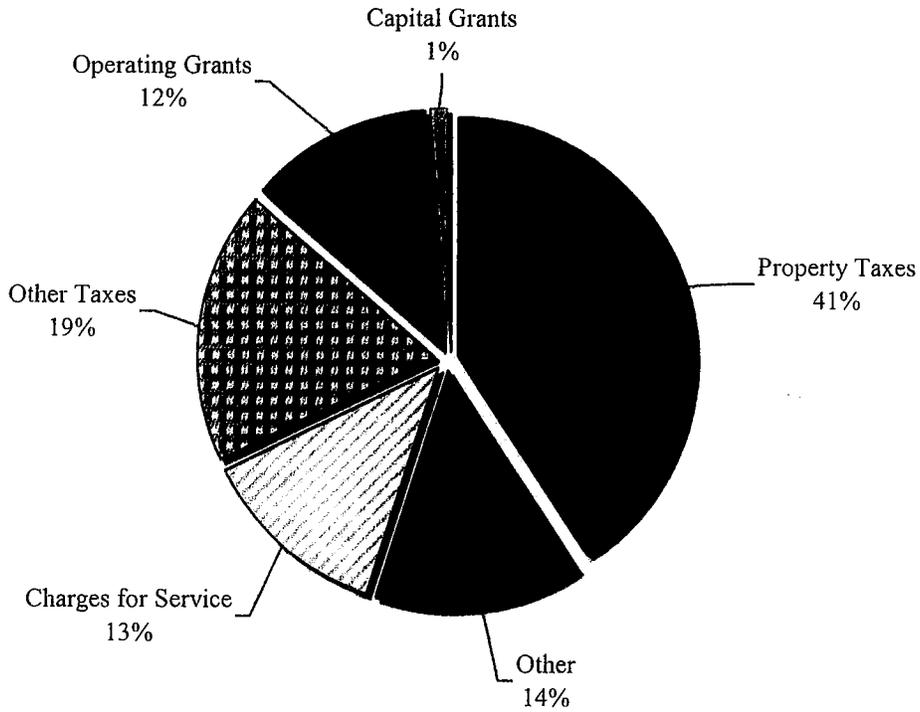
For FY 2005, property tax revenues remained relatively constant with a **0.4% decrease or \$25,627** less than the \$5,398,417 recorded in the previous fiscal year. The decrease is principally associated with the volume of delinquent tax settlements which occurred during FY 2004. For this reporting period, tax proceeds more accurately reflect the property tax collections.

Continued on next page

Expense & Program Revenues - Governmental Activities



Revenues by Source – Governmental Activities



Business-type activities. Business-type activities increased the Village's net assets by \$63,151, generated by controlling operating costs. Key elements related to this increase include the following:

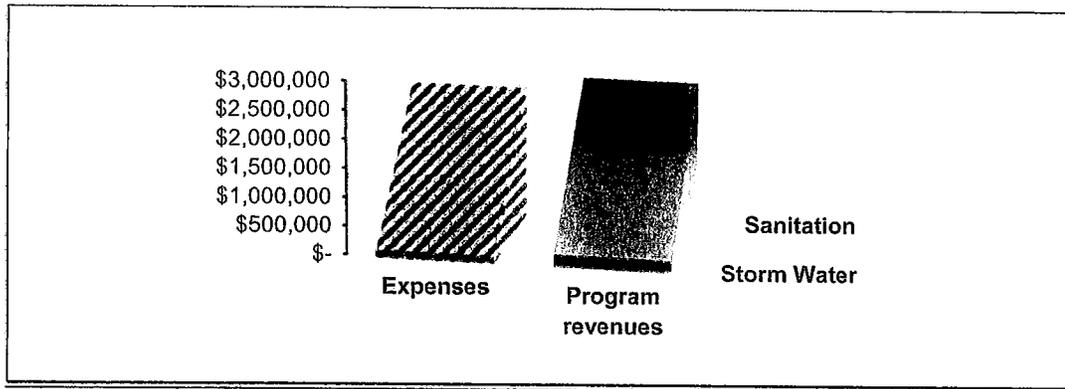
- ✓ Less than expected dumping fee costs
- ✓ Productivity improvements demonstrated by activity employees

Financial Analysis of the Government's Funds

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

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

Expenses and Program Revenues – Business-type Activities



As of the end of the current fiscal year, the governmental funds for Miami Shores Village reported combined ending fund balances of \$6,400,865, a \$2,537,956 increase over FY 2005. Of this amount, \$3,762,386 reflects *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved or designated* to indicate that it is **not** available for new spending as those dollars have already been committed to: 1) liquidate contracts or encumbered fiscal obligations (outstanding purchase orders including costs related to the Charter School Construction Project) valued at \$1,036,502; 2) reserved \$123,537 for prepaid assets. The Capital Projects Fund reports a \$990,987 deficit at fiscal year end. The deficit is a result of timing as the Village refinanced and closed a \$3.5 million, 10-year term note to fund the capital project deficits, refinance the 2nd Avenue Project and fund the construction of the Fleet Maintenance Facility.

The general fund is the primary operating fund of the Village. At the end of the current fiscal year, the unreserved fund balance for the general fund was \$2,050,103. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved and total fund balances to total fund expenditures. Unreserved fund balance represents 10 % of the total general fund expenditures, while total fund balance represents 11% of that same amount.

The value of the Village's general fund balance increased by \$643,173 during the fiscal year. Key factors associated with this increase are as follows:

- Increased property values and corresponding tax revenues (exclusive of delinquent accounts)
- A larger than expected level of attrition in general fund employees resulting in salary savings
- Transferring risk exposures from self insurance to first dollar coverage (internal service charges)

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- Unrestricted net assets of the Sanitation Fund at the end of the year totaled \$361,757, a \$8,325 increase in net asset values.
- Unrestricted net assets of the Storm water Fund at the end of the year totaled \$178,705, a \$54,876 increase in net asset values.

General Fund Budgetary Highlights

The Village adopts annual budgets by fund, department and line item in compliance with Florida State Statute Section 200.065 (commonly referred to as the Truth-in Millage Legislation). The law requires municipal organizations to prepare and adopt annual operating budgets for the General, Special Revenue and Debt Service Funds following uniform time frames related to property tax levies. The balanced budgets may be revised throughout the year. The Village's code allows for department level budget transfers without council approval; however, department and fund total changes require Council-approved budget amendments adopted by resolution.

The Village's policy is to adopt the budget following the second public hearing of each fiscal year, held in September for an October 1st year. The Village has also adopted a policy which provides for the reappropriation of reserved fund balance for encumbrances and prepaid assets. This amendment is always adopted as the first budget amendment of each fiscal year and is normally presented at the first meeting in November of each fiscal year. Additional budget amendments may be presented to council at any time during the fiscal year.

For FY 2005, the difference between the adopted and amended budgets relate to the following:

- Budget Amendment #1 provides for the reappropriation of reserved fund equity for encumbrance and prepaid asset funding (\$267,850)
- Budget Amendment #2 provided for an increase of \$428,000 relating to the correction of understated revenue estimates in addition to changes to the Building Department, Unclassified Accounts and Risk Funds.:

Capital Asset and Debt Administration

Capital Assets. Miami Shores Village's investment in capital assets for its governmental and business-type activities as of September 30, 2006 amounts to \$5,741,364 (net of accumulated depreciation). This investment in capital assets includes Village-owned buildings, equipment and other infrastructure (streets, sidewalks, easements, right-of-ways). The value net value of capital investments EXCLUDES the cost of the Doctors' Charter School of Miami Shores construction project reporting in progress at year end.

Major capital asset events during the current year included the following:

- ✓ Continued enhancement of the Village's information networks including computer replacements, enhancements and related equipment
- ✓ Sidewalk replacement and street repaving Village-wide
- ✓ Stormwater drainage enhancements
- ✓ Village-wide landscape enhancements

MIAMI SHORES VILLAGE Capital Assets
(Net of depreciation)

2006

Classification	2006		TOTAL
	Government activities	Business-type activities	
Land	\$ 718,531	\$ -	\$ 718,531
Building & System Improvements other Than Buildings	8,690,951	748,120	9,439,071
Furniture Fixtures/Equipment	2,088,689	-	2,088,689
Infrastructure	878,200	-	878,200
Construction in progress	-	-	-
	101,590	-	101,590
TOTAL	<u>\$ 12,477,965</u>	<u>\$ 748,120</u>	<u>\$ 13,225,081</u>

Additional information on Miami Shores' capital assets may be found in Note 6 on Page 36 of this report.

Long-term debt. At the end of the fiscal year, Miami Shores Village had total bonded debt outstanding of \$1,020,894. Of this amount, \$2,780,000 represents the balance outstanding on the General Obligation Bond, Series 1999 related to the Miami Shores Aquatics Facility; \$4,805,000 represents the outstanding balance due on the General Obligation Bond Series 2004 to construct the Doctors' Charter School of Miami Shores

MIAMI SHORES VILLAGE Outstanding Debt

General Obligation, Revenues, Bonds and Other Financing Instruments

Classification	Governmental activities		Business-type activities		TOTAL	
	2006	2005	2006	2005	2006	2005
General obligation bond	\$ 7,589,805	\$ 7,750,000	\$ -	\$ -	\$ 7,589,805	\$ 7,750,000
Special assessment debt (w/Village commitment)	-	788,046	-	-	-	788,046
Revenue bonds	-	-	-	-	-	-
Other debt	3,444,819	617,023	-	-	3,444,819	617,023
TOTAL	\$ 11,020,894	\$ 9,145,813	\$ -	\$ -	\$ 11,020,984	\$ 9,145,813

Miami Shores Villages' total debt increased \$3,500,000, leveraging special revenue funds to replace the Fleet Maintenance Facility and refinance the planned expenditures for the 2nd Avenue Renovation Project. The Village maintains an MBIA-insured rating of AAA for both S&P and Fitch Rating. Additionally state statute limits the amount of general obligation debt into which a governmental entity may be obligated for a threshold of \$71,158,204 which continues to exceed the value of all outstanding debt as of the September 30, 2005.

Additional information on the Village's long-term debt may be found in Note 7 on Pages 36 to 38 of this report.

Economic Factors and Next Year's Budgets and Rates

Miami Shores Village is a residential, single-family community. As such, standard economic indicators used to determine the overall health of a community are slightly different for Miami Shores. Since the Village's "business community" is restricted to a four-block area on Second Avenue and isolated pockets of business entities on Biscayne Boulevard, the Village must monitor property values and other residentially-related trends to determine the health and vitality of the community.

During the reporting year, Miami Shores found strong property value increases for the fourth consecutive year. Many of the new residents to the Village have relocated from the western regions of the County and enjoy the Village's close proximity to Downtown Miami and the adjacent business areas while still having a suburban atmosphere. High recreational activities, including the Village's first-class aquatics facility, support the residents' requirement for high standards and outstanding recreation and leisure activities. This, along with its own public safety department, provides a higher standard of living than that which is found in surrounding municipalities.

Leading indicators continue to reflect stability and upward movement of property values for the Village. With the anticipated investments in Second Avenue, the Charter High school and additional infrastructure enhancement efforts as identified by the Village's comprehensive five-year planning cycle, it is anticipated that future financing needs will be met; however, on a cautionary sidebar, it must be recognized that other cost factors will have adverse impacts on the Village's overall financial condition, i.e., health and risk-related insurances, pension and other benefits and future actions should be taken with these underlying issues still pending.

Requests for Information

This financial report is designed to provide a general overview of the financial condition of Miami Shores Village. Questions concerning any of the information presented in this report or requests for additional financial information should be directed to the Village's Chief Financial Officer, Mark A. Malatak, CPA at:

MIAMI SHORES VILLAGE
Finance Department
10050 Northeast Second Avenue
Miami Shores, Florida 33138-2382

BASIC FINANCIAL STATEMENTS

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,303,816	\$ 262,395	\$ 7,566,211
Accounts receivable	978,737	637,594	1,616,331
Due from other governments	265,663	-	265,663
Deferred charges	82,429	-	82,429
Prepaid items	128,537	1,232	129,769
Internal balances	(603,276)	577,527	(25,749)
Inventories	73,558	59,066	132,624
Net pension asset	14,507	-	14,507
Capital assets not being depreciated	820,125	-	820,125
Capital assets being depreciated, net	<u>11,657,840</u>	<u>748,120</u>	<u>12,405,960</u>
Total assets	<u>20,721,936</u>	<u>2,285,934</u>	<u>23,007,870</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	652,146	82,510	734,656
Unearned revenues	105,846	841,165	947,011
Accrued interest payable	123,430	-	123,430
Noncurrent liabilities:			
Due within one year	744,669	18,419	763,088
Due in more than one year	<u>11,268,819</u>	<u>55,258</u>	<u>11,324,077</u>
Total liabilities	<u>12,894,910</u>	<u>997,352</u>	<u>13,892,262</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,993,244	748,120	5,741,364
Restricted for:			
Law enforcement	154,897	-	154,897
Debt service	390,730	-	390,730
Transportation	1,769,987	-	1,769,987
Construction	1,171,699	-	1,171,699
Unrestricted (deficit)	<u>(653,531)</u>	<u>540,462</u>	<u>(113,069)</u>
Total net assets	<u>\$ 7,827,026</u>	<u>\$ 1,288,582</u>	<u>\$ 9,115,608</u>

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,509,714	\$ 169,058	\$ 1,878,013	\$ -	\$ (2,462,643)	\$ -	\$ (2,462,643)
Public safety	4,166,932	377,470	-	-	(3,789,462)	-	(3,789,462)
Public works	2,232,714	674,852	-	188,709	(1,369,153)	-	(1,369,153)
Culture and recreation	2,273,686	759,962	22,243	-	(1,491,481)	-	(1,491,481)
Interest on long-term debt	448,986	-	-	-	(448,986)	-	(448,986)
Total governmental activities	13,632,032	1,981,342	1,900,256	188,709	(9,561,725)	-	(9,561,725)
Business-type activities:							
Sanitation	2,274,983	2,538,269	-	-	-	263,286	263,286
Stormwater	111,931	189,428	-	-	-	77,497	77,497
Total business-type activities	2,386,914	2,727,697	-	-	-	340,783	340,783
Total	\$ 16,018,946	\$ 4,709,039	\$ 1,900,256	\$ 188,709	(9,561,725)	340,783	(9,220,942)
General revenues:							
Property taxes					6,260,392	-	6,260,392
Public services tax					2,215,461	-	2,215,461
Other taxes					634,521	-	634,521
Intergovernmental revenues - unrestricted					1,059,067	-	1,059,067
Miscellaneous					308,426	-	308,426
Interest earnings - unrestricted					504,743	6,868	511,611
Gain on sale of capital assets					3,175	25,500	28,675
Transfers					310,000	(310,000)	-
Total general revenues and transfers					11,295,785	(277,632)	11,018,153
Change in net assets					1,734,060	63,151	1,797,211
Net assets - beginning					6,092,966	1,225,431	7,318,397
Net assets - ending					\$ 7,827,026	\$ 1,288,582	\$ 9,115,608

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006

	General	Excise Tax	Local		Hurricane	Aquatic Facility	Capital Improvements	Other Governmental Funds	Total Governmental Funds
			Option Gas Tax						
Cash and cash equivalents	\$ 608,907	\$ -	\$ 42,199	\$ 26,793	\$ 374,270	\$ 2,459,996	\$ 1,119,736	\$ 4,631,901	
Accounts receivable	436,178	278,564	23,553	116,201	595	-	120,433	975,524	
Due from other funds	1,745,018	-	980,882	-	34,317	232,805	1,101,041	4,094,063	
Due from other governments	-	-	-	-	-	-	265,663	265,663	
Prepaid items	54,495	-	-	-	-	-	69,042	123,537	
Inventories	31,957	-	-	-	-	-	-	31,957	
Total assets	\$ 2,876,555	\$ 278,564	\$ 1,046,634	\$ 142,994	\$ 409,182	\$ 2,692,801	\$ 2,675,915	\$ 10,122,645	

LIABILITIES AND FUND BALANCES (DEFICITS)

Liabilities:								
Accounts payable and accrued liabilities	\$ 239,838	\$ -	\$ 4,857	\$ -	\$ -	\$ 59,872	\$ 287,449	\$ 592,016
Due to other funds	283,464	-	-	85,391	377,419	1,567,162	710,482	3,023,918
Unearned revenues	103,715	-	-	-	-	-	2,131	105,846
Total liabilities	627,017	-	4,857	85,391	377,419	1,627,034	1,000,062	3,721,780

Fund balances (deficits):

Reserved for:								
Prepaid items	54,495	-	-	-	-	-	69,042	123,537
Encumbrances	112,983	-	6,000	-	-	-	18,245	137,228
Inventories	31,957	-	-	-	-	-	-	31,957
Law enforcement	-	-	-	-	-	-	154,897	154,897
Debt service	-	-	-	-	-	-	445,118	445,118
Transportation	-	-	1,035,777	-	-	-	709,965	1,745,742
Unreserved and undesignated, reported in:								
General fund	2,050,103	-	-	-	-	-	-	2,050,103
Special revenue funds	-	278,564	-	57,603	-	-	346,559	682,726
Capital projects funds	-	-	-	-	31,763	1,065,767	(67,973)	1,029,557
Total fund balances (deficits)	2,249,538	278,564	1,041,777	57,603	31,763	1,065,767	1,675,853	6,400,865
Total liabilities and fund balances (deficits)	\$ 2,876,555	\$ 278,564	\$ 1,046,634	\$ 142,994	\$ 409,182	\$ 2,692,801	\$ 2,675,915	

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

Capital assets (excluding internal service funds) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,224,348
Unamortized bond issuance costs are not available to pay for current period expenditures and therefore are not reported in the governmental funds	82,429
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	\$ (10,036,660)
Claims payable	(168,387)
Compensated absences	(568,583)
Accrued interest payable	(123,430)
Net assets of internal service funds are not reported in the funds	(10,897,060)
Net pension asset is not reported in the funds	1,937
Net assets of governmental activities	\$ 7,827,026

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	General	Excise Tax	Local Option Gas Tax	Hurricane	Aquatic Facility	Capital Improvements	Other Governmental Funds	Total Governmental Funds		
Revenues:										
Property taxes	\$ 5,626,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 634,370	\$ 6,260,392		
Public service taxes	-	2,215,461	-	-	-	-	-	2,215,461		
Other taxes	-	-	288,243	-	-	-	346,278	634,521		
Licenses and permits	776,199	-	-	-	-	-	-	776,199		
Intergovernmental revenues	1,059,067	-	-	1,845,141	-	-	221,581	3,125,789		
Charges for services	967,235	-	-	-	-	-	-	967,235		
Fines and forfeitures	237,908	-	-	-	-	-	-	237,908		
Miscellaneous	246,205	-	-	-	-	-	62,221	308,426		
Interest	104,444	-	5,950	9,569	3,556	19,393	58,554	201,466		
Contributions	-	-	-	-	-	-	22,243	22,243		
Total revenues	<u>9,017,080</u>	<u>2,215,461</u>	<u>294,193</u>	<u>1,854,710</u>	<u>3,556</u>	<u>19,393</u>	<u>1,345,247</u>	<u>14,749,640</u>		
Expenditures:										
Current:										
General government	2,021,453	-	-	1,797,956	-	5,107	7,275	3,831,791		
Public safety	3,574,269	-	-	-	-	-	7,352	3,581,621		
Public works	1,601,566	-	76,251	-	-	-	69,872	1,747,689		
Culture and recreation	1,887,008	-	-	-	-	-	3,547	1,890,555		
Capital outlay	70,990	-	-	-	20,284	643,679	701,570	1,436,523		
Debt service:										
Principal	37,162	-	69,789	-	-	784,380	249,130	1,140,461		
Interest	6,807	-	26,324	-	-	7,746	365,536	406,413		
Total expenditures	<u>9,199,255</u>	<u>-</u>	<u>172,364</u>	<u>1,797,956</u>	<u>20,284</u>	<u>1,440,912</u>	<u>1,404,282</u>	<u>14,035,053</u>		
Excess (deficiency) of revenues over expenditures	<u>(182,175)</u>	<u>2,215,461</u>	<u>121,829</u>	<u>56,754</u>	<u>(16,728)</u>	<u>(1,421,519)</u>	<u>(59,035)</u>	<u>714,587</u>		
Other financing sources (uses):										
Note proceeds	-	-	-	-	-	2,500,000	-	2,500,000		
Transfers in	2,491,979	-	-	25,000	300,000	1,063,920	247,524	4,128,423		
Transfers out	(1,666,631)	(2,181,979)	(50,643)	-	-	-	(905,801)	(4,805,054)		
Total other financing sources (uses)	<u>825,348</u>	<u>(2,181,979)</u>	<u>(50,643)</u>	<u>25,000</u>	<u>300,000</u>	<u>3,563,920</u>	<u>(658,277)</u>	<u>1,823,369</u>		
Net change in fund balances	<u>643,173</u>	<u>33,482</u>	<u>71,186</u>	<u>81,754</u>	<u>283,272</u>	<u>2,142,401</u>	<u>(717,312)</u>	<u>2,537,956</u>		
Fund balances (deficits), beginning	<u>1,606,365</u>	<u>245,082</u>	<u>970,591</u>	<u>(24,151)</u>	<u>(251,509)</u>	<u>(1,076,634)</u>	<u>2,393,165</u>	<u>3,862,909</u>		
Fund balances, ending	<u>\$ 2,249,538</u>	<u>\$ 278,564</u>	<u>\$ 1,041,777</u>	<u>\$ 57,603</u>	<u>\$ 31,763</u>	<u>\$ 1,065,767</u>	<u>\$ 1,675,853</u>	<u>\$ 6,400,865</u>		

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Amounts reported for governmental activities in the statement of activities
(Page 13) are different because:

Net change in fund balances - total governmental funds (Page 15)		\$ 2,537,956
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 535,434	
Depreciation expense (excluding depreciation in internal service funds)	<u>(909,624)</u>	(374,190)

The issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Issuance of long-term debt (excluding \$1,000,000 accounted for in internal service funds)		(2,500,000)
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Principal payments:

General obligation bonds	\$ 165,000	
Line of credit	50,000	
Revenue notes payable	<u>925,461</u>	

	1,140,461	
Amortization of issuance costs, premiums and discounts	<u>(3,384)</u>	1,137,077

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

The details of the differences are as follows:

Allocation of internal service fund's net income		963,938
Compensated absences		(44,363)
Claims payable		25,643
Accrued interest payable		(10,946)
Decrease in net pension asset		<u>(1,055)</u>

Change in net assets of governmental activities (Page 13)		<u>\$ 1,734,060</u>
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See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			Governmental
	<u>Sanitation</u>	<u>Stormwater Utility (a Nonmajor Fund)</u>	<u>Totals</u>	<u>Activities - Internal Service Funds</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 171,543	\$ 90,852	\$ 262,395	\$ 2,671,510
Accounts receivable	602,970	34,624	637,594	3,213
Due from other funds	469,701	183,622	653,323	210,245
Prepaid items	616	616	1,232	5,000
Inventories	59,066	-	59,066	41,601
Total current assets	1,303,896	309,714	1,613,610	2,931,569
Noncurrent assets:				
Capital assets not being depreciated	-	-	-	7,127
Capital assets being depreciated, net	634,038	114,082	748,120	246,490
Total noncurrent assets	634,038	114,082	748,120	253,617
Total assets	1,937,934	423,796	2,361,730	3,185,186
<u>LIABILITIES</u>				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	80,989	1,521	82,510	60,130
Due to other funds	-	75,796	75,796	1,883,666
Unearned revenue	792,649	48,516	841,165	-
Compensated absences	17,125	1,294	18,419	9,832
Notes payable	-	-	-	64,882
Claims payable	-	-	-	216,295
Total current liabilities	890,763	127,127	1,017,890	2,234,805
Non-current liabilities:				
Compensated absences	51,376	3,882	55,258	29,497
Notes payable	-	-	-	919,352
Total non-current liabilities	51,376	3,882	55,258	948,849
Total liabilities	942,139	131,009	1,073,148	3,183,654
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	634,038	114,082	748,120	253,617
Unrestricted (deficit)	361,757	178,705	540,462	(251,680)
Total net assets	\$ 995,795	\$ 292,787	\$ 1,288,582	\$ 1,937

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Stormwater Utility			
	(a Nonmajor Fund)			
	<u>Sanitation</u>	<u>Fund</u>	<u>Totals</u>	
Charges for services	\$ 2,538,269	\$ 189,428	\$ 2,727,697	\$ 1,544,882
Operating expenses:				
Administrative and general	813,106	20,115	833,221	1,177,994
Personnel expenses	821,283	44,182	865,465	259,323
Depreciation	115,225	22,234	137,459	118,754
Contractual services	525,369	25,400	550,769	-
Insurance premiums	-	-	-	169,514
Insurance claims	-	-	-	120,199
Total operating expenses	<u>2,274,983</u>	<u>111,931</u>	<u>2,386,914</u>	<u>1,845,784</u>
Operating income (loss)	<u>263,286</u>	<u>77,497</u>	<u>340,783</u>	<u>(300,902)</u>
Non-operating income (expense):				
Gain on sale of capital assets	25,500	-	25,500	3,175
Interest income	4,489	2,379	6,868	303,277
Interest expense	-	-	-	(28,243)
Total non-operating income (expense)	<u>29,989</u>	<u>2,379</u>	<u>32,368</u>	<u>278,209</u>
Income (loss) before transfers	293,275	79,876	373,151	(22,693)
Transfers in	-	-	-	986,631
Transfers out	<u>(285,000)</u>	<u>(25,000)</u>	<u>(310,000)</u>	<u>-</u>
Change in net assets	8,275	54,876	63,151	963,938
Net assets (deficit), beginning	<u>987,520</u>	<u>237,911</u>	<u>1,225,431</u>	<u>(962,001)</u>
Net assets, ending	<u>\$ 995,795</u>	<u>\$ 292,787</u>	<u>\$ 1,288,582</u>	<u>\$ 1,937</u>

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Stormwater Utility (a Nonmajor Sanitation Fund)			
	Sanitation	Fund)	Totals	
	Totals			
Cash flows from operating activities:				
Cash received from customers, governments and other funds	\$ 2,611,766	\$ 194,107	\$ 2,805,873	\$ 1,709,418
Cash paid to suppliers	(1,327,731)	(91,887)	(1,419,618)	(1,636,722)
Cash paid to employees	(811,209)	(42,095)	(853,304)	(252,937)
Net cash provided (used) by operating activities	472,826	60,125	532,951	(180,241)
Cash flows from non-capital financing activities:				
Transfers in	-	-	-	986,631
Transfers out	(285,000)	(25,000)	(310,000)	-
Net cash provided (used) by non-capital financing activities	(285,000)	(25,000)	(310,000)	986,631
Cash flows from capital and related financing activities:				
Proceeds from general obligation loan	-	-	-	1,000,000
Principal paid on capital debt	-	-	-	(484,789)
Interest paid on capital debt	-	-	-	(28,243)
Proceeds from sale of capital assets	25,500	-	25,500	3,175
Acquisition of capital assets	(167,300)	(13,705)	(181,005)	(53,777)
Net cash provided (used) by capital and related financing activities	(141,800)	(13,705)	(155,505)	436,366
Cash flows from investing activities:				
Interest received	4,489	2,379	6,868	303,277
Net increase in cash and cash equivalents	50,515	23,799	74,314	1,546,033
Cash and cash equivalents, beginning	121,028	67,053	188,081	1,125,882
Cash and cash equivalents, ending	\$ 171,543	\$ 90,852	\$ 262,395	\$ 2,671,915
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 263,286	\$ 77,497	\$ 340,783	\$ (300,902)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	115,225	22,234	137,459	118,754
Changes in operating assets and liabilities:				
Accounts receivable	54,465	2,089	56,554	145,576
Due from other funds	49,394	(46,359)	3,035	18,960
Prepaid items	(616)	(616)	(1,232)	18,582
Inventories	(20,131)	-	(20,131)	(13,841)
Accounts payable and accrued liabilities	35,115	603	35,718	(27,174)
Due to other funds	(53,018)	-	(53,018)	143,788
Unearned revenues	19,032	2,590	21,622	-
Compensated absences	10,074	2,087	12,161	6,386
Claims payable	-	-	-	(290,370)
Net cash provided (used) by operating activities	\$ 472,826	\$ 60,125	\$ 532,951	\$ (180,241)

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2006

<u>ASSETS</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Cash and cash equivalents	\$ 373,237	\$ 2,524,050	\$ -
Cash held with trustee	-	-	108,665
Investments:			
Common stocks	12,240,085	-	-
Corporate bonds	993,218	-	-
U.S. obligations	3,830,249	-	-
U.S. Federal agencies	1,336,014	-	-
Due from other funds	283,464	-	-
Accrued interest receivable	76,859	-	-
Total assets	<u>19,133,126</u>	<u>2,524,050</u>	<u>108,665</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Liabilities:			
Due to other funds	77,715	180,000	-
DROP liability	98,494	-	-
Deposits held in trust	-	-	108,665
Total liabilities	<u>176,209</u>	<u>180,000</u>	<u>108,665</u>
Net assets held in trust	<u>\$ 18,956,917</u>	<u>\$ 2,344,050</u>	<u>\$ -</u>

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust</u>
ADDITIONS		
Contributions:		
City	\$ 283,464	\$ -
Employees	307,821	-
State	63,202	-
Other receipts	11,305	-
Foundation contribution	-	2,620,000
Total contributions	<u>665,792</u>	<u>2,620,000</u>
Investment income:		
Net appreciation in fair value of investments	872,423	-
Interest	291,125	84,050
Dividends	173,695	-
Less investment expenses	<u>(110,938)</u>	-
Net investment income	<u>1,226,305</u>	<u>84,050</u>
Total additions	<u>1,892,097</u>	<u>2,704,050</u>
DEDUCTIONS		
Pension benefits	1,033,726	-
Distribution to charter school	-	360,000
Refunds	73,393	-
Professional services	<u>57,432</u>	-
Total deductions	<u>1,164,551</u>	<u>360,000</u>
Change in net assets	727,546	2,344,050
Net assets held in trust, beginning	<u>18,229,371</u>	-
Net assets held in trust, ending	<u>\$ 18,956,917</u>	<u>\$ 2,344,050</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Miami Shores Village, Florida (the Village) was incorporated in 1931 and is a political subdivision of the State of Florida located in northeastern Miami-Dade County. The Village operates under a Council-Manager form of government, with the legislative function being vested in a five-member council. The Village Council is governed by the Village Charter and by state and local laws and regulations. The Village Council is responsible for establishment and adoption of policy. The Village provides the following full range of municipal services authorized by its charter: public safety, streets, sanitation, stormwater, cultural and recreational activities, public improvements, planning and zoning, and general administrative services.

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

a. Financial Reporting Entity

The financial statements were prepared in accordance with government accounting standards which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government 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. The Village does not have any component units that meet the definition disclosed above.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. *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.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-wide and Fund Financial Statements (Continued)

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. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

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. The agency fund has no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Village reports the following major governmental funds:

General Fund – This is the Village’s primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Resources are derived primarily from property taxes, franchise fees and utility taxes, charges for services and state shared revenues. Expenditures are incurred to provide general government, public safety, public works and community services.

Excise Tax Fund – This fund records revenues received by the Village for contractually-adopted franchise fee agreements and corresponding public service or utility taxes. The receipts of these funds are used to subordinate the Village’s General Obligation Bond Series 1999 should insufficient debt service revenues be received from ad valorem levies. Surplus proceeds are then transferred out of this fund and into the General Fund for operating purposes.

Local Option Gas Tax Fund – This fund accounts for the revenues from the six cents and additional three cents sales tax levied on all petroleum products sold in Miami-Dade County.

Hurricane Fund – This fund accounts for hurricane related expenditures as well as FEMA reimbursements. The fund is used to centralize financial activities required to restore the Village to normal operations following a natural disaster.

Aquatics Facility Construction Fund – This fund accounts for all the costs associated with the design, development and construction of the aquatic facility which was completed in fiscal year 2005 and funded by general obligation bonds issued through the Florida Municipal Loan Council.

Capital Improvements Fund – This fund accounts for major capital acquisitions and projects to improve the Village.

The Village reports the following major proprietary fund:

Sanitation Fund – This fund accounts for the operations and maintenance of the Village’s sanitation system.

The Village reports the following nonmajor proprietary fund:

Stormwater Utility Fund – This fund accounts for the operations and maintenance of the Village’s stormwater system.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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 fund types:

Other Governmental Funds – The other governmental funds are used to account for all other various special revenue, debt service and capital projects funds.

Internal Service Funds – The internal service funds are used to account for the financing of goods or services provided by one department to other departments of the Village, on a cost reimbursement basis. The Village has two internal service funds, the Risk Management Fund and the Fleet Maintenance Fund.

Pension Trust Funds – The pension trust funds accumulate resources for pension benefit payments. The pension trust funds account for the activities of the Village's two pension plans.

Private Purpose Trust Fund – This fund accounts for a donation from a foundation to be held by the Village on behalf of the Doctors Charter School to assist with meeting operating needs of the school.

Agency Fund – This fund is used to account for assets that the Village holds for others in an agency capacity.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's utility functions and various other functions of the Village. 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 with the exception of local option gas tax. Proceeds from the local option gas tax are used to fund transportation related expenditures and therefore are reported as *program revenues* under the function "Public Works".

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

d. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and investments with the State Board of Administration investment pool (2A-7 Pool).

The Village maintains a pooled cash account for all funds. This enables the Village to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Cash and cash equivalents represents the amount owned by each fund of the Village. Interest earned on pooled cash and cash equivalents is allocated monthly based upon equity balances of the respective funds.

2. Investments

The Village's investments are reported at fair value. The investments held with the State Board Investment Pool (2A-7 Pool) are reported at its fair value of its position in the Pool, which is the same as the value of the Pool shares. The investments in the pension trust fund are reported at fair value.

3. Interfund Receivables and Payables

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

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

4. Receivables

Receivables include amounts due from others for services provided by the Village. Receivables are recorded and revenues are recognized as earned or specific program expenditures are incurred.

5. Prepaid Items

Prepaid items consist of costs applicable to future accounting periods which have been paid prior to the end of the fiscal year. Amounts reported in the governmental funds are offset by an equal reservation of fund balance in the fund financial statements. This is an indication that these components of current assets do not constitute "available spending resources".

6. Inventories

Inventories of materials and supplies in the General Fund are recorded as expenditures when purchased (purchase method) and are stated at cost. Inventory in the Proprietary Funds consists of fuel, oil, tires, parts, office supplies and other inventories held for consumption. The initial cost is recorded as an asset at the time of purchase and is charged against operations in the period when used (consumption method) using the first-in, first-out method. Inventories are stated at the lower of cost or market on the balance sheet with a related reservation of fund balance for inventories accounted for under the purchase method.

7. Capital Assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., roads, curbs and gutters, lighting systems, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date donated.

The retroactive reporting of infrastructure for governmental activities is being deferred to a later date. Only the current additions to infrastructure of governmental activities, for which depreciation is computed in the year of acquisition, are being reported at this time.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No such costs were capitalized in 2006.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

7. Capital Assets

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

	<u>Years</u>
Buildings and improvements	10-40
Drainage improvements	40
Sanitation equipment	10
Vehicles	5
Other equipment, machinery, furniture and fixtures	3-10

8. Deferred Charges

Deferred charges in the government-wide financial statements represent the unamortized portion of bond issuance costs. These costs are being amortized over the term of the respective bond issue.

9. Compensated Absences

Village employees are granted vacation and sick leave in varying amounts based on length of service and the department which the employee serves.

The Village's vacation policy allows all regular non-temporary employees to accrue vacation leave with pay on a monthly basis. Vacation leave accrued in a previous year must be used prior to the next year's anniversary date (unless authorized by the Village Manager). Upon separation from Village employment in good standing, employees shall receive a lump sum payment for any unused accrued vacation leave up to the maximum allotted for the employee's length of service.

The Village's sick leave policy is to accumulate one normal work day per month up to a maximum of 720 hours for a general employee. A general employee shall receive payment for one hundred percent (100% to a maximum of 720 hours) of accrued sick leave upon retirement and fifty percent (50%) upon separation in good standing.

For both vacation and sick leave, there is no payout for an employee who is discharged for misconduct, termination or is not in good standing with the Village.

All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate such amounts.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

10. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the net proceeds received, are reported as debt service expenditures.

11. Property Taxes

Property taxes (ad valorem taxes) are assessed on January 1st (the lien date) and are billed and payable November 1st. They are due March 31st and become delinquent April 1st. On June 1st, delinquent taxes are offered for sale in the form of tax certificates. These taxes are collected by the County and are remitted to the Village. As of September 30, 2006, delinquent property taxes were immaterial in amount.

Assessed values are established by the Miami-Dade County Property Appraiser for all properties in the County at fair market value. The County bills and collects all property taxes for the Village. The assessed value of property at January 1, 2005, upon which the 2005-2006 levy was based, was approximately \$705,000,000.

Under Florida law, the assessment of all properties and the collection of all County, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector.

The Village is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to 10 mills (\$10 per \$1,000 of assessed valuation) for general governmental services other than general obligation debt service. To the extent required by voter approved general obligation debt, unlimited amounts may be levied to pay debt service. The millage rate levied to finance general governmental services for the 2005-06 fiscal year was 8.250 mills (\$8.25 per \$1,000 of assessed valuation).

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

12. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended.

Designations of fund balance indicate that a portion of fund balance has been segregated based on previous fiscal obligations or tentative plans of the Village. Such plans or intent are subject to change at the discretion of the Village.

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

13. 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing collectibility of receivables, the use and recoverability of inventory, the realization of pension and postretirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

a. Fund Deficits

The Building Better Communities capital projects fund had an unreserved and undesignated deficit of \$142,142.

The Village, during the ensuing year, will develop a plan to eliminate this deficit.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

b. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations by the amounts indicated in the following areas:

General Fund:	
Capital outlay	\$ 715
Debt service:	
Principal	669
Transfers out	1,506,631
Excise Tax Fund:	
Transfers out	361,593
Local Option Gas Tax Fund:	
Debt service:	
Principal	46,915
Interest	20,601
Transfers out	117,643
Half-Cent Surtax Fund:	
Transfers out	9,381

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, 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 with securities held by the entity or its agent in the entity's name.

Investments

The Village is authorized to invest in those instruments authorized by the Florida Statutes, including obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration administers the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – City

Credit Risk

Excess funds are sent to the Florida State Board of Administration (SBA) for their investment. The SBA does not have a rating from a nationally recognized statistical rating organization.

Investments – Pension Plans

As of September 30, 2006, the Village's Defined Benefit Pension plans had the following investments:

<u>Pension Investments</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>More Than 10</u>
U.S. Treasuries	\$1,457,824	\$ -	\$ 589,326	\$ 516,963	\$351,535
U.S. Agency Obligations	3,279,022	38,402	2,116,409	670,042	454,169
Corporate Bonds	<u>1,508,686</u>	<u>76,596</u>	<u>922,453</u>	<u>419,776</u>	<u>89,861</u>
	<u>\$6,245,532</u>	<u>\$114,998</u>	<u>\$3,628,188</u>	<u>\$1,606,781</u>	<u>\$895,565</u>

Interest Rate Risk

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. The Plans have formal investment policies that limit investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates.

Credit Risk

State law and the Plans' investment policies limit 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 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. Investment in foreign companies is limited to American Depository Receipts (ADRs) and foreign common stock listed on U.S. Exchanges. The Plan's investment policies limit investments to common stocks, corporate bonds rated "A" or higher by Moody or Standard & Poor's, collateralized mortgage obligations (CMO's) rated "Aaa" by Moody's or "AAA" by Standard & Poor's rating services.

The Plans' corporate bonds were rated an average of "A" by Standard & Poor's. The Plans' mutual bond fund investments were all rated "AAA" under Standard & Poor's ratings.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plans (Continued)

Concentration of Credit Risk

The Plans' investment policies prohibit equity securities concentrations greater than 5% in the securities of any one company at cost nor can the aggregate investment in equity securities total more than 70% of the total funds asset value at market; and fixed income securities concentrations greater than 10% in any one issuer with the exception of U.S. government or agency issues. As of September 30, 2006, the value of each equity position held by the Plans' portfolios consisted of less than 5% of total equity assets and less than 70% in the aggregate. Seven percent (7%) of the Village's total Pension Investments are fixed income securities in the Federal National Mortgage Association. Given the restriction to the highest rating, the additional concentration is not viewed to be an additional risk by the City.

Risks and Uncertainties

The Plans have investments in a combination of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the balances and the amounts reported in the statements of plan net assets and the statements of changes in plan net assets. The Plans through their investment advisors monitor the Plans' investments and risks associated therewith on a regular basis, which the Plans believe minimizes these risks.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2006 were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 1,745,018	\$ 283,464
Local option gas tax fund	980,882	-
Hurricane fund	-	85,391
Capital improvements fund	232,805	1,567,162
Aquatic facility fund	34,317	377,419
Nonmajor governmental funds	1,101,041	710,482
Enterprise Funds:		
Sanitation fund	469,701	-
Stormwater fund	183,622	75,796

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Internal Service Funds:		
Risk management fund	-	622,537
Fleet maintenance fund	210,245	1,261,129
Fiduciary Funds:		
Police pension trust	267,619	41,394
General employees pension trust	15,845	36,321
Private purpose trust	-	180,000
	<u>\$ 5,241,095</u>	<u>\$ 5,241,095</u>

These outstanding balances between funds result mainly from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures/expenses occur, (b) transactions are recorded in the accounting system and (c) payments between funds are made.

Interfund transfers during September 30, 2006 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>General Fund</u>	<u>Hurricane</u>	<u>Aquatics</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General fund	\$ -	\$ 25,000	\$ 300,000	\$ 175,000	\$ 180,000	\$ 986,631	\$ 1,666,631
Excise tax fund	2,181,979	-	-	-	-	-	2,181,979
Local option gas tax fund	-	-	-	-	50,643	-	50,643
Nonmajor governmental funds	-	-	-	888,920	16,881	-	905,801
Sanitation fund	285,000	-	-	-	-	-	285,000
Stormwater fund	25,000	-	-	-	-	-	25,000
	<u>\$ 2,491,979</u>	<u>\$ 25,000</u>	<u>\$ 300,000</u>	<u>\$ 1,063,920</u>	<u>\$ 247,524</u>	<u>\$ 986,631</u>	<u>\$ 5,115,054</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund the statute or budget requires to expend them and (b) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2006 for the Village's major and nonmajor funds in the aggregate, including the applicable allowance for uncollectible amounts are as follows:

	General	Excise Tax	Local Option Gas Tax	Hurricane	Aquatic Facility	Nonmajor Governmental Funds	Sanitation	Storm-water	Internal Service Funds	Total
Receivable:										
Accounts	\$ 251,763	\$ -	\$ -	\$ 116,201	\$ 595	\$ 28,082	\$ 602,970	\$ 34,624	\$ 3,213	\$ 1,037,448
Taxes	184,415	278,564	23,553	-	-	92,351	-	-	-	578,883
Total receivable	<u>\$ 436,178</u>	<u>\$ 278,564</u>	<u>\$ 23,553</u>	<u>\$ 116,201</u>	<u>\$ 595</u>	<u>\$ 120,433</u>	<u>\$ 602,970</u>	<u>\$ 34,624</u>	<u>\$ 3,213</u>	<u>\$ 1,616,331</u>

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 718,531	\$ -	\$ -	\$ 718,531
Construction-in-progress	751,154	101,594	(751,154)	101,594
Total capital assets not being depreciated	<u>1,469,685</u>	<u>101,594</u>	<u>(751,154)</u>	<u>820,125</u>
Capital assets being depreciated:				
Buildings and improvements	11,683,883	282,051	-	11,965,934
Other improvements	3,591,004	760,531	-	4,351,535
Furniture, fixtures and equipment	6,051,962	196,189	(68,984)	6,179,167
Total capital assets being depreciated	<u>21,326,849</u>	<u>1,238,771</u>	<u>(68,984)</u>	<u>22,496,636</u>
Less accumulated depreciation for:				
Buildings and improvements	3,015,939	259,044	-	3,274,983
Other improvements	2,197,396	65,450	-	2,262,846
Furniture, fixtures and equipment	4,666,067	703,884	(68,984)	5,300,967
Total accumulated depreciation	<u>9,879,402</u>	<u>1,028,378</u>	<u>(68,984)</u>	<u>10,838,796</u>
Total capital assets being depreciated, net	<u>11,447,447</u>	<u>210,393</u>	<u>-</u>	<u>11,657,840</u>
Governmental activities capital assets, net	<u>\$ 12,917,132</u>	<u>\$ 311,987</u>	<u>\$ (751,154)</u>	<u>\$ 12,477,965</u>
Business-type activities:				
Capital assets being depreciated:				
Utility plant and equipment	\$ 1,956,953	\$ 181,005	\$ 83,488	\$ 2,054,470
Less accumulated depreciation for:				
Utility plant and equipment	1,252,379	137,459	83,488	1,306,350
Total capital assets being depreciated, net	<u>704,574</u>	<u>43,546</u>	<u>-</u>	<u>748,120</u>
Business-type activities capital assets, net	<u>\$ 704,574</u>	<u>\$ 43,546</u>	<u>\$ -</u>	<u>\$ 748,120</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 310,828
Public safety	288,202
Public works	153,887
Parks and recreation	156,707
	909,624

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets

Total depreciation expense - governmental activities	\$ 1,028,378
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Business-type activities:

Sanitation	\$ 115,225
Stormwater	22,234
Total depreciation expense - business-type activities	\$ 137,459

NOTE 7. LONG-TERM LIABILITIES

a. Summary of Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Village for governmental and business-type activities for the year ended September 30, 2006.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable - 2004	\$ 4,905,000	\$ -	\$ 100,000	\$ 4,805,000	\$ 100,000
Less issuance discount	(9,256)	-	(331)	(8,925)	-
General obligation bonds payable - 1999	2,845,000	-	65,000	2,780,000	70,000
Line of credit - 2002	50,000	-	50,000	-	-
Line of credit - 2005	469,023	-	469,023	-	-
Revenue note payable - 2003	788,046	-	788,046	-	-
Revenue notes payable - 2003	98,000	-	98,000	-	-
General obligation loan - 2006	-	3,500,000	55,181	3,444,819	227,090
Subtotal	9,145,813	3,500,000	1,624,919	11,020,894	397,090
Compensated absences	557,163	353,177	302,426	607,914	151,979
Claims payable	700,695	-	316,013	384,682	195,600
	\$10,403,671	\$3,853,177	\$2,243,358	\$12,013,490	\$ 744,669
Business-type activities:					
Compensated absences	\$ 61,516	\$ 45,875	\$ 33,715	\$ 73,676	\$ 18,419

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM LIABILITIES (Continued)

2004 General Obligation Bonds

The 2004 General Obligation bonds were issued by the Village of Miami Shores. Principal is due annually over 30 years at various amounts from \$100,000 in 2006 to a final payment of \$305,000 in 2033. The bonds bear interest at variable rates ranging from 3% to 5%, payable semi-annually.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2007	\$ 100,000	\$ 217,080	\$ 317,080
2008	105,000	214,080	319,080
2009	110,000	210,930	320,930
2010	110,000	207,630	317,630
2011	115,000	204,110	319,110
2012-2016	650,000	955,650	1,605,650
2017-2021	785,000	812,858	1,597,858
2022-2026	980,000	611,163	1,591,163
2027-2031	1,255,000	343,250	1,598,250
2032-2033	595,000	45,000	640,000
Total	<u>\$ 4,805,000</u>	<u>\$ 3,821,750</u>	<u>\$ 8,626,750</u>

1999 General Obligation Bonds

The 1999 General Obligation bonds were issued by the Florida Municipal Loan Council. Principal is due annually over 30 years at various amounts from \$65,000 in 2006 to a final payment of \$195,000 in 2029. The bonds bear interest at variable rates ranging from 3.20% to 5.00%, payable semi-annually.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2007	\$ 70,000	\$ 135,232	\$ 205,232
2008	75,000	132,432	207,432
2009	75,000	129,338	204,338
2010	80,000	126,150	206,150
2011	80,000	122,650	202,650
2012-2016	475,000	552,938	1,027,938
2017-2021	600,000	422,412	1,022,412
2022-2026	770,000	258,000	1,028,000
2027-2029	555,000	56,500	611,500
Total	<u>\$ 2,780,000</u>	<u>\$ 1,935,652</u>	<u>\$ 4,715,652</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM LIABILITIES (Continued)

Series 2006 Promissory Note

In May 2006, the Village issued a \$3,500,000 promissory note to SunTrust Bank bearing an interest rate of 4.56%. The note was secured for the purpose of repaying outstanding notes and lines of credit. The note matures in May 2018 and requires quarterly principal and interest payments throughout the life of the loan. The security for the note is an appropriation from legally available non-ad valorem revenues and a pledge of the guaranteed entitlement revenues received by the Village in each fiscal year. The outstanding balance at September 30, 2006 was \$3,444,819.

<u>Series 2006 Promissory Note</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2007	\$ 227,090	\$ 153,237	\$ 380,327
2008	237,624	142,703	380,327
2009	248,646	131,681	380,327
2010	260,180	120,147	380,327
2011	272,248	108,079	380,327
2012 - 2016	1,562,799	338,837	1,901,636
2017 - 2018	<u>636,232</u>	<u>29,340</u>	<u>665,572</u>
Total	<u>\$ 3,444,819</u>	<u>\$ 1,024,024</u>	<u>\$ 4,468,843</u>

NOTE 8. POST-EMPLOYMENT RETIREMENT BENEFITS

Plan Description

The Village provides post-retirement health benefits in accordance with the requirements of an agreement between the Village and the Police Benevolent Association (PBA).

Police officers who retire and begin receiving benefits from the Village's pension plan on or after October 1, 1991 are eligible to receive a monthly benefit of up to \$100 to defray the cost of health insurance coverage for the retiree.

Only those police officers who retire under the provisions of the Village's pension plan with at least 25 years of creditable service, or who are granted a disability benefit under the provisions of the Village's Pension Plan, are eligible for the retiree health benefit.

Eligible retired police officers receive the retiree health benefit until they become eligible for Medicare benefits, at which time the Village retiree health benefit is suspended.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Plan Description (Continued)

The employer makes benefit payments directly to an insurance carrier or health benefit program on behalf of the eligible retired police officer up to \$100 which is funded through payroll deductions from each police officer. Total contributions for the year were \$5,500. If the retired police officer is covered by any other insurance or health benefit program, the Village retiree health benefit will be secondary to any and all other insurance or benefit programs. If the actual cost of the retired police officer's participation in such other insurance or benefit program is less than \$100 per month, the Village retiree health benefit payable is the actual cost of such insurance or benefit program.

Employee contributions to the retiree health benefit fund are refundable to the employee if the employee terminates Village employment after contributing to the retiree health benefit fund for ten (10) or more years. Any employee who receives a refund of contributions from the retiree health benefit fund is not eligible to receive a retiree health benefit.

The Village does not provide any other post-employment retirement benefits.

NOTE 9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions and natural disasters for which it has purchased commercial insurance. Prior to October 1, 2005, the Village was self-insured for these claims up to certain limits.

The amount of settlements for each of the past three fiscal years did not exceed insurance coverage.

Liabilities in the risk management internal service fund include amounts for claims that have been incurred but not reported (IBNR's) as well as known claims that existed prior to purchasing commercial insurance. Claim liabilities are calculated considering the recent claim settlement trends.

Changes in the balances of estimated claims for the years ended September 30 are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning	\$ 506,665	\$ 506,665
Incurred claims (including IBNR's)	-	179,494
Claim payments and disbursements	<u>(290,370)</u>	<u>(179,494)</u>
Unpaid claims, ending	<u>\$ 216,295</u>	<u>\$ 506,665</u>

In addition to the above claims liability, the Village has a commitment to Miami-Dade County for prior workers' compensation claims for \$168,387 as of September 30, 2006. The Village generally makes annual payments to the County on a reimbursable basis.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLANS

The Village maintains two separate single-employer Public Employee Retirement Systems (PERS). These plans were established to provide pension benefits for its employees. The PERS is considered to be part of the Village's financial reporting entity and is included in the Village's financial statements as pension trust funds.

Summary of Significant Account Policies

Basis of Accounting

The Village's defined benefit pension funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation in fair value of investments, realized and unrealized gains (losses) are determined on the basis of specific cost.

Within certain limitations as specified in each of the Plans, the investment policies are determined by the Plans' Board of Trustees and is implemented by each Plan's investment advisor.

There were no investments (other than U.S. Government Securities and U.S. Government Guaranteed Obligations) in any one organization that represented 5% or more of plan net assets, nor were there any investments in, loans to, or leases with any Village official, Plan Trustee or other related parties.

a. General Employees' Retirement Plan

Plan Description

The General Employees' Retirement System (the Plan) is a single-employer defined benefit pension plan that covers all Village employees, except for police, and certain appointed employees. The Plan was established on January 1, 1957 by the Village Council. On December 31, 1999, the Plan was split between the general employees and the police officers. The Plans are governed by certain provisions of Chapter 112, Florida Statutes. The Board of Trustees for the Plan administers the Plan. Plan amendments must be authorized by the Village Council.

The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan does not issue a separate financial report.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLANS (Continued)

Method Used to Value Investments

a. General Employees' Retirement Plan

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The Village is not required to contribute to the plan. Therefore, there is no annual required contribution, no annual pension cost and no net pension obligation.

Other

The General Employees Retirement Plan does not issue separate stand-alone financial statements, therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Net Assets as of and for the fiscal year ended September 30, 2006.

Statement of Fiduciary Net Assets September 30, 2006

Assets:	
Cash and cash equivalents	\$ 182,241
Investments, at fair value	8,087,555
Due from other funds	15,845
Accrued interest receivable	34,012
Total assets	<u>8,319,653</u>
Liabilities	<u>36,321</u>
Net assets held in trust for pension benefits	<u>\$8,283,332</u>

Statement of Changes in Net Assets Year Ended September 30, 2006

ADDITIONS	
Contributions	\$ 192,841
Net investment income	514,295
Other receipts	1,118
Total additions	<u>708,254</u>
DEDUCTIONS	
Pension benefits	<u>352,489</u>
Total deductions	<u>352,489</u>
Changes in net assets	355,765
Net assets held in trust for pension benefits, beginning	<u>7,927,567</u>
Net assets held in trust for pension benefits, ending	<u>\$8,283,332</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. PENSION PLANS (Continued)

b. Police Officers' Retirement Plan

Plan Description

The Police Officers' Retirement System (the Plan) is a single-employer defined benefit pension plan that covers substantially all of the Village's certified police officers. The Plan was established as of the effective date of January 1, 1957 by the Village Council. It was amended on December 31, 1999, to split the Plan between General Employees and Police Officers. The Plan is also governed by certain provisions of Chapter 185, Florida Statutes. The Board of Trustees for the Plan administers the Plan. Plan amendments must be authorized by the Village Council.

The Plan provides retirement, disability, and death benefits to Plan members and beneficiaries. The Plan does not issue a separate financial report.

Deferred Retirement Option Plan

Effective May 5, 1998, subsequent to the approval from the State of Florida, Division of Retirement, current employees with at least 25 but not more than 30 years of continuous service as a member of the plan may elect to participate in the deferred retirement option plan (DROP) for sworn police personnel. The employee may elect to participate in the plan for a maximum of 60 months before the employee attains 30 years of continuous service.

A member's continuous service and accrued benefit under the plan shall be determined and frozen on the effective date of the employee's election to participate in the DROP. Additional continuous service or benefits under the plan shall not be accrued, except for cost-of-living adjustments provided to retirees under the plan. No payments are made directly to the employee from the pension plan while the member participates in the drop plan.

During the period of the member's participation in the DROP, the employee's normal retirement benefit shall be credited to the employee's DROP account. No further contributions to the police officers' retirement system will be required by the Village nor the employee on behalf of any employee who has elected participation in the DROP. The member's account is invested as part of the corpus of the system by the Board and is credited with interest equal to the overall net rate of return on the fund assets during the reporting period during which the member participates in the DROP.

At the conclusion of the member's participation in the DROP, the member will receive a normal benefit calculated in accordance with the plan using an average monthly earnings and continuous service as of the effective date of the member's election to participate in the DROP. The DROP account is distributed to the member in a cash lump sum, unless the member alternatively elects to receive payments in approximately equal quarterly or annual installments over a period designated by the member. If a member dies before distribution of the member's DROP plan commences, the account balance is paid to the member's designated beneficiary in an immediate cash lump sum. Provisions of the plan do not allow for the distribution of a member's DROP account to begin later than April 1 following the later of the calendar year in which the member separates from service with the Village or attains age 70½ years.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. PENSION PLANS (Continued)

b. Police Officers' Retirement Plan (Continued)

Deferred Retirement Option Plan (Continued)

At the end of September 30, 2006, total liabilities for the DROP were \$98,494.

Funding Policy

Plan members are required to contribute 9% of their annual covered salary. The State of Florida contributes a portion of the property insurance premiums, which pass through the Village as contributions to the Plan. The Village is required to contribute at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due.

Annual Pension Cost and Net Pension Obligation (Asset)

As of October 1, 2005, the date of the latest actuarial valuation, the Village's net pension obligation (asset) was as follows:

Annual required contributions (ARC)	\$ 297,812
Interest on net pension asset	(1,249)
Adjustment to ARC	<u>2,304</u>
Annual pension cost	298,867
Actual contribution	<u>297,812</u>
Change in net pension obligation (asset)	1,055
Net pension obligation (asset), beginning	<u>(15,562)</u>
Net pension obligation (asset), ending	<u>\$ (14,507)</u>

The annual required contributions for the current year were determined as part of the October 1, 2005 actuarial valuation using the frozen entry age normal actuarial cost method. This method is the same as the Aggregate Cost Method and does not identify and separately amortize the unfunded actuarial liabilities. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases of 6.5% per year. Both (a) and (b) included an inflation component of 4%. The actuarial value of assets was determined using market values.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/2004	\$ 198,613	99.4%	\$ (16,747)
9/30/2005	280,707	99.6%	(15,562)
9/30/2006	298,867	110.7%	(14,507)

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. PENSION PLANS (Continued)

b. Police Officers' Retirement Plan (Continued)

Other

The Police Officers Retirement Plan does not issue separate stand-alone financial statements, therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Net Assets as of and for the fiscal year ended September 30, 2006.

Statement of Fiduciary Net Assets September 30, 2006

Assets:	
Cash and cash equivalents	\$ 190,996
Investments, at fair value	10,312,011
Due from other funds	267,619
Accrued interest receivable	42,847
Total assets	10,813,473
Liabilities	
	139,888
Net assets held in trust for pension benefits	\$ 10,673,585

Statement of Changes in Net Assets Year Ended September 30, 2006

ADDITIONS	
Contributions	\$ 461,646
Net investment income	712,010
Other receipts	10,187
Total additions	1,183,843
DEDUCTIONS	
Pension benefits	681,237
Refunds	73,393
Other	57,432
Total deductions	812,062
Changes in net assets	371,781
Net assets held in trust for pension benefits, beginning	10,301,804
Net assets held in trust for pension benefits, ending	\$ 10,673,585

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. PENSION PLANS (Continued)

c. Membership

Membership of each Plan consisted of the following at September 30, 2006:

	<u>General</u>	<u>Police</u>
	<u>Employees</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	39	21
Fully vested	23	14
Non-vested	45	9
	68	23

d. Required Supplementary Information

The schedule of employer contributions for each of the past six consecutive fiscal years for the Police plan is presented immediately after the notes to the basic financial statements. As the Plan uses the Frozen Entry Age Actuarial Cost Method, a schedule of funding progress is not required.

NOTE 11. COMMITMENTS AND CONTINGENCIES

a. Legal Matters

The Village has several claims arising in the ordinary course of operations pending against the Village. In the opinion of legal counsel and management, any potential losses arising from such actions, would not have a materially adverse affect on the financial position of the Village.

b. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current grant expenditures, if any, would not have a material adverse effect on the Village's financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Police Officer's Retirement System

Year Ended <u>September 30,</u>	Annual Required <u>Contribution</u>	Contribution from <u>Employer</u>	Contribution from <u>State</u>	Percentage <u>Contributed</u>
2004	\$ 197,498	\$ 167,305	\$ 53,849	99.4%
2005	279,522	249,329	68,063	113.5%
2006	297,812	267,619	63,202	111.1%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

The annual required contribution for the fiscal year ended September 30, 2006 was determined as part of the October 1, 2005 actuarial valuation.

Police Officer's Retirement System

Valuation date	10/1/05
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8%
Projected salary increases*	6.5%
Cost of living adjustments	N/A

*Includes inflation at 4%

(1) This method does not separately identify an actuarial accrued liability. Based on this, a schedule of funding progress is not included as it is not required per GASB 25.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Taxes:				
Property taxes, current and delinquent	\$ 6,000,930	\$ 6,000,930	\$ 5,626,022	\$ (374,908)
Licenses and permits:				
Business licenses - Village	69,825	69,825	82,182	12,357
Business licenses - County	20,000	20,000	22,011	2,011
Building permits	700,000	700,000	546,263	(153,737)
Certificate of reoccupancy	17,500	17,500	9,470	(8,030)
Other licenses and permits	62,750	63,240	116,273	53,033
Total licenses and permits	870,075	870,565	776,199	(94,366)
Intergovernmental revenues:				
State shared revenues:				
State revenue sharing	318,895	318,895	345,606	26,711
Local government half cent sales tax	638,836	638,836	700,472	61,636
Gasoline tax rebate	8,000	8,000	11,705	3,705
Other	1,100	1,100	1,284	184
Total intergovernmental revenues	966,831	966,831	1,059,067	92,236
Charges for services:				
Physical environment	74,500	74,500	52,785	(21,715)
Police extra duty	168,785	168,785	139,562	(29,223)
Landscape maintenance	19,901	19,901	14,926	(4,975)
Culture/recreation	652,768	652,768	759,962	107,194
Total charges for services	915,954	915,954	967,235	51,281
Fines and forfeitures:				
Court fines and costs	100,000	100,000	76,555	(23,445)
School crossing guards	36,000	36,000	23,853	(12,147)
Other	122,000	122,000	137,500	15,500
Total fines and forfeitures	258,000	258,000	237,908	(20,092)
Miscellaneous:				
Rents	25,000	25,000	34,361	9,361
Other	144,955	144,955	211,844	66,889
Total miscellaneous	169,955	169,955	246,205	76,250
Interest	29,750	78,913	104,444	25,531
Total revenues	\$ 9,211,495	\$ 9,261,148	\$ 9,017,080	\$ (244,068)

(Continued)

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE GENERAL FUND (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Expenditures:	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Current:				
General government:				
Village council	\$ 7,095	\$ 7,095	\$ 5,557	\$ 1,538
Village attorney	214,320	214,320	145,504	68,816
Village manager	236,281	236,281	218,874	17,407
Village clerk	158,006	158,006	127,875	30,131
Code enforcement	237,970	237,970	143,788	94,182
Building department	280,986	330,639	323,668	6,971
Planning and zoning	200,275	200,275	157,439	42,836
Finance	651,405	651,405	509,772	141,633
Other	676,059	676,291	388,976	287,315
Total general government	2,662,397	2,712,282	2,021,453	690,829
Public safety:				
Law enforcement	4,853,394	4,853,394	3,546,844	1,306,550
School crossing guard	34,142	34,142	27,425	6,717
Total public safety	4,887,536	4,887,536	3,574,269	1,313,267
Public works:				
Parks	559,335	558,279	532,089	26,190
Street maintenance	571,032	571,032	511,991	59,041
Public works administration	524,848	524,848	384,618	140,230
Recreation maintenance	177,681	177,681	172,868	4,813
Total public services	1,832,896	1,831,840	1,601,566	230,274
Culture and recreation:				
Recreation	1,745,209	1,745,209	1,563,184	182,025
Library	360,163	360,163	323,824	36,339
Total culture and recreation	2,105,372	2,105,372	1,887,008	218,364
Capital outlay	54,175	70,275	70,990	(715)
Debt service:				
Principal	42,725	36,493	37,162	(669)
Interest	1,185	7,141	6,807	334
Total debt service	43,910	43,634	43,969	(335)
Total expenditures	11,586,286	11,650,939	9,199,255	2,451,684
Deficiency of revenues over expenditures	(2,374,791)	(2,389,791)	(182,175)	2,207,616
Other financing sources (uses)				
Transfers in	2,410,811	2,410,811	2,491,979	81,168
Transfers out	(175,000)	(160,000)	(1,666,631)	(1,506,631)
Total other financing sources (uses)	2,235,811	2,250,811	825,348	(1,425,463)
Net change in fund balance	\$ (138,980)	\$ (138,980)	\$ 643,173	\$ 782,153

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE EXCISE TAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Public services taxes	\$ 1,820,386	\$ 1,820,386	\$ 2,215,461	\$ 395,075
Expenditures	-	-	-	-
Excess of revenues over expenditures	1,820,386	1,820,386	2,215,461	395,075
Other financing uses:				
Transfers out	<u>(1,820,386)</u>	<u>(1,820,386)</u>	<u>(2,181,979)</u>	<u>(361,593)</u>
Net change in fund balance	-	-	33,482	33,482
Fund balance, beginning	-	-	<u>245,082</u>	<u>245,082</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,564</u>	<u>\$ 278,564</u>

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE

LOCAL OPTION GAS TAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Other taxes	\$ 294,097	\$ 294,097	\$ 288,243	\$ (5,854)
Interest	8,775	8,775	5,950	(2,825)
Total revenues	302,872	302,872	294,193	(8,679)
Expenditures:				
Current:				
Public works	222,313	222,313	76,251	146,062
Debt service:				
Principal	22,874	22,874	69,789	(46,915)
Interest	5,723	5,723	26,324	(20,601)
Total debt service	28,597	28,597	96,113	(67,516)
Total expenditures	250,910	250,910	172,364	78,546
Excess of revenues over expenditures	51,962	51,962	121,829	69,867
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(67,000)	(67,000)	(50,643)	(117,643)
Total other financing sources (uses)	(67,000)	(67,000)	(50,643)	(117,643)
Net change in fund balance	(15,038)	(15,038)	71,186	(47,776)
Fund balance, beginning	-	-	970,591	970,591
Fund balance, ending	\$ (15,038)	\$ (15,038)	\$ 1,041,777	\$ 922,815

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States. The Village annually adopts an operating budget for the General Fund, Excise Tax Fund, Local Option Gas Tax Fund, Half Cent Surtax Fund and the Debt Service Fund.

- (1) 35 days prior to fiscal year end, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures for the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 28th (unless preempted by TRIM) as stated in the Village's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The Village Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the Village Manager and within the last three months of the budget year, the Council may by resolution transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2006. There was one supplemental appropriation in the general fund during fiscal year ended September 30, 2006 for funding outstanding financial obligations and unanticipated expenses. The total General Fund budget did not change.
- (6) Unencumbered appropriations lapse at year end.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

General Trust – This fund accumulates assets for its employees, other governmental entities and/or funds, primarily for the recreation, library or police departments.

Half-Cent Surtax – This fund accounts for the Village's portion of the Miami-Dade County one-half percent sales surtax approved by voters in November 2002.

Grants – This fund accounts for the use of specific designated resources related to grant programs.

Charter High School – This fund accounts for the initial cost and transactions associated with the Charter High School.

Law Enforcement Training – This fund accounts for proceeds obtained through fines designated specifically for training law enforcement officers.

Police Forfeiture – This fund accounts for proceeds obtained through the sale of confiscated and unclaimed property turned over to the Village through court judgments. Proceeds are to be used solely for law enforcement purposes.

Debt Service Fund

General Obligation Bonds – This fund accounts for the 1999 and 2004 General Obligation bonds issued to fund the design, developments and construction of the Miami Shores Aquatic Facility (1999) and for the charter school construction (2004).

Capital Projects Funds

2nd Ave Rehabilitation - This fund accounts for the redesign and rehabilitation of Second Avenue between 95th and 103rd Streets.

Charter High School Construction – This fund accounts for all costs associated with the construction of the Doctors Charter School of Miami Shores which was substantially complete in 2005.

Building Better Communities – This fund accounts for the improvements to sidewalks and drainage systems which are being funded by Miami-Dade County.

MIAMI SHORES VILLAGE, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	Special Revenue Funds							<u>Total</u>
	General <u>Trust</u>	Half-Cent <u>Surtax</u>	Charter High <u>School</u>	Law Enforcement <u>Training</u>	Police Forfeiture	Charter		
						Grants	Enforcement <u>Training</u>	
\$ 435,342	\$ 67,126	\$ 15,690	\$ 6,275	\$ 16,662	\$ 203,163	\$	\$ 744,258	
-	81,628	21,372	-	310	6,400	-	109,710	
182,399	580,000	-	-	-	-	-	762,399	
-	-	-	175,000	-	-	-	175,000	
-	-	-	-	-	-	-	-	
<u>\$ 617,741</u>	<u>\$ 728,754</u>	<u>\$ 37,062</u>	<u>\$ 181,275</u>	<u>\$ 16,972</u>	<u>\$ 209,563</u>	<u>\$</u>	<u>\$ 1,791,367</u>	

ASSETS

Cash and cash equivalents
Accounts receivable
Due from other funds
Due from other governments
Prepaid items
Total assets

LIABILITIES AND FUND BALANCES (DEFICITS)

Liabilities:

Accounts payable and accrued liabilities
Due to other funds
Unearned revenues
Total liabilities

Fund balances (deficits):

Reserved for:

Prepaid items
Encumbrances
Law enforcement
Debt service
Transportation
Unreserved and undesignated
Total fund balances (deficits)
Total liabilities and fund balances (deficits)

(Continued)

MIAMI SHORES VILLAGE, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

(Continued)

SEPTEMBER 30, 2006

Debt Service	Capital Projects			Total Nonmajor Governmental Funds
	2nd Ave Rehabilitation	Charter High School Construction	Building Better Communities	
<u>GO Bonds</u>				
\$ 95,753	\$ -	\$ 279,725	\$ -	\$ 1,119,736
10,723	-	-	-	120,433
338,642	-	-	-	1,101,041
-	-	-	90,663	265,663
69,042	-	-	-	69,042
<u>\$ 514,160</u>	<u>\$ -</u>	<u>\$ 279,725</u>	<u>\$ 90,663</u>	<u>\$ 2,675,915</u>

ASSETS

Cash and cash equivalents	
Accounts receivable	
Due from other funds	
Due from other governments	
Prepaid items	
Total assets	

LIABILITIES AND FUND BALANCES (DEFICITS)

Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	287,449
Due to other funds	-	205,556	232,805	710,482
Unearned revenues	-	-	-	2,131
Total liabilities	-	205,556	232,805	1,000,062
Fund balances (deficits):				
Reserved for:				
Prepaid items	69,042	-	-	69,042
Encumbrances	-	-	-	18,245
Law enforcement	-	-	-	154,897
Debt service	445,118	-	-	445,118
Transportation	-	-	-	709,965
Unreserved and undesignated	-	74,169	(142,142)	278,586
Total fund balances (deficits)	514,160	74,169	(142,142)	1,675,853
Total liabilities and fund balances (deficits)	<u>\$ 514,160</u>	<u>\$ 279,725</u>	<u>\$ 90,663</u>	<u>\$ 2,675,915</u>

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue Funds							Total
	General Trust	Half-Cent Surtax	Grants	Charter		Law		
				High School	Training	Enforcement	Police Forfeiture	
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	346,278	-	-	-	-	-	346,278
Intergovernmental revenues	-	-	32,872	-	-	-	-	32,872
Miscellaneous	41,112	-	-	-	3,706	17,403	-	62,221
Interest	-	4,173	714	-	-	9,368	-	14,255
Contributions	22,243	-	-	-	-	-	-	22,243
Total revenues	63,355	350,451	33,586	-	3,706	26,771	-	477,869
Expenditures:								
Current:								
General government	3,566	-	635	251	-	-	-	4,452
Public safety	-	-	-	-	-	7,352	-	7,352
Public works	-	69,872	-	-	-	-	-	69,872
Culture and recreation	3,547	-	-	-	-	-	-	3,547
Capital outlay	20,765	-	-	-	-	-	-	20,765
Debt service:								
Principal	-	4,966	-	-	-	63,155	-	68,121
Interest	-	3,591	-	-	-	503	-	4,094
Total expenditures	27,878	78,429	635	251	-	71,010	-	178,203
Excess (deficiency) of revenues over expenditures	35,477	272,022	32,951	(251)	3,706	(44,239)	-	299,666
Other financing sources (uses):								
Transfers in	180,000	-	-	-	-	-	-	180,000
Transfers out	-	(16,881)	-	-	-	-	-	(16,881)
Total other financing sources (uses)	180,000	(16,881)	-	-	-	-	-	163,119
Net change in fund balances	215,477	255,141	32,951	(251)	3,706	(44,239)	-	462,785
Fund balances (deficits), beginning	113,228	473,069	(21,372)	6,526	13,266	182,164	-	766,881
Fund balances (deficits), ending	\$ 328,705	\$ 728,210	\$ 11,579	\$ 6,275	\$ 16,972	\$ 137,925	\$	\$ 1,229,666

(Continued)

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Debt Service <u>GO Bonds</u>	Capital Projects				Total Nonmajor Governmental Funds
		2nd Ave <u>Rehabilitation</u>	Charter High School <u>Construction</u>	Building Better <u>Communities</u>		
Revenues:						
Property taxes	\$ 634,370	\$ -	\$ -	\$ -	\$ 634,370	
Other taxes	-	-	-	-	346,278	
Intergovernmental revenues	-	-	-	188,709	221,581	
Miscellaneous	-	-	-	-	62,221	
Interest	213	26,445	17,641	-	58,554	
Contributions	-	-	-	-	22,243	
Total revenues	<u>634,583</u>	<u>26,445</u>	<u>17,641</u>	<u>188,709</u>	<u>1,345,247</u>	
Expenditures:						
Current:						
General government	3,759	(936)	-	-	7,275	
Public safety	-	-	-	-	7,352	
Public works	-	-	-	-	69,872	
Culture and recreation	-	-	-	-	3,547	
Capital outlay	-	-	282,430	398,375	701,570	
Debt service:						
Principal	165,000	16,009	-	-	249,130	
Interest and fiscal charges	357,911	3,531	-	-	365,536	
Total expenditures	<u>526,670</u>	<u>18,604</u>	<u>282,430</u>	<u>398,375</u>	<u>1,404,282</u>	
Excess (deficiency) of revenues over expenditures	107,913	7,841	(264,789)	(209,666)	(59,035)	
Other financing sources (uses):						
Transfers in	-	-	-	67,524	247,524	
Transfers out	-	(888,920)	-	-	(905,801)	
Total other financing sources (uses)	<u>-</u>	<u>(888,920)</u>	<u>-</u>	<u>67,524</u>	<u>(658,277)</u>	
Net change in fund balances	107,913	(881,079)	(264,789)	(142,142)	(717,312)	
Fund balances (deficits), beginning	406,247	881,079	338,958	-	2,393,165	
Fund balances (deficits), ending	<u>\$ 514,160</u>	<u>\$ -</u>	<u>\$ 74,169</u>	<u>\$ (142,142)</u>	<u>\$ 1,675,853</u>	

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE HALF CENT SURTAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Other taxes	\$ 322,679	\$ 322,679	\$ 346,278	\$ 23,599
Interest	2,510	2,510	4,173	1,663
Total revenues	325,189	325,189	350,451	25,262
Expenditures:				
Current:				
Public works	338,714	338,714	78,429	260,285
Excess (deficiency) of revenues over expenditures	(13,525)	(13,525)	272,022	285,547
Other financing sources (uses):				
Transfers out	(7,500)	(7,500)	(16,881)	(9,381)
Net change in fund balance	(21,025)	(21,025)	255,141	276,166
Fund balance, beginning	-	-	473,069	473,069
Fund balance, ending	\$ (21,025)	\$ (21,025)	\$ 728,210	\$ 749,235

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE DEBT SERVICE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 630,011	\$ 630,011	\$ 634,370	\$ 4,359
Interest	5,235	5,235	213	(5,022)
Total revenues	<u>635,246</u>	<u>635,246</u>	<u>634,583</u>	<u>(663)</u>
Expenditures:				
Current:				
General government	<u>19,100</u>	<u>19,100</u>	<u>3,759</u>	<u>15,341</u>
Debt service:				
Principal	165,000	165,000	165,000	-
Interest	<u>353,411</u>	<u>353,411</u>	<u>357,911</u>	<u>(4,500)</u>
Total debt service	<u>518,411</u>	<u>518,411</u>	<u>522,911</u>	<u>(4,500)</u>
Total expenditures	<u>537,511</u>	<u>537,511</u>	<u>526,670</u>	<u>10,841</u>
Excess of revenues over expenditures	97,735	97,735	107,913	10,178
Other financing uses - transfers out	<u>(97,735)</u>	<u>(97,735)</u>	<u>-</u>	<u>97,735</u>
Net change in fund balance	-	-	107,913	107,913
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>406,247</u>	<u>406,247</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 514,160</u>	<u>\$ 514,160</u>

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the Village on a cost reimbursement basis.

Risk Management Fund – This fund accounts for the accumulation and allocation of costs associated with insurance.

Fleet Maintenance Fund – This fund accounts for all direct and indirect costs to maintain and operate the Village's vehicles and equipment fleet.

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2006

	<u>Risk Management</u>	<u>Fleet Maintenance</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 867,000	\$ 1,804,510	\$ 2,671,510
Accounts receivable	3,164	49	3,213
Due from other funds	-	210,245	210,245
Prepaid items	-	5,000	5,000
Inventories	-	41,601	41,601
Total current assets	870,164	2,061,405	2,931,569
Capital assets:			
Capital assets not being depreciated	-	7,127	7,127
Capital assets being depreciated, net	-	246,490	246,490
Total noncurrent assets	-	253,617	253,617
Total assets	870,164	2,315,022	3,185,186
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	30,119	30,011	60,130
Due to other funds	622,537	1,261,129	1,883,666
Compensated absences	-	9,832	9,832
Notes payable	-	64,882	64,882
Claims payable	216,295	-	216,295
Total current liabilities	868,951	1,365,854	2,234,805
Noncurrent liabilities:			
Compensated absences	-	29,497	29,497
Notes payable	-	919,352	919,352
Total noncurrent liabilities	-	948,849	948,849
Total liabilities	868,951	2,314,703	3,183,654
<u>NET ASSETS (DEFICIT)</u>			
Invested in capital assets, net of related debt	-	253,617	253,617
Unrestricted (deficit)	1,618	(253,298)	(251,680)
Total net assets	\$ 1,618	\$ 319	\$ 1,937

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Risk Management Fund	Fleet Maintenance Fund	Total
Charges for services	\$ 731,733	\$ 813,149	\$ 1,544,882
Operating expenses:			
Administrative and general	759,552	418,442	1,177,994
Personnel expenses	-	259,323	259,323
Depreciation	-	118,754	118,754
Insurance premiums	30,734	138,780	169,514
Insurance claims	120,199	-	120,199
Total operating expenses	<u>910,485</u>	<u>935,299</u>	<u>1,845,784</u>
Operating loss	<u>(178,752)</u>	<u>(122,150)</u>	<u>(300,902)</u>
Non-operating income (expense):			
Gain on sale of capital assets	-	3,175	3,175
Interest income	270,739	32,538	303,277
Interest expense	-	(28,243)	(28,243)
Total non-operating income (expense)	<u>270,739</u>	<u>7,470</u>	<u>278,209</u>
Income (loss) before transfers	91,987	(114,680)	(22,693)
Transfers in	<u>558,700</u>	<u>427,931</u>	<u>986,631</u>
Change in net assets	650,687	313,251	963,938
Deficit, beginning	<u>(649,069)</u>	<u>(312,932)</u>	<u>(962,001)</u>
Net assets, ending	<u>\$ 1,618</u>	<u>\$ 319</u>	<u>\$ 1,937</u>

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Risk Management <u>Fund</u>	Fleet Maintenance <u>Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers, governments and other funds	\$ 877,358	\$ 832,060	\$ 1,709,418
Cash paid to suppliers	(1,150,302)	(486,420)	(1,636,722)
Cash paid to employees	-	(252,937)	(252,937)
Net cash provided (used) by operating activities	<u>(272,944)</u>	<u>92,703</u>	<u>(180,241)</u>
Cash flows from noncapital financing activities:			
Transfers in	<u>558,700</u>	<u>427,931</u>	<u>986,631</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	1,000,000	1,000,000
Principal paid on capital debt	-	(484,789)	(484,789)
Interest paid on capital debt	-	(28,243)	(28,243)
Proceeds from sale of capital assets	-	3,175	3,175
Acquisition of capital assets	-	(53,777)	(53,777)
Net cash provided by capital and related financing	<u>-</u>	<u>436,366</u>	<u>436,366</u>
Cash flows from investing activities:			
Interest received	<u>270,739</u>	<u>32,538</u>	<u>303,277</u>
Net increase in cash and cash equivalents	556,495	989,538	1,546,033
Cash and cash equivalents, beginning	<u>310,910</u>	<u>814,972</u>	<u>1,125,882</u>
Cash and cash equivalents, ending	<u>\$ 867,405</u>	<u>\$ 1,804,510</u>	<u>\$ 2,671,915</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (178,752)	\$ (122,150)	\$ (300,902)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	-	118,754	118,754
Changes in operating assets and liabilities:			
Accounts receivable	145,625	(49)	145,576
Due from other funds	-	18,960	18,960
Prepaid items	6,000	12,582	18,582
Inventories	-	(13,841)	(13,841)
Accounts payable and accrued liabilities	(44,329)	17,155	(27,174)
Due to other funds	88,882	54,906	143,788
Compensated absences	-	6,386	6,386
Claims payable	<u>(290,370)</u>	<u>-</u>	<u>(290,370)</u>
Net cash provided (used) by operating activities	<u>\$ (272,944)</u>	<u>\$ 92,703</u>	<u>\$ (180,241)</u>

FIDUCIARY FUNDS

These funds account for assets held by the Village in a trustee capacity or as an agent for employees.

Pension Trust Funds:

Police Officers Retirement System – To account for the accumulation of resources for pension benefit payments to police officers who have retired from Miami Shores Village.

General Employees Retirement System – To account for the accumulation of resources for pension benefit payments to employees, other than police, who have retired from Miami Shores Village.

Private Purpose Trust:

The fund was established to account for a donation received from a foundation to be held by the Village to be used for the Doctors Charter School operations.

Agency Fund:

Police Insurance Trust Fund – To accumulate resources on behalf of police personnel to partially cover retirement health insurance.

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2006

	Police Pension <u>Trust</u>	General Employees Pension <u>Trust</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 190,996	\$ 182,241	\$ 373,237
Investments:			
Common stocks	6,846,426	5,393,659	12,240,085
Corporate bonds	585,850	407,368	993,218
U.S. obligations	1,706,414	2,123,835	3,830,249
U.S. Federal agencies	1,173,321	162,693	1,336,014
Due from other funds	267,619	15,845	283,464
Accrued interest receivable	42,847	34,012	76,859
Total assets	<u>10,813,473</u>	<u>8,319,653</u>	<u>19,133,126</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
Due to other funds	41,394	36,321	77,715
DROP liability	98,494	-	98,494
Total liabilities	<u>139,888</u>	<u>36,321</u>	<u>176,209</u>
Net assets held in trust for pension benefits	<u>\$ 10,673,585</u>	<u>\$ 8,283,332</u>	<u>\$ 18,956,917</u>

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Police Pension Fund	General Employees Pension Fund	<u>Total</u>
ADDITIONS			
Contributions:			
City	\$ 267,619	\$ 15,845	\$ 283,464
Employees	130,825	176,996	307,821
State	63,202	-	63,202
Other receipts	10,187	1,118	11,305
Total contributions	<u>471,833</u>	<u>193,959</u>	<u>665,792</u>
Investment income:			
Net appreciation in fair value of investments	486,225	386,198	872,423
Interest	164,656	126,469	291,125
Dividends	97,606	76,089	173,695
Less investment expenses	<u>(36,477)</u>	<u>(74,461)</u>	<u>(110,938)</u>
Net investment income	<u>712,010</u>	<u>514,295</u>	<u>1,226,305</u>
Total additions	<u>1,183,843</u>	<u>708,254</u>	<u>1,892,097</u>
DEDUCTIONS			
Pension benefits	681,237	352,489	1,033,726
Refunds	73,393	-	73,393
Professional services	<u>57,432</u>	<u>-</u>	<u>57,432</u>
Total deductions	<u>812,062</u>	<u>352,489</u>	<u>1,164,551</u>
Change in net assets	371,781	355,765	727,546
Net assets held in trust for pension benefits, beginning	<u>10,301,804</u>	<u>7,927,567</u>	<u>18,229,371</u>
Net assets held in trust for pension benefits, ending	<u>\$ 10,673,585</u>	<u>\$ 8,283,332</u>	<u>\$ 18,956,917</u>

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Police Insurance Trust Agency Fund

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2006</u>
<u>ASSETS</u>				
Cash held with trustee	\$ <u>99,560</u>	\$ <u>9,105</u>	\$ <u>-</u>	\$ <u>108,665</u>
<u>LIABILITIES</u>				
Deposits held in trust	\$ <u>99,560</u>	\$ <u>9,105</u>	\$ <u>-</u>	\$ <u>108,665</u>

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STATISTICAL SECTION

MIAMI SHORES VILLAGE, FLORIDA

NET ASSETS BY COMPONENT

FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$4,993,244	\$4,325,823	\$2,055,725	\$2,665,994
Restricted	3,487,313	3,627,263	6,896,234	2,229,354
Unrestricted	<u>(653,531)</u>	<u>(1,860,128)</u>	<u>(4,888,241)</u>	<u>245,014</u>
Total governmental activities net assets	<u>7,827,026</u>	<u>6,092,958</u>	<u>4,063,718</u>	<u>5,140,362</u>
Business-type activities:				
Invested in capital assets, net of related debt	748,120	704,574	1,036,842	864,077
Restricted	-	-	-	-
Unrestricted	<u>540,462</u>	<u>520,859</u>	<u>(95,782)</u>	<u>(102,566)</u>
Total business-type activities net assets	<u>1,288,582</u>	<u>1,225,433</u>	<u>941,060</u>	<u>761,511</u>
Primary government:				
Invested in capital assets, net of related debt	5,741,364	5,030,397	3,092,567	3,530,071
Restricted	3,487,313	3,627,263	6,896,234	2,229,354
Unrestricted	<u>(113,069)</u>	<u>(1,339,269)</u>	<u>(4,984,023)</u>	<u>142,448</u>
Total primary government net assets	<u>\$9,115,608</u>	<u>\$7,318,391</u>	<u>\$5,004,778</u>	<u>\$5,901,873</u>

MIAMI SHORES VILLAGE, FLORIDA

CHANGES IN NET ASSETS FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expense:				
Governmental activities:				
General government	\$ 4,509,714	\$ 3,330,873	\$ 3,517,307	\$ 2,420,450
Public safety	4,166,932	4,144,837	3,699,805	3,891,173
Public works	2,232,714	2,133,108	1,409,982	1,749,842
Culture and recreation	2,273,686	2,317,936	2,488,378	2,280,170
Interest on debt	448,986	544,778	186,174	159,124
Total governmental activities expenses	<u>13,632,032</u>	<u>12,471,532</u>	<u>11,301,646</u>	<u>10,500,759</u>
Business-type activities:				
Sanitation	2,274,983	2,201,480	1,486,983	1,390,255
Stormwater	111,931	133,396	149,011	126,965
Total business-type activities expenses	<u>2,386,914</u>	<u>2,334,876</u>	<u>1,635,994</u>	<u>1,517,220</u>
Total primary government expenses	<u>16,018,946</u>	<u>14,806,408</u>	<u>12,937,640</u>	<u>12,017,979</u>
Program revenues:				
Governmental activities:				
Charges for services:				
General government	169,058	1,655,350	1,305,450	1,415,025
Public safety	377,470	274,322	253,121	310,430
Public works	674,852	285,611	-	-
Culture and recreation	759,962	-	-	-
Operating grants and contributions	1,900,256	697,160	89,545	637,595
Capital grants and contributions	188,709	2,111,291	-	-
Total governmental activities program revenues	<u>4,070,307</u>	<u>5,023,734</u>	<u>1,648,116</u>	<u>2,363,050</u>
Business-type activities:				
Charges for services:				
Sanitation	2,538,269	2,666,340	1,844,807	1,734,146
Stormwater	189,428	209,852	165,094	142,704
Total business-type activities program revenues	<u>2,727,697</u>	<u>2,876,192</u>	<u>2,009,901</u>	<u>1,876,850</u>
Total primary government program revenue	<u>\$ 6,798,004</u>	<u>\$ 7,899,926</u>	<u>\$ 3,658,017</u>	<u>\$ 4,239,900</u>

(Continued)

MIAMI SHORES VILLAGE, FLORIDA

CHANGES IN NET ASSETS

(Continued)

FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year			
	2006	2005	2004	2003
Net (expenses) revenue:				
Governmental activities	\$(9,561,725)	\$(7,447,798)	\$(9,653,530)	\$(8,137,709)
Business-type activities	<u>340,783</u>	<u>541,316</u>	<u>373,907</u>	<u>359,630</u>
	<u>(9,220,942)</u>	<u>(6,906,482)</u>	<u>(9,279,623)</u>	<u>(7,778,079)</u>
General revenues and other changes in net assets:				
Governmental activities:				
Property taxes	6,260,392	5,372,790	5,398,417	4,362,922
Public services tax	2,849,982	2,145,784	1,213,775	1,221,854
Intergovernmental	1,059,067	1,169,950	1,442,274	961,636
Investment earnings	504,743	189,699	284,224	55,096
Miscellaneous	311,601	240,976	43,363	117,731
Transfers	<u>310,000</u>	<u>210,000</u>	<u>195,834</u>	<u>(17,500)</u>
Total governmental activities	<u>11,295,785</u>	<u>9,329,199</u>	<u>8,577,887</u>	<u>6,701,739</u>
Business-type activities:				
Investment earnings	6,868	8,427	1,477	263
Other general revenues	25,500	66,615	-	-
Transfers	<u>(310,000)</u>	<u>(210,000)</u>	<u>(195,834)</u>	<u>17,500</u>
Total business-type activities	<u>(277,632)</u>	<u>(134,958)</u>	<u>(194,357)</u>	<u>17,763</u>
Total primary government	<u>11,018,153</u>	<u>9,194,241</u>	<u>8,383,530</u>	<u>6,719,502</u>
Change in net assets:				
Governmental activities	1,734,060	1,881,401	(1,075,643)	(1,435,970)
Business-type activities	<u>63,151</u>	<u>406,358</u>	<u>179,550</u>	<u>377,393</u>
Total primary government	<u>\$ 1,797,211</u>	<u>\$ 2,287,759</u>	<u>\$ (896,093)</u>	<u>\$ (1,058,577)</u>

MIAMI SHORES VILLAGE, FLORIDA
FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE LAST FOUR FISCAL YEARS

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General fund:										
Restricted	\$ 199,435	\$ 168,497	\$ 178,786	\$ 638,373	\$ 411,836	\$ 107,291	\$ 594,980	\$ 540,305	\$ 295,916	\$ 395,723
Unrestricted	1,735,103	1,437,867	1,011,418	749,221	1,724,356	2,766,757	2,249,102	2,028,640	2,017,674	1,527,031
Total general fund	<u>\$1,934,538</u>	<u>\$1,606,364</u>	<u>\$1,190,204</u>	<u>\$1,387,594</u>	<u>\$ 2,136,192</u>	<u>\$ 2,874,048</u>	<u>\$ 2,844,082</u>	<u>\$ 2,568,945</u>	<u>\$ 2,313,590</u>	<u>\$1,922,754</u>
All other governmental funds:										
Restricted	\$2,439,044	\$2,949,951	\$6,546,875	\$1,592,981	\$14,981,677	\$18,280,459	\$19,216,662	\$18,244,673	\$16,742,131	\$ 786,155
Unrestricted reported in:										
Special revenue funds	682,726	297,583	192,833	200,656	822,829	574,647	526,093	278,874	-	-
Capital project funds	1,029,557	(990,986)	298,078	892,475	144,261	(184,995)	1,055,718	3,214,164	113,620	90,361
Total all other governmental funds	<u>\$4,151,327</u>	<u>\$2,256,548</u>	<u>\$7,037,786</u>	<u>\$2,686,112</u>	<u>\$15,948,767</u>	<u>\$18,670,111</u>	<u>\$20,798,473</u>	<u>\$21,737,711</u>	<u>\$16,855,751</u>	<u>\$ 876,516</u>

MIAMI SHORES VILLAGE, FLORIDA

CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues:										
Taxes	\$ 6,260,392	\$ 5,372,790	\$ 6,087,800	\$ 4,808,754	\$ 5,674,923	\$ 5,265,542	\$ 5,045,666	\$ 4,889,432	\$ 4,525,306	\$ 4,285,860
Public services taxes	2,849,982	2,431,395	538,537	1,221,854	-	-	-	-	-	-
Licenses and permits	776,199	790,257	645,238	433,156	396,766	355,561	292,917	231,674	211,459	196,806
Intergovernmental	3,125,789	1,756,820	1,442,274	1,202,204	1,120,465	1,161,550	1,180,059	4,214,472	1,203,077	1,351,246
Charges for services	967,235	865,093	653,943	629,181	672,946	671,075	492,005	2,145,903	2,304,259	2,074,061
Fines and forfeitures	237,908	264,742	253,121	249,560	264,248	290,484	279,260	145,626	230,430	210,329
Miscellaneous	308,426	248,905	284,224	267,731	368,223	280,756	389,088	260,978	226,276	242,664
Investment earnings	201,466	166,715	43,363	55,096	320,450	312,050	490,898	199,904	199,296	196,086
Contributions	22,243	2,221,581	49,970	31,906	252,857	35,612	5,889	8,062	6,811	7,707
Confiscation property	-	-	31,697	60,870	96,352	145,929	108,313	205,676	262,676	75,066
Total revenues	14,749,640	14,118,298	10,030,167	8,960,312	9,167,230	8,518,559	8,284,095	12,301,727	9,169,590	8,639,825
Expenditures:										
General government	3,831,791	2,972,126	2,635,915	2,212,233	1,900,939	1,282,557	1,259,925	940,735	991,327	979,562
Public safety	3,581,621	3,751,476	3,585,699	3,583,974	3,920,484	5,186,646	3,564,115	3,210,118	3,024,268	3,467,206
Public works	1,747,689	1,797,164	1,232,009	1,522,246	1,971,394	1,284,847	3,228,910	2,804,411	2,304,188	2,114,254
Culture and recreation	1,890,555	1,869,382	2,082,218	1,894,537	1,650,681	2,174,840	1,666,832	1,547,430	1,604,055	1,558,917
Capital outlay	1,436,523	7,189,961	997,456	556,783	69,492	122,440	336,753	183,803	353,381	505,430
Debt services:										
Principal	1,140,461	709,822	254,132	168,202	104,511	95,831	86,401	37,439	224,216	215,488
Interest	406,413	403,445	274,707	159,124	151,615	157,073	83,113	77,923	56,245	59,865
Total expenditures	14,035,053	18,693,376	11,062,136	10,097,099	9,769,116	10,304,234	10,226,049	8,801,859	8,557,680	8,900,722
Deficiency of revenues under expenditures	714,587	(4,575,078)	(1,031,969)	(1,136,787)	(601,886)	(1,785,675)	(1,941,954)	3,499,868	611,910	(260,897)
Other financing sources (uses):										
Proceeds from long-term debt	2,500,000	-	4,990,413	1,680,000	-	-	-	234,328	-	-
Payment to refunding agent	-	-	(330,000)	-	-	-	-	-	-	-
Transfer in	4,128,423	2,275,298	2,109,213	2,022,840	2,482,309	2,020,212	1,865,057	1,645,038	394,656	-
Transfer out	(5,120,054)	(2,065,298)	(1,913,379)	(2,040,340)	(2,234,059)	(1,861,212)	(1,528,637)	1,378,518	(394,656)	-
Total other financing sources (uses)	1,508,369	210,000	5,186,247	1,332,500	248,250	159,000	336,420	3,257,884	-	-
Net change in fund balances	\$ 2,222,956	\$ (4,365,078)	\$ 4,154,278	\$ 195,713	\$ (353,636)	\$ (1,626,675)	\$ (1,605,534)	\$ 6,757,752	\$ 611,910	\$ (260,897)
Debt service as a percentage of noncapital expenditures	14.0%	10.7%	5.5%	3.6%	2.7%	2.5%	1.7%	1.4%	3.5%	3.4%

MIAMI SHORES VILLAGE, FLORIDA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

FOR THE LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30.</u>	<u>Residential Property</u>	<u>Personal Property</u>	<u>Centrally Assessed</u>	<u>Total Assessed Value</u>	<u>Total Direct Tax Rate</u>
1997	\$ 328,044,932	\$ 13,238,273	\$ 681,979	\$ 341,965,184	9.514
1998	327,242,080	14,159,332	663,877	342,065,289	9.577
1999	352,803,811	14,849,506	862,792	368,516,109	9.347
2000	367,730,418	17,216,418	854,252	385,801,088	8.878
2001	390,040,958	16,975,407	894,140	407,910,505	8.878
2002	424,016,297	15,878,103	908,240	440,802,640	8.265
2003	462,954,450	18,854,983	946,240	482,755,673	8.265
2004	516,425,642	20,389,383	944,009	537,759,034	9.375
2005	572,491,450	23,151,545	1,078,390	596,721,385	9.180
2006	677,169,529	23,406,085	1,233,756	701,809,370	9.117

Source: Miami-Dade County Property Appraisal Office.

MIAMI SHORES VILLAGE, FLORIDA

DIRECT AND OVERLAPPING PROPERTY TAX RATES

FOR THE LAST TEN FISCAL YEARS

(Rate per \$1,000 of assessed value)

Fiscal Year Ended <u>September 30,</u>	Operating <u>Millage</u>	Debt Service <u>Millage</u>	Total City <u>Millage</u>	County- <u>Wide</u>	<u>Fire</u>	<u>Library</u>	<u>School</u>	<u>State</u>	<u>Total</u>
1997	8.740	0.774	9.514	6.469	2.745	0.339	10.366	0.710	30.143
1998	8.740	0.837	9.577	6.023	2.869	0.334	10.260	0.644	29.707
1999	8.740	0.607	9.347	0.000	2.752	0.000	9.744	0.641	22.484
2000	8.363	0.515	8.878	6.403	2.752	0.000	9.617	0.738	28.388
2001	8.363	0.515	8.878	6.403	2.752	0.000	9.617	0.738	28.388
2002	7.750	0.515	8.265	6.279	2.661	0.000	9.252	0.736	27.193
2003	7.750	0.515	8.265	6.382	2.337	0.000	9.715	0.816	27.515
2004	8.250	1.125	9.375	6.664	2.661	0.000	8.787	0.636	28.123
2005	8.250	0.930	9.180	6.549	2.661	0.000	8.438	0.736	27.564
2006	8.250	0.856	9.106	6.322	2.651	0.000	8.105	0.736	26.920

MIAMI SHORES VILLAGE, FLORIDA

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND TEN YEARS AGO

<u>Taxpayer</u>	2006			1997		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
Publix Supermarket	\$ 8,023,727	1	0.96 %	\$ 2,900,000	2	0.85 %
Tropical Chevrolet, Inc.	4,817,662	2	0.58	2,861,713	3	0.84
City National Bank of Florida	3,592,351	3	0.43	3,078,771	1	0.90
David and June Heller	2,878,821	4	0.34			
Robert Ader	2,782,431	5	0.33			
Shores at Biscayne, LLC	2,300,000	6	0.28			
Bujolo, Inc.	2,223,705	7	0.27	1,700,000	5	0.50
Sandra K Chaille	2,156,796	8	0.26			
Omer Cassola	2,106,469	9	0.25	-		
Ramiro del Amo	2,043,628	10	0.24	-		
Biscayne Kennel Club, Inc.	-		-	2,407,250	4	0.70
Sheila McDonald	-		-	1,376,971	6	0.40
Henry Everett	-		-	1,362,220	7	0.40
Bennett Electric/George Bennett	-		-	1,360,301	8	0.40
Ben Pumo	-		-	1,124,827	9	0.33
Konover Properties, Inc.	-		-	986,208	10	0.29
Total	<u>\$32,925,590</u>		3.94	<u>\$19,158,261</u>		2.52

Source: Miami-Dade County Property Appraiser Office

MIAMI SHORES VILLAGE, FLORIDA

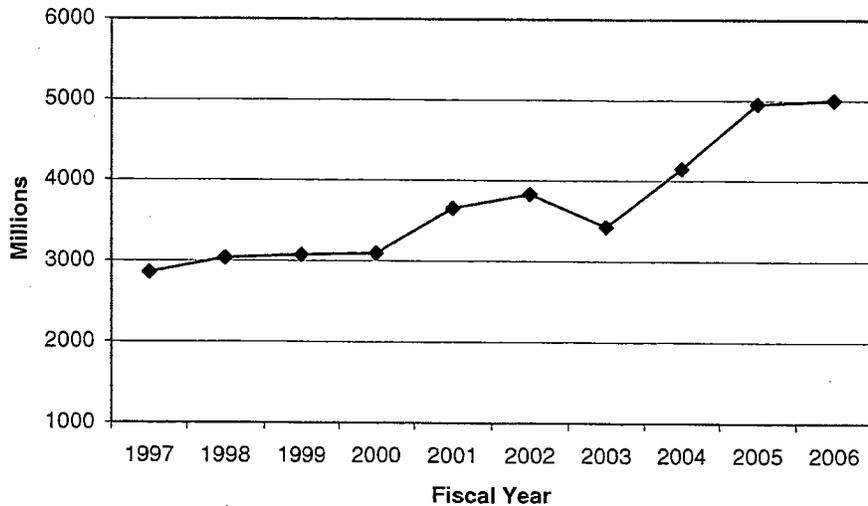
PROPERTY TAX LEVIES AND COLLECTIONS

FOR THE LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Total Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 2,904,311	\$2,765,122	95.2%	\$ 46,639	\$2,811,761	96.8%
1998	2,989,650	2,821,922	94.4%	35,579	2,857,501	95.6%
1999	2,986,804	2,985,026	99.9%	47,634	3,032,660	101.5%
2000	3,096,789	3,044,701	98.3%	27,443	3,072,144	99.2%
2001	3,100,630	3,051,598	98.4%	40,506	3,092,104	99.7%
2002	3,277,996	3,496,643	106.7%	153,480	3,650,123	111.4%
2003	3,507,040	3,723,063	106.2%	105,618	3,828,681	109.2%
2004	3,750,982	3,323,531	88.6%	104,404	3,427,935	91.4%
2005	4,183,498	4,132,154	98.8%	14,001	4,146,155	99.1%
2006	5,870,304	4,930,423	84.0%	21,406	4,951,829	84.4%

Source: Miami Shores Village Finance Department and Miami-Dade County Property Appraisers Office.

Total Tax Collections



MIAMI SHORES VILLAGE, FLORIDA

RATIOS OF OUTSTANDING DEBT BY TYPE

FOR THE LAST TEN FISCAL YEARS

Fiscal Year Ended <u>September 30,</u>	Governmental Activities				Percentage of Actual Taxable Value* of Property		Per Capita**
	General Obligation Bonds	Special Assessment Bonds	Loan Payable	Total			
1997	\$ -	\$ -	\$ 792,387	\$ 792,387	-	%	\$ -
1998	-	-	640,000	640,000	-		-
1999	3,200,000	-	745,276	3,945,276	1.07		389
2000	3,145,000	-	635,234	3,780,234	-		373
2001	3,090,000	-	531,751	3,621,751	-		358
2002	3,030,000	-	438,202	3,468,202	-		334
2003	2,970,000	-	1,680,000	4,650,000	0.96		448
2004	7,910,000	-	1,485,868	9,395,868	1.75		905
2005	7,750,000	-	1,405,069	9,155,069	-		882
2006	7,585,000	-	3,444,879	11,029,879	1.57		1,054

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*See Exhibit 1-1 for property value data.

**Population data can be found in Exhibit K-1

MIAMI SHORES VILLAGE, FLORIDA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>Amount Applicable To City</u>
Overlapping debt:			
Miami-Dade County, Florida	(1) \$ 478,470,699	0.41	\$ 196,172,987
Miami-Dade County Public Schools	(2) 560,574,000	0.37	<u>207,412,380</u>
Total overlapping debt			403,585,367
Miami Shores Village			<u>7,585,000</u>
Total direct and overlapping debt			<u>\$ 411,170,367</u>

Sources:

- (1) Miami-Dade County, Finance Department - Bond Administration Division
- (2) The School Board of Miami-Dade County - Office of the Controller

MIAMI SHORES VILLAGE, FLORIDA

LEGAL DEBT MARGIN INFORMATION

FOR THE LAST TEN FISCAL YEARS

Legal debt margin calculation for fiscal year 2006:

Assessed value	\$ 701,809,370
Debt limit (10% of assessed value)	70,180,937
Debt applicable to limit:	
Total bonded debt	11,029,879
Less:	
Revenue bonds	
Installment loans	<u>(3,444,879)</u>
Total debt applicable to limitation	7,585,000
Legal debt margin	62,595,937

	Fiscal Year									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	\$ 70,180,937	\$ 59,672,139	\$ 53,775,903	\$ 48,275,567	\$ 44,080,264	\$ 40,791,051	\$ 38,580,109	\$ 36,851,611	\$ 34,206,529	\$ 34,196,511
Total net debt applicable to limit	<u>7,585,000</u>	<u>7,750,000</u>	<u>7,910,000</u>	<u>2,970,000</u>	<u>3,030,000</u>	<u>3,090,000</u>	<u>3,145,000</u>	<u>3,200,000</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 62,595,937</u>	<u>\$ 51,922,139</u>	<u>\$ 45,865,903</u>	<u>\$ 45,305,567</u>	<u>\$ 41,050,264</u>	<u>\$ 37,701,051</u>	<u>\$ 35,435,109</u>	<u>\$ 33,651,611</u>	<u>\$ 34,206,529</u>	<u>\$ 34,196,511</u>
Total net debt applicable to the limit as a percentage of debt limit	1081%	1299%	15%	615%	687%	758%	815%	9%	0%	(

MIAMI SHORES VILLAGE, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR THE LAST TEN CALENDAR YEARS

<u>Year</u>	<u>Estimated Population (1)</u>	<u>Personal Income (Thousand of Dollars) (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
1997	10,137	\$47,216,969	\$ 21,888	7.6%
1998	10,142	50,836,516	23,216	7.0%
1999	10,139	53,430,202	24,050	5.9%
2000	10,129	57,747,807	25,626	5.1%
2001	10,130	60,302,455	26,410	6.0%
2002	10,380	62,440,704	26,995	6.6%
2003	10,385	64,643,197	27,593	6.0%
2004	10,385	68,582,602	29,076	5.6%
2005	10,380	53,420,363	21,922	5.1%
2006	10,462	55,186,474	22,393	4.5%

Sources:

- (1) Miami Shores Chamber of Commerce
- (2) Population and per capita income - Miami-Dade County Department of Planning and Zoning
- (3) Florida Research and Economic Database - Miami-Dade County
- (4) Miami-Dade County Finance Department

MIAMI SHORES VILLAGE, FLORIDA

PRINCIPAL EMPLOYERS LOCATED IN MIAMI-DADE COUNTY

CURRENT YEAR AND TEN YEARS AGO

<u>Employer</u>	<u>2006</u>			<u>1997</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Miami-Dade County Public Schools	54,387	1	4.63%	42,842	1	4.24%
Miami-Dade County, Florida	32,265	2	2.75%	28,000	2	2.77%
Florida State Government	20,100	3	1.71%	17,700	3	1.75%
Federal Government	19,800	4	1.61%	17,600	4	1.74%
Jackson Health System	11,700	5	1.00%	7,216	7	0.71%
Baptist Health Systems of South FL	10,300	6	0.88%	3,275	10	0.00%
University of Miami	9,367	7	0.80%	7,574	6	0.75%
American Airlines	9,000	8	0.77%	9,000	5	0.89%
Miami-Dade College	5,400	9	0.64%	-		
United Parcel Service	5,000	10	0.43%	-		
BellSouth Telecommunications, Inc	-			5,000	8	0.50%
Florida Power & Light	-			3,400	9	0.00%

Source: Miami-Dade Finance Department

MIAMI SHORES VILLAGE, FLORIDA

CITY EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General government:										
Administration:										
Full time	11	10	-	10	11	9	8	9	11	11
Part time	-	-	-	-	-	1	2	1	3	3
Finance:										
Full time	5	5	5	5	5	4	4	4	4	4
Part time	1	1	1	1	1	1	1	2	1	1
Public works:										
Full time	66	55	54	53	55	50	46	41	44	41
Part time	2	2	2	2	2	2	2	3	4	7
Culture and recreation:										
Recreation:										
Full time	12	12	12	12	12	12	13	11	12	12
Part time	64	64	64	64	64	86	70	69	82	82
Library:										
Full time	4	4	4	4	4	7	4	4	4	4
Part time	6	7	7	7	6	6	6	6	5	5
Public safety										
Police										
Full time	47	44	44	44	35	42	41	44	41	41
Part time	5	5	4	4	5	4	3	3	3	3
Total	<u>223</u>	<u>209</u>	<u>197</u>	<u>206</u>	<u>200</u>	<u>224</u>	<u>200</u>	<u>197</u>	<u>214</u>	<u>214</u>

Source: City Finance office

COMPLIANCE SECTION

**Report of Independent Certified Public Accountants on Internal Control over
Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Miami Shores Village, Florida (the Village), as of September 30, 2006 and for the year then ended, which collectively comprise of the Village's basic financial statements and have issued our report thereon dated January 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in the accompanying schedule of findings.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

-79-



Rachlin Cohen & Holtz LLP

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Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida
Page Two

This report is intended solely for the information and use of the Mayor, Village Council, management, and applicable governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
January 29, 2007

Management Letter in Accordance with the Rules of the Auditor General of the State of Florida

Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida

We have audited the financial statements of Miami Shores Village, Florida (the Village) as of and for the year ended September 30, 2006, and have issued our report thereon dated January 29, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters and our Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated January 29, 2007, should be considered in conjunction with this management letter.

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

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

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

The Rules of the Auditor General (Section 10.554(1)(h)3.), require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. Our findings and recommendations are included in Section II of the schedule of findings and questioned costs.

-81-



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Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida
Page Two

The Rules of the Auditor General (Section 10.554(1)(h)4.), require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs and are not clearly inconsequential: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financials statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Our audit found no matters that were required to be disclosed.

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

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

As required by the Rules of the Auditor General (Section 10.554(1)(h)6.b.), we determined that the annual financial report for the Village for the fiscal year ended September 30, 2006, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2006.

As required by the Rules of the Auditor General (Section 10.554(h)6.c. and 10.556(7)), we applied financial assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end. There were no findings that identified deteriorating financial conditions.

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

Rachlin Cohen & Holtz LLP

Miami, Florida
January 29, 2007

**Report of Independent Certified Public Accountants on Compliance with
Requirements Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Honorable Mayor, Village Council and Village Manager
Miami Shores Village, Florida

Compliance

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

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

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

Internal Control Over Compliance

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

-83-



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Miami Shores Village, Florida
Page Two

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

This report is intended solely for the information and use of the Mayor, Village Council, management, and applicable governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

Rachlin Cohen & Holtz LLP

Miami, Florida
January 29, 2007

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Grant Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Department of Homeland Security Public Assistance Program (FEMA) Disaster Relief Funding	06-WL-8K-11-23-02-376	97.036	<u>\$ 1,492,383</u>

See Note to Schedule of Expenditures of Federal Awards.

MIAMI SHORES VILLAGE, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Village and is presented on the modified accrual basis of accounting which is described in Note 1 to the Village's basic financial statement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

05-04 Capital Asset Records

Finding

The establishment and maintenance of detailed accounting records for capital assets are necessary to help assure that government property, plant and equipment are not stolen, misused or subject to undue wear and tear. These records aid in the establishment of stewardship responsibility for particular assets on individual governmental officials. They are also a necessary element in an on-going governmental fixed asset repair and preventative maintenance program and enhance efforts to obtain optimum insurance coverage levels. We noted that the Village did not have a comprehensive detail inventory record of capital assets. Schedules provided consisted of the prior year balances and current year additions and deletions to the capital assets.

Recommendation

We recommend that the Village compile a comprehensive listing of all capital assets that clearly identifies all assets owned by the Village. This listing should include a detailed description of the asset, the assets location, acquisition date, estimated life, cost and accumulated depreciation.

View of Responsible Officials and Corrective Action

The Finance Department is in the process of revising the Village's Capital Asset procedures. Previous policy capitalized the costs of many items under the "capital" threshold. Recording and tracking items valued less than the set threshold of \$750 resulted in condition which may have misstated the value. Effective 10/1/06, the Village's policy for capital projects will be for those items valued at \$750 or more and a comprehensive capital asset analysis will be performed by the Finance Department.

05-05 Recreation Revenue

Finding

Revenues generated for programs run at the Village's various recreational facilities are first entered into the Recreation Department's revenue system, RecTrac®. Cash receipts collected at the various recreation facilities are brought to the Village along with a revenue summary report generated from the RecTrac® system. The Village cashier then enters the information into the cash receipts module of the Village's general ledger system, Mainstreet® based on the information recorded on the revenue summary report. During procedures performed for revenue transactions, cash receipt reports obtained from the RecTrac® system for various recreation departments did not reconcile to the revenue balances recorded in the Village's general ledger.

MIAMI SHORES VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

Though the variances noted in the current fiscal year were not material, we recommend that the Village implement procedures to ensure that amounts recorded in the general ledger as revenue from the various recreation facilities are in agreement with the revenue summary reports generated by RecTrac®.

View of Responsible Officials and Corrective Action

The Finance Department reconciles recreation receipts to daily deposits and also enters the adjustments or reclassifications provided by Recreation; however, in many instances, the reclassification results from prepaid classes and timing may be an issue. The Finance Department will continue to monitor cash receipts against RecTrac reports in an effort to ensure compliance between the two systems.

05-06 Infrastructure Reporting Requirements

Pursuant to GASB Statement No. 34, the Village, which is a Phase 2 government, is allowed four additional years after the basic effective date of the statement to implement the required *retroactive* capitalization of major infrastructure assets for all major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980. For the Village, the effective date for retroactively recording infrastructure assets is September 30, 2007.

Recommendation

We suggest that the Village obtain an outside appraisal service to inventory and value all general infrastructure assets. This procedure is essential as the Village approaches the period for compliance with the retroactive capitalization of major infrastructure assets provisions of GASB Statement No. 34.

View of Responsible Officials

The Village is working with its new insurance provider, the Florida League of Cities, to value all capital assets. The Village's infrastructure is limited to buildings, sidewalks and for storm water improvements made after 2002.

01-9. Accounting Procedures Manual

Finding

We noted that the Village does not have an accounting procedures manual. There may be an assumption that because the Village's accounting system is relatively simple and accounting personnel have direct access to the chief financial officer when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. This comment was also reported in the prior year.

MIAMI SHORES VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS (Continued)

Recommendation

A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual assists with the training of new employees and possibly allows for delegation of some of the accounting functions currently performed by management for other employees. It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. Should management desire; we would be pleased to assist the Village in developing an accounting manual as a separate engagement.

View of Responsible Officials and Corrective Action

The Village has an accounting procedures manual. Each component of Main Street and other operations of the Department are retained by the individual primarily responsible for the operations.

II. PRIOR YEAR FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings in the prior year.

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified on basic financial statements

Internal controls over financial reporting

Material weaknesses identified? ___ yes X no

Reportable conditions identified not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs

Material weaknesses identified? ___ yes X no

Reportable conditions identified not considered to be material weaknesses? ___ yes X none reported

Type of auditors' report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)? ___ yes X no

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal Program or Cluster

Disaster Relief Funding

Dollar threshold used to distinguish between Type A and B programs

\$300,000

Auditee qualified as low-risk auditee?

___ yes X no

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS

SEPTEMBER 30, 2006

SECTION II – FINANCIAL STATEMENT FINDINGS

06-01 Excess of Expenditures Over Appropriations

Finding

Pursuant to Section 166.241 (2) of Chapter 166 of the Florida Statutes, the governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance or resolution unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. We noted that various categories of expenditures in the General Fund, Excise Tax Fund, Local Option Gas Tax Fund and Half Cent Surtax Fund exceeded budgetary provisions.

Recommendation

Section 166.241(3)a of the Florida Statutes provides the authority for the governing body of the Village to increase and decrease appropriations within each fund. We suggest that, in the future, all budgets be monitored to ensure compliance with Florida Statutes.

View of Responsible Officials and Corrective Action

Standard procedures provide for budget amendments, two of which were presented and passed during fiscal year 2006. The overruns were inadvertently overlooked and were excluded from the Budget Amendments passed by the Village Council. Future financials will be maintained within budgetary restraints.

06-02 Fund Deficits

Finding

Deficits place a financial burden upon a municipality. The effects of a deficit are varied but their initial impact will generally be felt on cash flows.

The financial statements of the Village reflect an unrestricted deficit in the Fleet Maintenance internal service fund of \$253,293 at September 30, 2006.

- The deficit in the Fleet Maintenance Fund decreased in the current year by \$847,260 primarily due to operating transfers from the general fund. In prior years, the deficit was created as a result of expenditures in excess of charges for services.
- The 2nd Ave. Rehabilitation Capital Projects Fund reflects an unreserved and undesignated deficit of \$142,142 as of September 30, 2006. This deficit is the result of construction costs in excess of funding to date.

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

06-02 Fund Deficits (Continued)

Recommendation

We suggest that the Village Council address the deficits in these funds. For the internal service fund, the Village may consider increasing the charges to the other funds to eliminate the deficit. For the Capital Projects Fund, the Village should authorize the necessary funding to ensure the elimination of the deficit.

View of Responsible Officials and Corrective Action

The Deficits resulted from cash flow and timing issues.

The deficit in Fleet Maintenance resulted from emergency repairs on vehicles. Future budgets will include reservations for shortfalls and emergencies.

The deficit in the 2nd Ave. Rehabilitation Fund is a result of timing. Investments were recorded in the General Fund and will be reclassified in 2007, eliminating the deficit.

06-03 Contractor vs. Employee Determination

Finding

We noted there is currently no methodology in place to determine the appropriate classification of an individual providing services to the Village as either an employee or a contractor. We noted individuals currently classified as employees who may more appropriately be considered contractors, and vice versa. The current practice appears to be classifying individuals based on their preference rather than according to tax regulations.

Recommendation

We recommend that all individuals providing service to the Village be evaluated in accordance with established Internal Revenue Service regulations to determine the appropriate classification.

View of Responsible Officials and Corrective Action

The Village will assign this responsibility as appropriate.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.