

MIAMI SHORES VILLAGE, FLORIDA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Prepared by

THE FINANCE DEPARTMENT

MIAMI SHORES VILLAGE, FLORIDA

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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, 2008, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As disclosed in Note 2, the Village is conducting an on-going investigation which alleges the misappropriation of assets by one of its former employees. Therefore, we were not able to gather audit evidence and apply audit procedures relating to the alleged misappropriation. Consequently, many documents and analysis are under the control of law enforcement agencies or have not yet been completed and thus, the Village has not been able to determine the full impact of this misappropriation on the financial statements.

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In our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary as a result of the alleged misappropriation of assets, 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, 2008, 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 of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2010, 2010 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

Management's Discussion and Analysis and the required supplementary information on pages 3 to 12 and 50 to 55 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, that might have been determined to be necessary as a result of the alleged misappropriation of assets, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



a division of Marcum LLP
Miami, Florida
September 29, 2010

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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, 2008.

Financial Highlights for Fiscal Year 2008

- At September 30, 2008, the Miami Shores Village's assets exceeded its liabilities by \$23.5 million (net assets). Of this amount, \$11.9 million was invested in capital assets, net of related debt. Additionally, \$4.1 million was restricted by law, agreements, debt covenants or for capital projects. The Village had unrestricted net assets of \$7.5 million at September 30, 2008.
- During the fiscal year 2008, net assets increased by \$3.4 million, before the restatement of \$1.5 million. Of this increase, \$361 thousand was in business-type activities and the remaining increase of \$3 million (before the restatement) was in governmental activities.
- At September 30, 2008, the Miami Shores Village's governmental funds had fund balances totaling \$10.6 million. Of the total fund balance, approximately \$4.7 million or 44% was unreserved and undesignated and approximately \$1.5 million or 14% was unreserved and designated. The net change in fund balances during the year was an increase of \$2.1 million.

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) 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., 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 and include general government, public safety, public works and culture and recreation. The business-type activities of the Village include sanitation and storm water operations.

The government-wide financial statements may be found on pages 13-14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Miami Shores Village, like other local governments, uses 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 and 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 fifteen (15) 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 four 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 15 to 17 of this report.

Proprietary funds. Miami Shores Village maintains two types of proprietary 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 operations, which is a major fund, and stormwater operations, which is a non-major fund. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements may be found on pages 18 to 20 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 21 to 22 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 23 to 51 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. This section also includes comparison schedules between the Village's adopted and final budget and actual financial results for the General Fund and each major special revenue fund with an annual adopted budget.

Required supplementary information may be found on pages 52 to 55 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 59 to 67 of this report.

Government-wide Financial Analysis

The difference between a government's assets and its liabilities is its *net assets*. The Village's net assets are summarized below:

Table 1
Miami Shores Village
Summary of Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2008-2007
Current and other assets	\$13,128	\$ 9,735	\$2,173	\$ 770	\$15,301	\$10,505	45.6%
Capital assets	21,745	19,936	624	1,657	22,369	21,593	3.5%
Total assets	34,873	29,671	2,797	2,427	37,670	32,098	17.3%
Long-term liabilities outstanding	11,837	11,620	65	71	11,902	11,681	1.9%
Other liabilities	1,295	806	975	960	2,270	1,766	28.5%
Total liabilities	13,132	12,426	1,040	1,031	14,172	13,457	5.3%
Invested in capital assets, net of related debt	11,256	9,393	624	770	11,880	10,163	16.8%
Restricted	4,112	3,345	-	-	4,112	3,345	22.9%
Unrestricted	6,373	4,507	1,133	626	7,506	5,133	46.2%
Total net assets	\$21,741	\$17,245	\$1,757	\$1,396	\$23,498	\$18,641	26.0%

Net assets may be used to assess the financial position of the Village. The Village's combined net assets as of September 30, 2008 were \$23.5 million. Approximately 50%, or \$11.8 million, of the Village's net assets represent the investment in capital assets, net of outstanding related debt. These assets include land, buildings, machinery and equipment, and infrastructure and are not available for future spending. Additionally, \$4.1 million are restricted net assets and are subject to external restrictions on how they may be spent.

At September 30, 2008, Miami Shores Village had unrestricted net assets of \$7.5 million. At the end of the current fiscal year, the Miami Shores Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Village's net assets increased by \$3.4 million during the current fiscal year, before the restatement of \$1.5 million. The increase is primarily attributable to the degree in which revenues have outstripped similar increases in ongoing expenses. Revenues increased primarily as a result of rate increases and increases in capital grants and contributions. Expenses decreased primarily as a result of savings in personnel costs.

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

Table 2
Miami Shores Village
Changes in Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total Percentage Change
	2008	2007	2008	2007	2008	2007	2008-2007
Revenues:							
Program revenues:							
Charges for services	\$ 2,052	\$2,041	\$2,956	\$2,704	\$5,008	\$4,745	5.5%
Operating grants and contributions	111	146	-	-	111	146	-24.0%
Capital grants and contributions	847	106	-	-	847	106	699.1%
General Revenues:							
Property taxes	7,224	7,373	-	-	7,224	7,373	-2.0%
Other taxes	3,076	2,923	-	-	3,076	2,923	5.2%
Intergovernmental revenues, unrestricted	895	955	-	-	895	955	-6.3%
Miscellaneous	563	582	-	-	563	582	-9.1%
Interest income - unrestricted	242	398	14	22	256	420	-30.9%
Total revenues	15,010	14,524	2,970	2,726	17,980	17,250	4.2%
Expenses:							
General government	2,325	2,941	-	-	2,325	2,941	-24.1%
Public safety	4,650	4,452	-	-	4,650	4,452	4.6%
Public works	2,407	2,357	-	-	2,407	2,357	2.1%
Culture and recreation	2,321	2,191	-	-	2,321	2,191	5.9%
Interest on long-term debt	500	504	-	-	500	504	0.6%
Sanitation	-	-	2,260	2,329	2,260	2,329	2.9%
Stormwater	-	-	134	151	134	151	-
Total expenses	12,203	12,445	2,394	2,480	14,597	14,925	-2.7%
Increase in net assets before transfers	2,807	2,079	576	246	3,383	2,325	
Transfers	215	210	(215)	(210)	-	-	
Increase in net assets	3,022	2,289	361	36	3,383	2,326	48.9%
Beginning net assets (restated)	18,719	14,956	1,396	1,360	20,115	16,316	22.8%
Ending net assets	\$21,741	\$17,245	\$1,757	\$1,396	\$23,498	\$18,641	26.1%

Governmental Activities. The Village's governmental activities increased net assets by \$3 million before the restatement. This increase is partially attributable to:

- Capital grants totaling approximately \$847 thousand for the Building Better Communities program.
- Reduction in expenses, primarily in the general government category, due to a larger level of attrition in employees resulting in salary savings.

Overall, the increase in revenues exceeded increases in expenses.

Figure A-1

**Expenses and Program Revenues – Governmental Activities
For the Fiscal Year Ended September 30, 2008**

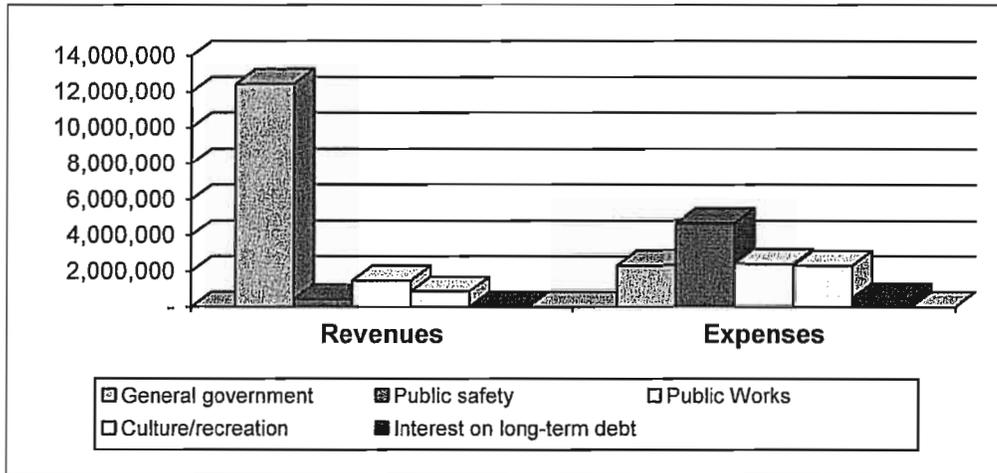
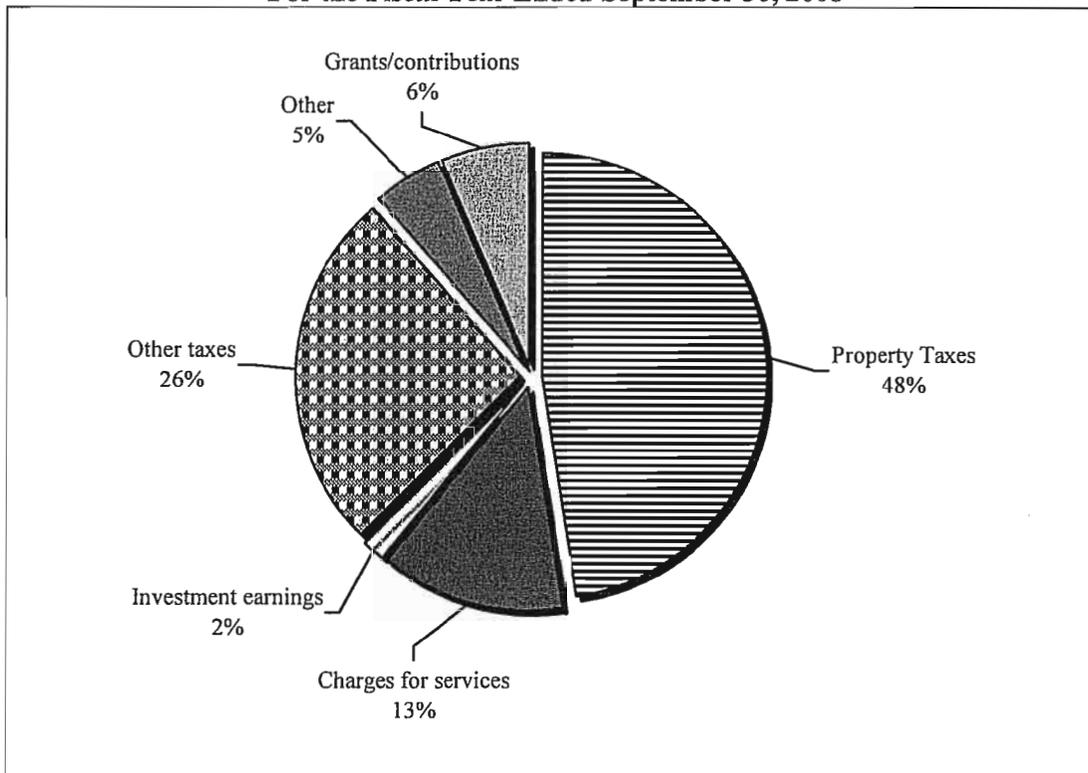


Figure A-2

**Revenues by Source – Governmental Activities
For the Fiscal Year Ended September 30, 2008**

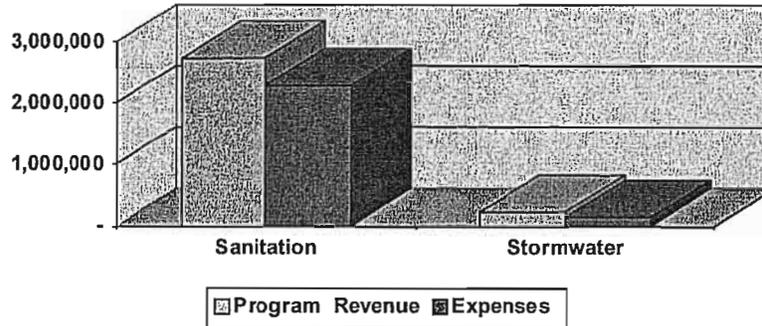


Business-type activities. The Miami Shores Village business-type activities include the following sanitation and stormwater services.

Net assets of business-type activities increased by approximately \$361 thousand as a result of an increase in rates charged for sanitation and stormwater services. The bar graph below summarizes the expenses and program revenues of the business-type activities

Figure A-3

Expenses and Program Revenues – Business-type Activities
For the Fiscal Year ended September 30, 2008



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.

As of the end of the current fiscal year, the governmental funds for Miami Shores Village reported combined ending fund balances of \$10.6 million, a \$2.1 million increase over FY 2007. Of this amount, \$4.7 million reflects *unreserved and undesignated fund balance*, which is available for spending at the government's discretions. 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) valued at \$116 thousand; 2) \$786 thousand to pay debt service and 3) a variety of other restricted purposes (\$4.9 million).

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 \$4 million, which is comparable with the prior year balance. Reserved fund balance decreased from \$189 thousand in the prior year to \$72 thousand for the current fiscal year, this decrease was mainly due to encumbrances relating to ongoing projects which had not been completed as of last year-end.

The Village's general fund fund balance increased by \$1.3 million during the fiscal year. Key factors associated with this increase are as follows:

- A larger than expected level of attrition in general fund employees resulting in salary savings.
- The reduction of anticipated expenditures wherever possible.

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 \$818 thousand, a \$415 thousand increase in unrestricted net assets from the prior year.
- Unrestricted net assets of the Storm water Fund at the end of the year totaled \$313 thousand, a \$91 thousand increase in unrestricted net assets from the prior year.

The increases in both proprietary funds were a result of an increase in the rates charged for services.

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, certain Special Revenue Funds 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 items. 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.

Over the course of the year, the Village amended the General Fund budget three times. The budget amendments fall into two categories: (1) Amendments are approved for rollovers related to prior year encumbrances; and (2) supplemental appropriations to provide appropriations for various other needs which have arisen since the adoption of the budget. Even with these adjustments, actual expenditures were approximately \$1.5 million below final budgeted amounts. There was approximately \$840 thousand in budget savings in the general government category, which was the most significant contributor to this variance. There was a significant decrease in general government costs and various departmental savings due to staff vacancies and turnover.

The fiscal year 2008 final amended budget was \$13 million, an increase of 5.2 % over the original General Fund budget of \$12.4 million. Correspondingly, the Consumer Price Index (or inflation index) from the U.S. Bureau of Labor Statistic – All Urban Consumers South Urban for the past year was 3.0%. Beyond base revenues of \$9.7 million and \$2.6 million in transfers from the Excise Tax, Sanitation Fund and Stormwater Fund, the final adopted budget is balanced without the use of any fund balance. The original General Fund budget consisted of \$12.1 million base expenditures and \$286 thousand in the transfers to other funds.

The difference between the original budget and the final amended budget was an increase in appropriations of \$651 thousand and can be briefly summarized as follows:

- \$146 thousand in encumbrances carried over from FY2006-07.
- \$505 thousand for the capital lease to purchase 16 police vehicles.

Capital Assets and Debt Administration

Capital Assets. Miami Shores Village's investment in capital assets for its governmental and business-type activities as of September 30, 2008 amounts to \$22.3 million (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 of capital investments includes the cost of the Doctors' Charter School of Miami Shores. The following table summarizes the components of the Villages' investment in capital assets.

Miami Shores Village Capital Assets as of September 30, 2008 and 2007 (net of depreciation)

Classification	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007 (Restated)	2008	2007	2008	2007 (Restated)
Land	\$2,358,437	\$2,358,437	\$ -	\$ -	\$ 2,358,437	\$ 2,358,437
Construction-in-progress	868,575	-	-	-	868,575	-
Buildings and improvements	8,773,750	8,975,478	-	-	8,773,750	8,975,478
Land improvements	1,913,457	2,065,932	-	-	1,913,457	2,065,932
Infrastructure	6,730,885	7,203,742	-	-	6,730,885	7,203,742
Furniture, fixtures and equipment	<u>1,101,004</u>	<u>806,476</u>	<u>624,398</u>	<u>770,301</u>	<u>1,725,402</u>	<u>1,576,777</u>
Total	<u>\$21,746,108</u>	<u>\$21,410,065</u>	<u>\$624,398</u>	<u>\$770,301</u>	<u>\$22,370,506</u>	<u>\$22,180,366</u>

Additional information on Miami Shores' capital assets may be found in Note 7 on Pages 36 to 37 of this report.

Long-term Liabilities. At September 30, 2008, Miami Shores Village had \$11.8 million in long-term liabilities, which are summarized in the schedule below. Additional information on the Village's long-term debt may be found in Note 8 on Pages 37 to 38 of this report.

Miami Shores Village Outstanding Long-Term Liabilities as of September 30, 2008 and 2007

	Governmental Activities		Business-type activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 7,235,000	\$ 7,415,000	\$ -	\$ -	\$ 7,235,000	\$ 7,415,000
Promissory note	2,980,681	3,215,811	-	-	2,980,681	3,215,811
Capital lease	<u>457,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,871</u>	<u>-</u>
	10,673,552	10,630,811	-	-	10,673,552	10,630,811
Compensated absences	663,521	591,938	65,406	70,562	728,927	662,500
Claims payable	<u>509,047</u>	<u>406,000</u>	<u>-</u>	<u>-</u>	<u>509,047</u>	<u>406,000</u>
Total	<u>\$11,846,120</u>	<u>\$11,628,749</u>	<u>\$ 65,406</u>	<u>\$ 70,562</u>	<u>\$11,903,263</u>	<u>\$11,690,717</u>

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.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by another \$25,000 (for property values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual saving of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

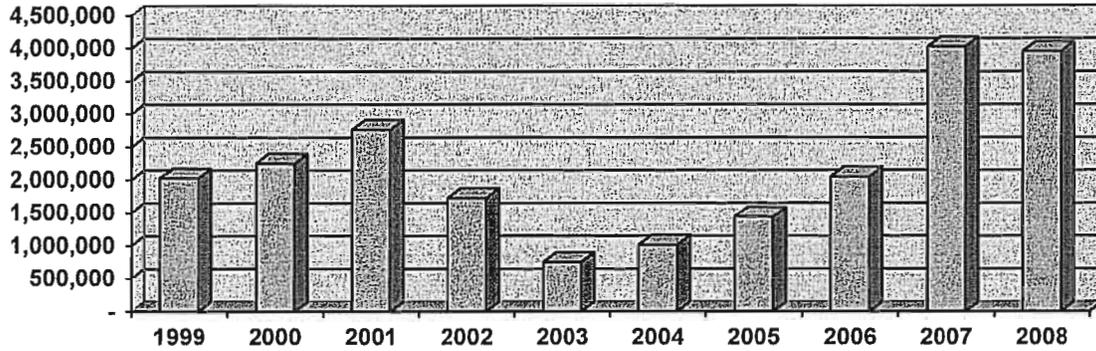
With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008 with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from Miami-Dade County Property Appraiser's Office, the estimated annual loss of property tax revenues for our Village from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$548,527. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homestead property provisions in terms of potential loss of property tax revenues. Estimates for our Village show an additional loss of property tax revenues of \$167,696.

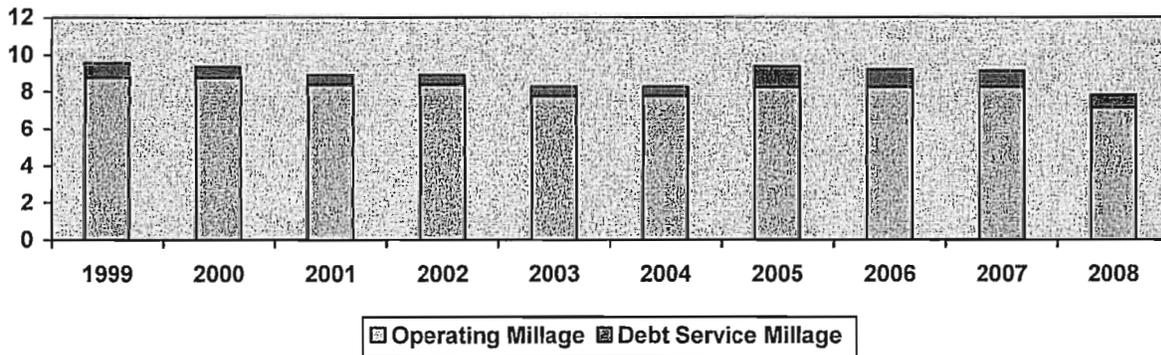
During the current fiscal year, unreserved fund balance in the General Fund was \$4 million compared to \$4 million from last year with an additional \$1.5 million of unreserved, but designated fund balance. This \$4 million is approximately equal to 4 months of General Fund operating expenditures. The Village, as can be shown in the following graph, is maintaining its unreserved fund balance so that a portion of unreserved fund balance will be available to preclude or moderate future tax and user fee increases.

**General Fund Unreserved Fund Balance
For the Fiscal Years ended September 30, 1999-2008**



In 1995, the state of Florida limited all local governments' ability to increase property assessments of homestead property in any given year to 3 percent or cost of living, whichever is lower. The graph below shows the millage rates over the past ten years. For many years, the Village, just like many cities across the country, had to face the challenge of keeping taxes and service charges as low as possible while providing residents with the level of service they have come to expect.

**Miami Shores Village
Total Village Millage**



Fiscal year 2009 budgeted expenditures and transfers are expected to be \$13.6 million or 8.86 percent, over fiscal year 2008. The largest increments are increased salaries and cost-of-living adjustments based on labor agreements with the police and federal employees' unions.

Requests for Information

This financial report is designed to provide a general overview of Miami Shores Villages' finances to our citizens, taxpayers, customers, investors, creditors, and others with an interest in the Villages' finances. Questions concerning this report or requests for additional financial information should be directed to the Acting Finance Director, Holly Hugdahl, CPA.

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

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BASIC FINANCIAL STATEMENTS

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	<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	\$ 5,027,999	\$ 849,243	\$ 5,877,242
Investments	5,799,651	262,855	6,062,506
Accounts receivable	883,712	955,159	1,838,871
Due from other governments	1,104,300	-	1,104,300
Prepaid items	75,779	-	75,779
Inventories	106,524	105,125	211,649
Net pension asset	53,273	-	53,273
Deferred charges	76,323	-	76,323
Capital assets not being depreciated	3,227,012	-	3,227,012
Capital assets being depreciated, net	<u>18,519,096</u>	<u>624,398</u>	<u>19,143,494</u>
Total assets	<u>34,873,669</u>	<u>2,796,780</u>	<u>37,670,449</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,087,136	89,630	1,176,766
Unearned revenues	90,312	884,916	975,228
Accrued interest payable	116,810	-	116,810
Noncurrent liabilities:			
Due within one year	738,150	17,365	755,515
Due in more than one year	<u>11,099,707</u>	<u>48,041</u>	<u>11,147,748</u>
Total liabilities	<u>13,132,115</u>	<u>1,039,952</u>	<u>14,172,067</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	11,255,620	624,398	11,880,018
Restricted for:			
Law enforcement	219,292	-	219,292
Debt service	735,260	-	735,260
Transportation	1,949,416	-	1,949,416
Capital projects	333,099	-	333,099
Library	57,154	-	57,154
Recreation	108,487	-	108,487
Buildings	63,599	-	63,599
Pilot program	83,214	-	83,214
Charter School	562,845	-	562,845
Unrestricted	<u>6,373,568</u>	<u>1,132,430</u>	<u>7,505,998</u>
Total net assets	<u>\$ 21,741,554</u>	<u>\$ 1,756,828</u>	<u>\$ 23,498,382</u>

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 2,325,019	\$ 128,389	\$ 95,182	\$ -	\$ (2,101,448)	\$ -	\$ (2,101,448)
Public safety	4,649,985	424,353	-	-	(4,225,632)	-	(4,225,632)
Public works	2,407,032	644,197	-	847,030	(915,805)	-	(915,805)
Culture and recreation	2,321,392	854,747	15,570	-	(1,451,075)	-	(1,451,075)
Interest on long-term debt	500,045	-	-	-	(500,045)	-	(500,045)
Total governmental activities	12,203,473	2,051,686	110,752	847,030	(9,194,005)	-	(9,194,005)
Business-type activities:							
Sanitation	2,260,374	2,729,793	-	-	-	469,419	469,419
Stormwater	133,913	225,719	-	-	-	91,806	91,806
Total business-type activities	2,394,287	2,955,512	-	-	-	561,225	561,225
Total	\$ 14,597,760	\$ 5,007,198	\$ 110,752	\$ 847,030	(9,194,005)	561,225	(8,632,780)
General revenues:							
Property taxes					7,224,338	-	7,224,338
Public services tax					2,373,573	-	2,373,573
Other taxes					702,625	-	702,625
Intergovernmental revenues - unrestricted					895,188	-	895,188
Miscellaneous					562,941	-	562,941
Interest income - unrestricted					242,563	14,451	257,014
Transfers					215,000	(215,000)	-
Total general revenues and transfers					12,216,228	(200,549)	12,015,679
Change in net assets					3,022,223	360,676	3,382,899
Net assets - beginning, as restated (Note 2)					18,719,331	1,396,152	20,115,483
Net assets - ending					\$ 21,741,554	\$ 1,756,828	\$ 23,498,382

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

ASSETS

	General	Excise Tax	Local Option Gas Tax	Building Better Communities	General Trust	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,535,104	\$ -	\$ 118,172	\$ -	\$ 547,264	\$ 692,684	\$ 3,893,224
Investments	2,178,534	-	921,275	-	443,591	1,957,382	5,500,782
Accounts receivable	450,440	279,796	26,949	-	-	119,887	877,072
Due from other funds	755,497	-	-	-	-	54,626	810,123
Due from other governments	-	150,767	-	953,533	-	-	1,104,300
Prepaid items	9,432	-	-	-	-	66,347	75,779
Inventories	21,899	-	-	-	-	-	21,899
Total assets	\$ 5,950,906	\$ 430,563	\$ 1,066,396	\$ 953,533	\$ 990,855	\$ 2,890,926	\$ 12,283,179

LIABILITIES AND FUND BALANCES

Liabilities:							
Accounts payable and accrued liabilities	\$ 341,149	\$ -	\$ 2,375	218,599	\$ 113,236	\$ 8,234	\$ 683,593
Due to other funds	-	279,796	-	401,835	-	73,866	755,497
Unearned revenues	87,992	-	-	-	2,320	-	90,312
Deferred revenues	-	150,767	-	-	-	-	150,767
Total liabilities	429,141	430,563	2,375	620,434	115,556	82,100	1,680,169

Fund balances:

Reserved for:							
Prepaid items	9,432	-	-	-	-	66,347	75,779
Encumbrances	40,592	-	4,500	-	-	71,080	116,172
Inventories	21,899	-	-	-	-	-	21,899
Law enforcement	-	-	-	-	-	219,292	219,292
Debt service	-	-	-	-	-	785,723	785,723
Transportation	-	-	1,059,521	-	-	885,395	1,944,916
Capital projects	-	-	-	333,099	-	-	333,099
Library	-	-	-	-	57,154	-	57,154
Recreation	-	-	-	-	108,487	-	108,487
Buildings	-	-	-	-	63,599	-	63,599
Pilot program	-	-	-	-	83,214	-	83,214
Charter school	-	-	-	-	562,845	-	562,845
Unreserved and designated:							
Designated for subsequent year's expenditures	1,500,000	-	-	-	-	-	1,500,000
Unreserved and undesignated, reported in:							
General fund	3,949,842	-	-	-	-	-	3,949,842
Special revenue funds	-	-	-	-	-	229,152	229,152
Capital projects funds	-	-	-	-	-	551,837	551,837
Total fund balances	5,521,765	-	1,064,021	333,099	875,299	2,808,826	10,603,010
Total liabilities and fund balances	\$ 5,950,906	\$ 430,563	\$ 1,066,396	\$ 953,533	\$ 990,855	\$ 2,890,926	\$ 12,283,179

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.	21,061,876
Unamortized bond issuance costs are not available to pay for current period expenditures and therefore are not reported in the governmental funds	76,323
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	\$ (10,207,418)
Compensated absences	(628,626)
Claims payable	(169,047)
Accrued interest payable	(116,810)
Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	
Net assets of internal service funds are not reported in the funds.	150,767
Net pension asset resulting from overfunding of pension plans.	918,206
Net assets of governmental activities	53,273
	\$ 21,741,554

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, 2008

	General	Excise Tax	Local Option Gas Tax	Building Better Communities	General Trust	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 6,605,878	\$ -	\$ -	\$ -	\$ -	\$ 618,460	\$ 7,224,338
Public service taxes	-	2,222,806	-	-	-	-	2,222,806
Other taxes	-	-	366,668	-	-	335,957	702,625
Licenses and permits	682,951	-	-	-	-	-	682,951
Intergovernmental revenues	895,188	-	-	847,030	-	95,182	1,837,400
Charges for services	1,101,300	-	-	-	-	-	1,101,300
Fines and forfeitures	267,435	-	-	-	-	-	267,435
Miscellaneous	163,325	-	-	-	281,310	100,098	544,733
Interest income	134,903	-	29,028	-	-	63,732	227,663
Total revenues	9,850,980	2,222,806	395,696	847,030	281,310	1,213,429	14,811,251
Expenditures:							
Current:							
General government	2,073,569	-	-	-	2,152	55,814	2,131,535
Public safety	4,649,721	-	-	-	-	10,179	4,659,900
Public works	1,695,990	-	128,487	-	-	148,969	1,973,446
Culture and recreation	2,131,015	-	-	-	8,012	-	2,139,027
Capital outlay	85,816	-	-	868,575	-	60,793	1,015,184
Debt service:							
Principal	-	-	-	-	-	415,130	415,130
Interest	-	-	-	-	-	495,997	495,997
Total expenditures	10,636,111	-	128,487	868,575	10,164	1,186,882	12,830,219
Excess (deficiency) of revenues over expenditures	(785,131)	2,222,806	267,209	(21,545)	271,146	26,547	1,981,032
Other financing sources (uses):							
Transfers in	2,517,616	-	-	354,644	-	436,658	3,308,918
Transfers out	(422,956)	(2,296,472)	(171,027)	-	-	(283,463)	(3,173,918)
Total other financing sources (uses)	2,094,660	(2,296,472)	(171,027)	354,644	-	153,195	135,000
Net change in fund balances	1,309,529	(73,666)	96,182	333,099	271,146	179,742	2,116,032
Fund balances, beginning	4,212,236	73,666	967,839	-	604,153	2,629,084	8,486,978
Fund balances, ending	\$ 5,521,765	\$ -	\$ 1,064,021	\$ 333,099	\$ 875,299	\$ 2,808,826	\$ 10,603,010

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, 2008

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

Net change in fund balances - total governmental funds	\$ 2,116,032
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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	\$ 948,227	
Depreciation expense	<u>(935,066)</u>	13,161

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.

Principal payments:

General obligation bonds	\$ 180,000	
Promissory note	<u>235,130</u>	
	415,130	
Amortization of issuance costs, premiums and discounts	<u>(3,384)</u>	411,746

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported when earned.

The detail of the difference is as follows:

Communications services tax refund	150,767
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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	379,690
Compensated absences	(79,793)
Claims payable	20,658
Accrued interest payable	3,449
Net pension asset	<u>6,513</u>

Change in net assets of governmental activities	<u>\$ 3,022,223</u>
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See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS

SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sanitation	Stormwater Utility (a Nonmajor Fund)	Totals	
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 792,849	\$ 56,394	\$ 849,243	\$ 1,134,775
Investments	-	262,855	262,855	298,869
Accounts receivable	895,480	59,679	955,159	6,640
Inventories	105,125	-	105,125	84,625
Total current assets	1,793,454	378,928	2,172,382	1,524,909
Noncurrent assets:				
Capital assets not being depreciated	-	-	-	7,127
Capital assets being depreciated, net	554,784	69,614	624,398	677,105
Total noncurrent assets	554,784	69,614	624,398	684,232
Total assets	2,348,238	448,542	2,796,780	2,209,141
<u>LIABILITIES</u>				
Liabilities:				
Current liabilities:				
Accounts payable and accrued liabilities	81,884	7,746	89,630	403,543
Due to other funds	-	-	-	54,626
Unearned revenue	828,553	56,363	884,916	-
Compensated absences	16,014	1,351	17,365	8,724
Capital lease	-	-	-	96,426
Claims payable	-	-	-	41,084
Total current liabilities	926,451	65,460	991,911	604,403
Non-current liabilities:				
Compensated absences	48,041	-	48,041	26,171
Capital lease	-	-	-	361,445
Claims payable	-	-	-	298,916
Total non-current liabilities	48,041	-	48,041	686,532
Total liabilities	974,492	65,460	1,039,952	1,290,935
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	554,784	69,614	624,398	324,839
Unrestricted	818,962	313,468	1,132,430	593,367
Total net assets	\$ 1,373,746	\$ 383,082	\$ 1,756,828	\$ 918,206

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, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Sanitation	Stormwater Utility (a Nonmajor Fund)	Totals	
Charges for services	\$ 2,729,793	\$ 225,719	\$ 2,955,512	\$ 2,280,242
Operating expenses:				
Administrative and general	717,867	8,276	726,143	589,611
Personnel expenses	777,529	72,024	849,553	246,574
Depreciation	123,669	22,234	145,903	115,634
Contractual services	641,309	31,379	672,688	-
Insurance premiums	-	-	-	922,369
Insurance claims	-	-	-	139,911
Total operating expenses	2,260,374	133,913	2,394,287	2,014,099
Operating income	469,419	91,806	561,225	266,143
Non-operating revenues (expenses):				
Loss on sale of capital assets	-	-	-	(7,634)
Interest income	7,777	6,674	14,451	14,900
Interest expense	-	-	-	(7,497)
Other revenues	-	-	-	33,778
Total non-operating revenues	7,777	6,674	14,451	33,547
Income before transfers	477,196	98,480	575,676	299,690
Transfers in	-	-	-	100,554
Transfers out	(185,000)	(30,000)	(215,000)	(20,554)
Change in net assets	292,196	68,480	360,676	379,690
Net assets, beginning	1,081,550	314,602	1,396,152	538,516
Net assets, ending	\$ 1,373,746	\$ 383,082	\$ 1,756,828	\$ 918,206

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Stormwater Utility (a Nonmajor Fund)			
	Sanitation	Fund)	Totals	
	-	-	-	
Cash flows from operating activities:				
Cash received from customers, governments and other funds	\$ 2,691,521	\$ 225,084	\$ 2,916,605	\$ 2,276,807
Cash paid to suppliers	(1,387,922)	(33,100)	(1,421,022)	(1,190,617)
Cash paid to employees	(778,075)	(76,634)	(854,709)	(254,784)
Other revenues	-	-	-	33,778
Net cash provided by operating activities	525,524	115,350	640,874	865,184
Cash flows from non-capital financing activities:				
Transfers in	-	-	-	100,554
Transfers out	(185,000)	(30,000)	(215,000)	(20,554)
Net cash provided by (used in) non-capital financing activities	(185,000)	(30,000)	(215,000)	80,000
Cash flows from capital and related financing activities:				
Proceeds from capital lease	-	-	-	505,000
Proceeds from sale of capital assets	-	-	-	4,200
Acquisition of capital assets	-	-	-	(450,351)
Due to other funds	-	-	-	54,626
Principal paid on capital lease	-	-	-	(47,129)
Interest paid on capital lease	-	-	-	(7,497)
Net cash provided by capital and related financing activities	-	-	-	58,849
Cash flows from investing activities:				
Purchases of investments	-	(262,855)	(262,855)	(298,869)
Interest received	7,777	6,674	14,451	14,900
Net cash provided by (used in) investing activities	7,777	(256,181)	(248,404)	(283,969)
Net increase in cash and cash equivalents	348,301	(170,831)	177,470	720,064
Cash and cash equivalents, beginning	444,548	227,225	671,773	414,711
Cash and cash equivalents, ending	\$ 792,849	\$ 56,394	\$ 849,243	\$ 1,134,775
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 469,419	\$ 91,806	\$ 561,225	\$ 266,143
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	123,669	22,234	145,903	115,634
Other revenues	-	-	-	33,778
Changes in operating assets and liabilities:				
Accounts receivable	(36,243)	(906)	(37,149)	(3,435)
Prepaid items	-	-	-	5,000
Inventories	(37,707)	-	(37,707)	(42,989)
Accounts payable and accrued liabilities	8,961	6,555	15,516	375,558
Unearned revenues	(2,029)	271	(1,758)	-
Compensated absences	(546)	(4,610)	(5,156)	(8,210)
Claims payable	-	-	-	123,705
Net cash provided by operating activities	\$ 525,524	\$ 115,350	\$ 640,874	\$ 865,184

See notes to basic financial statements.

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2008

<u>ASSETS</u>	<u>Pension Trust Funds</u>	<u>Private Purpose Trust</u>	<u>Agency</u>
Cash and cash equivalents	\$ -	\$ 217,451	\$ 518
Investments:			
Common stocks	7,965,739	-	-
Corporate bonds	1,257,423	-	-
U.S. Treasury obligations	2,816,455	-	-
U.S. Government agencies	1,931,889	-	-
Equity mutual funds	3,034,781		
Money market mutual funds	1,421,945	1,852,430	129,575
Other investments	-	76,063	-
Due from State of Florida	69,624	-	-
Accrued interest receivable	80,972	-	-
Total assets	<u>18,578,828</u>	<u>2,145,944</u>	<u>130,093</u>
<u>LIABILITIES AND NET ASSETS</u>			
Liabilities:			
DROP liability	222,907	-	-
Deposits held in trust	-	-	130,093
Total liabilities	<u>222,907</u>	<u>-</u>	<u>130,093</u>
Net assets held in trust	<u>\$ 18,355,921</u>	<u>\$ 2,145,944</u>	<u>\$ 130,093</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, 2008

	Pension Trust <u>Funds</u>	Private Purpose <u>Trust</u>
ADDITIONS		
Contributions:		
Village	\$ 758,885	\$ -
Employees	338,451	-
State	<u>69,624</u>	<u>-</u>
Total contributions	<u>1,166,960</u>	<u>-</u>
Investment income:		
Net depreciation in fair value of investments	(3,774,963)	-
Interest income	249,357	38,929
Dividends	387,219	-
Less investment expenses	<u>(163,561)</u>	<u>-</u>
Net investment income	<u>(3,301,948)</u>	<u>38,929</u>
Total additions	<u>(2,134,988)</u>	<u>38,929</u>
DEDUCTIONS		
Pension benefits	1,152,870	-
Distribution to charter school	<u>-</u>	<u>180,000</u>
Total deductions	<u>1,152,870</u>	<u>180,000</u>
Change in net assets	(3,287,858)	(141,071)
Net assets held in trust, beginning	<u>21,643,779</u>	<u>2,287,015</u>
Net assets held in trust, ending	<u>\$ 18,355,921</u>	<u>\$ 2,145,944</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, 2008

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 Village, organizations for which the Village 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. Based on the application of these criteria, there were no organizations that met the criteria described above.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net 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.

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

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)

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 or other proprietary 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. 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.

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 culture and recreation services.

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)

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.

Building Better Communities – This fund accounts for the improvements to sidewalks and drainage systems which are being funded by granting agencies.

General Trust Fund - This fund accumulates assets for its employees, other governmental entities and/or funds, primarily for the recreation, library and police departments, as well as the charter school.

The Village reports the following major proprietary fund:

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

Additionally, the Village reports the following fund types:

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 account for the activities of the Police Pension and General Employees' Retirement Plans, which accumulate resources for pension benefits to qualified employees.

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 – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the Village holds for others in an agency capacity.

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)

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".

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 internal service funds are charges to customers for services. Operating expenses for the 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 Village's policy to use restricted resources first, then unrestricted resources as they are needed.

d. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents include cash on hand and demand deposits. The Village maintains a cash pool that is available for use by all funds. Interest earned on pooled cash is allocated to each of the funds based on the fund's average equity balance on a monthly basis.

All investments, except the Florida PRIME and Fund B, are reported at fair value, which is based on quoted market prices. The Florida PRIME is recorded at the value of the pool shares (2A-7 like pool), which is fair value. Fund B is a fluctuating NAV pool and is reported based on the fair value factor.

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)

1. Deposits and Investments (Continued)

Cash and cash equivalents, for purposes of the statement of cash flows, includes pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. 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."

3. 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/expenses are incurred.

4. 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".

5. Inventories

Inventories consist principally of materials and supplies held for consumption and are recorded at cost using the first-in, first-out method. In the governmental funds, the cost of inventories are recorded as expenditures at the time of purchase, while in the proprietary funds, the cost of inventories are recorded as expenses when consumed. In the governmental funds, reported inventories are offset by a fund balance reserve which indicates that they do not constitute available spendable resources.

6. 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,

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)

6. Capital Assets (Continued)

individual cost of more than \$1,000 and an estimated useful life in excess of three years. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at their estimated fair market value at the date donated.

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.

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
Land improvements	40
Infrastructure	30
Sanitation equipment	10
Vehicles	5
Other equipment, machinery, furniture and fixtures	3-10

7. 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 related bond issue.

8. 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 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.

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)

8. Compensated Absences (Continued)

The Village's sick leave policy provides for the accumulation of one 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.

9. 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 another 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.

10. Property Taxes

Property taxes are levied on November 1st of each year, at which time taxes become an enforceable lien on property assessed as of the previous January 1st. Tax bills are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available in the month of March of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1st and bear annual interest at 18% until a tax sale certificate is sold at auction. As of September 30, 2008, delinquent property taxes were immaterial in amount.

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. Property Taxes (Continued)

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 and sells certificates for delinquent taxes.

The Village is permitted by Article 7, Section 9 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 2007-08 fiscal year was 7.140 mills (\$7.14 per \$1,000 of assessed valuation).

11. Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt; restricted or unrestricted. Invested in capital assets, net of related debt, is that portion of net assets that relates to the Village's capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds.

Restricted net assets is that portion of net assets that has been restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

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 purpose. Designations of fund balance indicate tentative managerial plans or intent to use financial resources in a future period. Such plans or intent are subject to change at the discretion of the Village. Unreserved and undesignated fund balance is the portion of fund balance which is available for future 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 expenditures/expenses during the period reported. These estimates include assessing collectibility of receivables,

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)

13. Use of Estimates (Continued)

the use and recoverability of inventory, the recognition of pension 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. FINANCIAL IRREGULARITY

In March, 2009, an investigation alleging the possible misappropriation of public funds from the Village was initiated. Through this investigation, it was learned that cash collected by the Village from various departments was not being deposited into the Village's bank accounts. The Village's comptroller, in May 2010, was arrested and charged, but the investigation is ongoing. Therefore, the timing, extent and magnitude of the impact of this misappropriation on the financial statements is not measurable at this time.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Prior Period Adjustment

During the fiscal year ended September 30, 2008, it was determined that a prior period adjustment was required to be made to the capital assets and accumulated depreciation in the governmental activities. This adjustment pertains to capital assets that were not recorded and depreciated in prior years, as well as errors in accumulated depreciation recorded on certain assets in prior years. The adjustment resulted in an increase in capital assets of \$391,852, a decrease in accumulated depreciation of \$1,082,234 and an increase in net assets of \$1,474,086.

Excess of Expenditures and Other Financing Uses over Appropriations

The Excise Tax Fund exceeded appropriations by \$25,861.

NOTE 4. 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.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

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) as well as money market mutual funds.

The State Board of Administration (SBA) administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund. (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the LGIP and Fund B. The LGIP 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, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2008, the fair value factor for Fund B was \$.798385 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are affected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

Investments – Village

As of September 30, 2008, the Village had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	\$1,415,317	8.5 days
Fund B	195,356	9.36 years
Money market mutual funds	<u>7,925,218</u>	48 days
	<u>\$9,535,891</u>	

Interest Rate Risk

The Village does not have a written policy on interest rate risk, however, the Village manages its exposure to declines in fair values by limiting the weighted average monthly maturity of its investment portfolio to less than six months (180 days). The weighted average maturity of each investment at September 30, 2008 is reflected in the above chart.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Investments – Village (Continued)

Credit Risk

Investments are limited to the highest ratings by two nationally recognized statistical rating organizations (NRSRO) (Standard and Poor's and Moody's Investment Services). The LGIP is rated AAAM by Standard and Poor's. The Fund B is not rated by an NRSRO. The money market mutual funds are rated Aaa by Moody's and AAAM by Standard & Poor's.

Concentration of Credit Risk

The Village diversifies its portfolio in such a way to control the risk of loss resulting from a concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold. As of September 30, 2008, the value of each position held in the Village's portfolio is less than 5% in any one issuer.

Investments – Pension Plans

As of September 30, 2008, the Village's defined benefit pension Plans had the following investments:

	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10
Corporate bonds	\$1,257,423	\$ 45,527	\$ 600,804	\$ 527,608	\$ 83,484
U.S. Treasury obligations	2,816,455	42,877	1,690,908	1,082,670	-
U.S. Government agencies	1,931,889	39,846	1,329,894	256,241	305,908
Money market mutual funds	1,421,945	1,421,945	-	-	-
	<u>\$7,427,712</u>	<u>\$1,550,195</u>	<u>\$3,621,606</u>	<u>\$1,866,519</u>	<u>\$389,392</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 an investment policy that limits maturities on individual investments to no more than 135% of the duration of the market index. The market index is defined as the Merrill Lynch 1-10 year Government/Corporate Bond Index. At September 30, 2008, the investment maturities in years for each investment type are included in the preceding table.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plans (Continued)

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 in fixed income securities to a rating of "A" or higher by Moody's or Standard & Poor's rating services and collateralized mortgage obligations (CMO's) to a rating of "Aaa" by Moody's or "AAA" by Standard & Poor's rating services.

The Plans' U.S. Treasury obligations were rated AAA by Standard & Poor's and Aaa by Moody's. The Plans' investments in U.S. Government agency bonds and notes were rated AAA by Standard and Poors and Aaa by Moody's. The investments in U.S. Government agency pools and U.S. Government agency collateralized mortgage obligations were not rated. The Plans' investments in U.S. Government agencies were rated AAA by Standard & Poor's and Aaa by Moody's. Investments in corporate bonds were all rated -A or better by Standard & Poor's and Baa2 or better by Moody's. The investments in the money market mutual funds were rated AAA by Standard and Poors and Aaa by Moody's.

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, 2008, 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 and there were no fixed income securities with concentrations greater than 10% in any one issuer.

Custodial Credit Risk

The Plans' investment policies require all investments be placed in custody. Plan assets are held by a third party custodian, and all securities purchased by and all other collateral obtained by the Plan shall be properly designated as plan assets. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by the transfer of money or securities must be made on a "delivery vs. payment" basis to insure that the custodian will have the security or money in hand at the conclusion of the transaction. At September 30, 2008, the Plans' investment portfolios were held with a third party custodian.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments – Pension Plans (Continued)

Risks and Uncertainties

The Plans invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets. The Plans, through their investment advisors, monitor the Plans' investments and the risks associated therewith on a regular basis which the Plans believe minimize these risks.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at September 30, 2008 were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 755,497	\$ -
Excise tax fund	-	279,796
Building better communities	-	401,835
Fleet maintenance fund	-	54,626
Nonmajor governmental funds	<u>54,626</u>	<u>73,866</u>
	<u>\$ 810,123</u>	<u>\$ 810,123</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, 2008 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Total</u>
	<u>General Fund</u>	<u>Building Better Communities</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	
General fund	\$ -	\$ -	\$ 342,956	\$ 80,000	\$ 422,956
Excise tax fund	2,296,472	-	-	-	2,296,472
Local option gas tax fund	-	77,325	93,702	-	171,027
Nonmajor governmental funds	6,144	277,319	-	-	283,463
Internal service funds	-	-	-	20,554	20,554
Sanitation fund	185,000	-	-	-	185,000
Stormwater fund	30,000	-	-	-	30,000
	<u>\$2,517,616</u>	<u>\$ 354,644</u>	<u>\$ 436,658</u>	<u>\$ 100,554</u>	<u>\$3,409,472</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

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.

NOTE 6. RECEIVABLES

Receivables as of September 30, 2008 for the Village's major and nonmajor funds in the aggregate are as follows:

	General	Excise Tax	Local Option Gas Tax	Nonmajor Governmental Funds	Sanitation	Storm- water	Internal Service Funds	Total
Receivable:								
Accounts	\$ 238,537	\$ -	\$ -	\$ 100,491	\$ 895,480	\$ 59,679	\$ 6,640	\$ 1,300,827
Taxes	211,903	279,796	26,949	19,396	-	-	-	538,044
Total receivable	<u>\$ 450,440</u>	<u>\$ 279,796</u>	<u>\$ 26,949</u>	<u>\$ 119,887</u>	<u>\$ 895,480</u>	<u>\$ 59,679</u>	<u>\$ 6,640</u>	<u>\$ 1,838,871</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	Beginning Balance*	Additions	Deductions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,358,437	\$ -	\$ -	\$ 2,358,437
Construction-in-progress	-	868,575	-	868,575
Total capital assets not being depreciated	<u>2,358,437</u>	<u>868,575</u>	<u>-</u>	<u>3,227,012</u>
Capital assets being depreciated:				
Buildings and improvements	11,000,731	-	-	11,000,731
Land improvements	3,776,380	17,601	-	3,793,981
Infrastructure	15,661,729	-	-	15,661,729
Furniture, fixtures and equipment	3,064,882	512,401	(19,724)	3,557,559
Total capital assets being depreciated	<u>33,503,722</u>	<u>530,002</u>	<u>(19,724)</u>	<u>34,014,000</u>
Less accumulated depreciation for:				
Buildings and improvements	2,025,253	201,728	-	2,226,981
Land improvements	1,710,448	170,076	-	1,880,524
Infrastructure	8,457,987	472,857	-	8,930,844
Furniture, fixtures and equipment	2,258,406	206,039	(7,890)	2,456,555
Total accumulated depreciation	<u>14,452,094</u>	<u>1,050,700</u>	<u>(7,890)</u>	<u>15,494,904</u>
Total capital assets being depreciated, net	<u>19,051,628</u>	<u>(520,698)</u>	<u>(11,834)</u>	<u>18,519,096</u>
Governmental activities capital assets, net	<u>\$ 21,410,065</u>	<u>\$ 347,877</u>	<u>\$ (11,834)</u>	<u>\$ 21,746,108</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. CAPITAL ASSETS (Continued)

	<u>Beginning Balance*</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Utility plant and equipment	\$ 2,169,045	\$ -	\$ -	\$ 2,169,045
Less accumulated depreciation for:				
Utility plant and equipment	<u>1,398,744</u>	<u>145,903</u>	<u>-</u>	<u>1,544,647</u>
Total capital assets being depreciated, net	<u>770,301</u>	<u>(145,903)</u>	<u>-</u>	<u>624,398</u>
Business-type activities capital assets, net	<u>\$ 770,301</u>	<u>\$ (145,903)</u>	<u>\$ -</u>	<u>\$ 624,398</u>

*The Village has restated its governmental activities capital assets, net of accumulated depreciation, by \$1,474,086, as of September 30, 2008. See Note 3 for further details.

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 138,879
Public safety	79,102
Public works	473,507
Parks and recreation	<u>243,578</u>
	935,066
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of assets	<u>115,634</u>
Total depreciation expense - governmental activities	<u>\$ 1,050,700</u>
Business-type activities:	
Sanitation	\$ 123,669
Stormwater	<u>22,234</u>
Total depreciation expense - business-type activities	<u>\$ 145,903</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES

a. Changes in 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, 2008.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:					
General obligation bonds payable - 2004	\$ 4,705,000	\$ -	\$ 105,000	\$ 4,600,000	\$ 110,000
General obligation bonds payable - 1999	2,710,000	-	75,000	2,635,000	75,000
Promissory note - 2006	3,215,811	-	235,130	2,980,681	248,739
Capital lease obligation	-	505,000	47,129	457,871	96,426
Less deferred amounts - discount	<u>(8,594)</u>	<u>-</u>	<u>(331)</u>	<u>(8,263)</u>	<u>-</u>
Subtotal	10,622,217	505,000	461,928	10,665,289	530,165
Compensated absences	591,938	106,478	34,895	663,521	157,157
Claims payable	406,000	123,705	20,658	509,047	50,828
	<u>\$11,620,155</u>	<u>\$735,183</u>	<u>\$ 517,481</u>	<u>\$11,837,857</u>	<u>\$ 738,150</u>
Business-type activities:					
Compensated absences	<u>\$ 70,562</u>	<u>\$ 35,345</u>	<u>\$ 40,501</u>	<u>\$ 65,406</u>	<u>\$ 17,365</u>

Bonds and Notes Payable

2004 General Obligation Bonds (Charter School)

The 2004 General Obligation bonds were issued by the Village of Miami Shores. Principal is due annually over 30 years at various amounts ranging from \$110,000 in 2009 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:			
2009	\$ 110,000	\$ 210,930	\$ 320,930
2010	110,000	207,630	317,630
2011	115,000	204,110	319,110
2012	120,000	200,258	320,258
2013	125,000	196,058	321,058
2014-2018	700,000	904,630	1,604,630
2019-2023	855,000	739,213	1,594,213
2024-2028	1,080,000	513,263	1,593,263
2029-2033	<u>1,385,000</u>	<u>214,500</u>	<u>1,599,500</u>
Total	<u>\$ 4,600,000</u>	<u>\$ 3,390,592</u>	<u>\$ 7,990,592</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Bonds and Notes Payable (Continued)

1999 General Obligation Bonds (Aquatic Center)

The 1999 General Obligation bonds were issued by the Florida Municipal Loan Council. Principal is due annually over 30 years at various amounts ranging from \$75,000 in 2009 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:			
2009	\$ 75,000	\$ 129,338	\$ 204,338
2010	80,000	126,150	206,150
2011	80,000	122,650	202,650
2012	85,000	119,050	204,050
2013	90,000	115,225	205,225
2014-2018	525,000	504,625	1,029,625
2019-2023	660,000	361,950	1,021,950
2024-2028	845,000	179,250	1,024,250
2029	195,000	9,750	204,750
Total	<u>\$ 2,635,000</u>	<u>\$ 1,667,988</u>	<u>\$ 4,302,988</u>

Series 2006 Promissory Note

In May 2006, the Village borrowed \$3,500,000 from SunTrust Bank. The note bears interest at a rate of 4.56% per annum. 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 note. Total principal and interest remaining on the note is \$3,707,652 payable through May 2018.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2009	\$ 248,739	\$ 131,588	\$ 380,327
2010	260,277	120,050	380,327
2011	272,350	107,977	380,327
2012	284,983	95,344	380,327
2013	298,203	82,125	380,328
2014 - 2018	<u>1,616,129</u>	<u>189,887</u>	<u>1,806,016</u>
Total	<u>\$ 2,980,681</u>	<u>\$ 726,971</u>	<u>\$ 3,707,652</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. LONG-TERM LIABILITIES (Continued)

Capital Leases

The Village has entered into a lease purchase agreement as lessee for financing the acquisition of police vehicles in the fleet maintenance fund. The lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. Under the terms of the agreement, the Village will make quarterly payments of \$27,313, including interest at 3.04% per annum, over a period of 60 months.

Future minimum lease payments and the present value of net minimum lease payments as of September 30, 2008 are as follows:

	Governmental Activities
Fiscal year ending September 30:	
2009	\$ 109,253
2010	109,253
2011	109,253
2012	109,253
2013	<u>54,626</u>
Total minimum lease payments	491,638
Less amount representing interest	<u>(33,767)</u>
Present value of net minimum lease payments	<u>\$ 457,871</u>

The assets acquired through capital leases outstanding as of September 30, 2008 are as follows:

Assets:	
Fleet	\$ 406,522
Less accumulated depreciation	<u>(18,866)</u>
Total	<u>\$ 387,656</u>

NOTE 9. 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.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. POST-EMPLOYMENT RETIREMENT BENEFITS (Continued)

Plan Description (Continued)

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.

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 six police officers for the year were \$7,200.

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 10. 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.

As of September 30, 2008, there were two liability claims and three workers' compensation claims outstanding under the previous self-insurance program. Since the claims are still outstanding and have not been settled as of year end, the Village increased the liability in order to meet actuarially determined reserves to be able to meet the self-insured amount when these claims are ultimately settled.

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

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 10. RISK MANAGEMENT (Continued)

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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning	\$ 406,000	\$ 384,682
Incurred claims (including IBNR's)	123,705	77,645
Claim payments and disbursements	<u>(20,658)</u>	<u>(56,327)</u>
Unpaid claims, ending	<u>\$ 509,047</u>	<u>\$ 406,000</u>

The above claims liability includes the Village's commitment to Miami-Dade County for a prior workers' compensation claim for \$169,047. This is the final remaining claim from a program with the County that the Village participated in previously. The Village is required to pay \$2,200 per quarter as well as any medical expenses the claimant incurs related to the injury. In the current year, the Village paid the County \$10,524 related to this claim. The current portion related to the Miami-Dade County claim is \$9,745.

NOTE 11. PENSION PLANS

The Village maintains two separate defined benefit single-employer pension plans, the General Employees' Retirement Plan and the Police Officers' Retirement Plan which cover substantially all of its full-time employees. The Village accounts for these pension plans as pension trust funds.

Basis of Accounting

The Village's pension plans are accounted for 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 national or international exchanges are valued at the last reported sales price or exchange rate. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held as well as the net realized gains or losses from securities sold. Interest and dividend income is recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

Membership

Membership of each Plan consisted of the following at September 30, 2008:

	<u>General Employees'</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>42</u>	<u>22</u>
Current employees:		
Fully vested	20	12
Non-vested	<u>46</u>	<u>16</u>
	<u>66</u>	<u>28</u>

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 Plan is 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 and death benefits to Plan members and beneficiaries. The Plan does not issue a separate financial report.

Effective December 5, 2006, current employees may elect to participate in the deferred retirement option plan (DROP) the first day of the month coincident with or next following the date of normal retirement. Election into the DROP is voluntary. The employee may elect to participate in the plan for a maximum of 60 months. Once participation in the DROP commences, such participation constitutes an irrevocable election.

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. No payments are made directly to the employee from the 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 General Employees' Pension Plan 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.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

General Employees' Retirement Plan (Continued)

Plan Description (Continued)

Upon termination of employment with the Village or 60 months of DROP participation, the balance of the DROP account will become payable in addition to the monthly normal retirement benefit (which is based on credited service and average monthly salary on the DROP election date). The DROP account is distributed to the member in a single lump sum payment or a direct rollover to another qualified retirement plan. If a member dies before the member's DROP account balance has been paid in full, distribution of the DROP account balance will be made according to the member's designation. DROP payments to a beneficiary will be in addition to any retirement benefits payable by the Plan. Under any option and in no event may the total benefit payments to the member or the beneficiary be less than the member's own accumulated contributions. At the end of September 30, 2008, total liabilities for the DROP were \$52,411.

Funding Policy

Plan members are required to contribute 6% of their annual covered salary. The employer contributions for the fiscal year ending September 30, 2008, determined using the actuarial valuation dated October 1, 2006, were 2.73% of covered payroll. The Village contributes at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due.

Funding Status and Funding Progress

The funded status of the Plan as of October 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a),c)
October 1, 2007	\$8,989,754	\$ 8,474,105	\$(515,649)	106.1%	\$2,918,493	-17.7%

* For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method. Note the ARC for the Plan is calculated using the aggregate cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets are increasing or decreasing over time relative to the AAL for benefits.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

General Employees' Retirement Plan (Continued)

Annual Pension Cost and Net Pension Obligation (Asset)

The Village's 2008 contribution was determined through an actuarial valuation performed as of October 1, 2006. Significant actuarial assumptions used in the latest actuarial valuation are as follows:

Valuation date	October 1, 2007
Actuarial cost method	Aggregate
Amortization method	NA
Remaining amortization period	NA
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.5%
Includes inflation and other general increases at	4.0%
Cost of living adjustments	NA

The aggregate actuarial cost method is used to determine the annual required contribution of the employer for the Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

As of September 30, 2008, the Village's annual pension cost and net pension asset was as follows:

Annual required contributions (ARC)	\$ 88,622
Interest on net pension asset	(83)
Adjustment to ARC	<u>112</u>
Annual pension cost (APC)	88,651
Actual contribution	<u>88,622</u>
Change in net pension asset	29
Net pension asset, beginning	<u>(1,035)</u>
Net pension asset, ending	<u>\$ (1,006)</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

General Employees' Retirement Plan (Continued)

Annual Pension Cost and Net Pension Obligation (Asset) (Continued)

<u>Fiscal Year Ending</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/2006	\$ 15,245	103.9%	\$ 15,244
9/30/2007	56,275	128.9%	(1,035)
9/30/2008	88,651	99.9%	(1,006)

Financial Information

The Plan does not issue separate stand-alone financial statements, therefore, included below is the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets as of and for the fiscal year ended September 30, 2008.

Statement of Plan Net Assets September 30, 2008

Assets:	
Cash and cash equivalents	\$ 439,785
Investments, at fair value	7,309,142
Accrued interest receivable	34,628
Total assets	<u>7,783,555</u>
Liabilities	<u>52,411</u>
Net assets held in trust for pension benefits	<u>\$7,731,144</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

General Employees' Retirement Plan (Continued)

Financial Information (Continued)

Statement of Changes in Plan Net Assets Year Ended September 30, 2008

ADDITIONS	
Contributions	\$ 272,957
Net investment income	<u>(1,471,410)</u>
Total additions	<u>(1,198,453)</u>
DEDUCTIONS	
Pension benefits	<u>374,924</u>
Total deductions	<u>374,924</u>
Change in net assets	(1,573,377)
Net assets held in trust for pension benefits, beginning	<u>9,404,521</u>
Net assets held in trust for pension benefits, ending	<u>\$7,831,144</u>

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.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

Police Officers' Retirement Plan (Continued)

Deferred Retirement Option Plan (Continued)

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. At the end of September 30, 2008, total liabilities for the DROP were \$170,496.

Funding Policy

The Village's contribution rate is adjusted each year to an amount equal to the total pension cost for the year, as determined by the most recent actuarial valuation which is designed to accumulate sufficient assets to pay benefits when they are due. Members are required to contribute 9% of their annual covered earnings. Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on Miami Shores properties is collected by the State and is remitted to the Plan. This amount totaled \$66,924

for the year ended September 30, 2008. This amount was recognized as expenditure and revenue in the General Fund. The Village is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions of actuarially determined amounts. For the year ended September 30, 2008, the Village's contribution was 41.10% of annual covered earnings which was determined by the October 1, 2006 actuarial valuation.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

Police Officers' Retirement Plan (Continued)

Funding Status and Funding Progress

The funded status of the Plan as of October 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a,b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a),c)
October 1, 2007	\$11,320,831	\$15,114,334	\$3,793,503	74.9%	\$1,683,969	225.3%

*For purposes of this schedule, the AAL for the Plan is determined using the entry age actuarial cost method. Note the ARC for the Plan is calculated using the aggregate cost method.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Annual Pension Cost and Net Pension Asset

The Village's 2008 contribution was determined through an actuarial valuation performed as of October 1, 2006. Significant actuarial assumptions in the latest actuarial valuation are as follows:

Valuation date	October 1, 2007
Actuarial cost method	Aggregate
Amortization method	NA
Remaining amortization period	NA
Asset valuation method	5-Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	6.5%
Includes inflation and other general increases at	4.0%
Cost of living adjustments	1.5%

The aggregate actuarial cost method is used to determine the annual required contribution of the employer for the Plan. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

Police Officers' Retirement Plan (Continued)

Annual Pension Cost and Net Pension Asset (Continued)

As of September 30, 2008, the Village's net pension asset was as follows:

Annual required contributions (ARC)	\$ 700,455
Interest on net pension asset	(1,091)
Adjustment to ARC	<u>1,892</u>
Annual pension cost (APC)	701,256
Actual contribution	<u>739,887</u>
Change in net pension asset	(38,631)
Net pension asset, beginning	<u>(13,636)</u>
Net pension asset, ending	<u>\$ (52,267)</u>

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2006	\$ 298,867	99.6%	\$ (14,561)
9/30/2007	595,136	99.8%	(13,636)
9/30/2008	701,256	105.5%	(52,267)

Financial Information

The Plan does not issue separate stand-alone financial statements, therefore, included below is the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets as of and for the fiscal year ended September 30, 2008.

Statement of Plan Net Assets September 30, 2008

Assets:	
Cash and cash equivalents	\$ 481,943
Investments, at fair value	10,097,362
Due from state	69,624
Accrued interest receivable	<u>46,344</u>
Total assets	10,695,273
Liabilities	<u>170,496</u>
Net assets held in trust for pension benefits	<u>\$ 10,524,777</u>

MIAMI SHORES VILLAGE, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 11. PENSION PLANS (Continued)

Police Officers' Retirement Plan (Continued)

Financial Information (Continued)

Statement of Changes in Plan Net Assets Year Ended September 30, 2008

ADDITIONS	
Contributions	\$ 894,003
Net investment income	<u>(1,830,538)</u>
Total additions	<u>(936,535)</u>
DEDUCTIONS	
Pension benefits	<u>777,946</u>
Total deductions	<u>777,946</u>
Change in net assets	(1,714,481)
Net assets held in trust for pension benefits, beginning	<u>12,239,258</u>
Net assets held in trust for pension benefits, ending	<u>\$10,524,777</u>

NOTE 12. 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.

REQUIRED SUPPLEMENTARY INFORMATION

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<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	\$ 6,533,787	\$ 6,533,787	\$ 6,605,878	\$ 72,091
Licenses and permits:				
Business licenses - Village	70,000	70,000	72,110	2,110
Business licenses - County	22,000	22,000	27,861	5,861
Building permits	500,000	500,000	518,374	18,374
Certificate of reoccupancy	7,000	7,000	5,951	(1,049)
Other licenses and permits	61,000	61,000	58,655	(2,345)
Total licenses and permits	660,000	660,000	682,951	22,951
Intergovernmental revenues:				
State shared revenues:				
State revenue sharing	233,337	233,337	230,369	(2,968)
Local government half cent sales tax	718,726	718,726	663,582	(55,144)
Other	11,625	11,625	1,237	(10,388)
Total intergovernmental revenues	963,688	963,688	895,188	(68,500)
Charges for services:				
Physical environment	24,500	24,500	69,734	45,234
Police extra duty	135,000	135,000	156,918	21,918
Landscape maintenance	19,901	19,901	19,901	-
Culture/recreation	939,530	939,530	854,747	(84,783)
Total charges for services	1,118,931	1,118,931	1,101,300	(17,631)
Fines and forfeitures:				
Court fines and costs	70,000	70,000	136,056	66,056
School crossing guards	35,000	35,000	26,864	(8,136)
Other	135,500	135,500	104,515	(30,985)
Total fines and forfeitures	240,500	240,500	267,435	26,935
Miscellaneous:				
Rents	25,000	25,000	99,971	74,971
Other	8,200	8,200	63,354	55,154
Total miscellaneous	33,200	33,200	163,325	130,125
Interest income	195,000	195,000	134,903	(60,097)
Total revenues	\$ 9,745,106	\$ 9,745,106	\$ 9,850,980	\$ 105,874

(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, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures:				
Current:				
General government:				
Village council	\$ 7,501	\$ 7,501	\$ 5,755	\$ 1,746
Village attorney	196,989	196,989	119,971	77,018
Village manager	253,453	253,453	246,349	7,104
Village clerk	141,625	141,625	124,783	16,842
Code enforcement	178,449	178,449	162,080	16,369
Building department	393,629	393,629	324,452	69,177
Planning and zoning	236,580	269,203	147,425	121,778
Finance	573,418	573,418	389,185	184,233
Other general government	1,102,948	898,893	553,569	345,324
Total general government	3,084,592	2,913,160	2,073,569	839,591
Public safety:				
Law enforcement	4,676,772	4,845,282	4,616,505	228,777
School crossing guard	39,155	39,155	33,216	5,939
Total public safety	4,715,927	4,884,437	4,649,721	234,716
Public works:				
Parks	559,693	559,693	497,866	61,827
Street maintenance	627,144	627,144	536,097	91,047
Public works administration	498,149	498,149	453,165	44,984
Recreation maintenance	215,340	215,340	208,862	6,478
Total public services	1,900,326	1,900,326	1,695,990	204,336
Culture and recreation:				
Recreation	1,986,357	1,976,808	1,778,566	198,242
Library	393,575	391,475	352,449	39,026
Total culture and recreation	2,379,932	2,368,283	2,131,015	237,268
Capital outlay	65,620	89,920	85,816	4,104
Total expenditures	12,146,397	12,156,126	10,636,111	1,520,015
Deficiency of revenues over expenditures	(2,401,291)	(2,411,020)	(785,131)	1,625,889
Other financing sources (uses):				
Transfers in	2,687,917	2,833,976	2,517,616	(316,360)
Transfers out	(286,626)	(927,956)	(422,956)	505,000
Capital leases	-	505,000	-	(505,000)
Total other financing sources (uses)	2,401,291	2,411,020	2,094,660	(316,360)
Net change in fund balance	-	-	1,309,529	1,309,529
Fund balance, beginning of year	-	-	4,212,236	4,212,236
Fund balance, end of year	\$ -	\$ -	\$ 5,521,765	\$ 5,521,765

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 EXCISE TAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	with Final Budget - Positive (Negative)
Revenues:				
Public services taxes	\$ 2,270,611	\$ 2,270,611	\$ 2,222,806	\$ (47,805)
Expenditures	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Excess (deficiency) of revenues over expenditures	2,270,611	2,270,611	2,222,806	(47,805)
Other financing uses:				
Transfers out	<u>(2,270,611)</u>	<u>(2,270,611)</u>	<u>(2,296,472)</u>	<u>(25,861)</u>
Net change in fund balance	-	-	(73,666)	(73,666)
Fund balance, beginning of year	<u> -</u>	<u> -</u>	<u> 73,666</u>	<u> 73,666</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE LOCAL OPTION GAS TAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<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:				
Other taxes	\$ 371,744	\$ 371,744	\$ 366,668	\$ (5,076)
Interest income	<u>3,152</u>	<u>3,152</u>	<u>29,028</u>	<u>25,876</u>
Total revenues	<u>374,896</u>	<u>374,896</u>	<u>395,696</u>	<u>20,800</u>
Expenditures:				
Current:				
Public works	<u>203,869</u>	<u>203,869</u>	<u>128,487</u>	<u>75,382</u>
Total expenditures	<u>203,869</u>	<u>203,869</u>	<u>128,487</u>	<u>75,382</u>
Excess of revenues over expenditures	<u>171,027</u>	<u>171,027</u>	<u>267,209</u>	<u>96,182</u>
Other financing uses:				
Transfers out	<u>(171,027)</u>	<u>(171,027)</u>	<u>(171,027)</u>	<u>-</u>
Net change in fund balance	-	-	96,182	96,182
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>967,839</u>	<u>967,839</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,064,021</u>	<u>\$ 1,064,021</u>

See note to budgetary comparison schedules.

MIAMI SHORES VILLAGE, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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 the 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. For all other funds it is legally maintained at the fund 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 a resolution.
- (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. There were supplemental appropriations in the general fund totaling \$651,059 during the fiscal year ended September 30, 2008 for funding outstanding obligations and unanticipated expenses.
- (6) Unencumbered appropriations lapse at year end.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

General Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2001	\$ 6,739,527	\$ 4,908,521	\$ (1,831,006)	137.3%	\$ 2,490,298	(73.5%)
October 1, 2002	7,038,780	5,959,283	(1,079,497)	118.1%	2,871,867	(37.6%)
October 1, 2003	7,458,449	6,533,561	(924,888)	114.2%	2,895,480	(31.9%)
October 1, 2005	8,173,688	7,680,175	(493,513)	106.4%	2,786,865	(17.7%)
October 1, 2006	8,297,232	7,995,304	(301,928)	103.8%	3,243,186	(9.3%)
October 1, 2007	8,989,754	8,474,105	(515,649)	106.1%	2,918,493	(17.7%)

Police Officer's Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
October 1, 2001	\$ 10,090,680	\$ 9,726,578	\$ (364,102)	103.7%	\$ 1,453,248	(25.1%)
October 1, 2002	10,112,018	10,279,369	167,351	98.4%	1,425,992	11.7%
October 1, 2003	10,238,221	10,983,149	744,928	93.2%	1,514,310	49.2%
October 1, 2005	10,151,153	13,679,903	3,528,750	74.2%	1,424,759	247.7%
October 1, 2006	10,332,878	14,573,821	4,240,943	70.9%	1,630,878	260.0%
October 1, 2007	11,320,831	15,114,334	3,793,503	74.9%	1,683,969	225.3%

*The annual required contribution (ARC) is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

MIAMI SHORES VILLAGE, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

General Employees' Retirement System			
<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Contribution from Employer</u>	<u>Percentage Contributed</u>
2003	\$ -	\$ -	100.0%
2004	-	-	100.0%
2005	15,845	-	0.0%
2006	15,845	15,845	100.0%
2007	56,709	72,554	127.9%
2008	88,622	88,622	100.0%

Police Officer's Retirement System			
<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Contribution from Employer and State</u>	<u>Percentage Contributed</u>
2003	\$ 132,996	\$ 132,996	100.0%
2004	197,498	197,498	100.0%
2005	279,522	279,522	100.0%
2006	297,812	297,812	100.0%
2007	594,211	594,211	100.0%
2008	739,887	739,887	100.0%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Transportation Surtax – This fund accounts for the Village’s portion of the Miami-Dade County one-half percent transportation surtax approved by voters in November 2002.

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

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.

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) and other banking financing.

Capital Projects Funds

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

Aquatic Facility Fund – This fund accounts for all the cost 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.

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.

MIAMI SHORES VILLAGE, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	Special Revenue							<u>Total</u>
	Transportation <u>Surtax</u>	Grants	Hurricane	Charter		Law		
				High School	Enforcement Training	Police Forfeiture		
\$ 73,787	\$ 11,753	\$ 41,334	\$ -	\$ -	\$ 313	\$ 168,355	\$ 295,542	
739,896	431	187,818	-	-	11,718	6,177	946,040	
77,877	3,989	-	-	-	568	18,057	100,491	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<u>\$ 891,560</u>	<u>\$ 16,173</u>	<u>\$ 229,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,599</u>	<u>\$ 192,589</u>	<u>\$ 1,342,073</u>	

ASSETS

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

LIABILITIES AND FUND BALANCES

Liabilities:
Accounts payable and accrued liabilities
Due to other funds
Total liabilities

Fund balances:

Reserved for:
Prepaid items
Encumbrances
Law enforcement
Debt service
Transportation

Unreserved and undesignated

Total fund balances
Total liabilities and fund balances

\$ 6,165	\$ 1,805	\$ -	\$ -	\$ -	\$ -	\$ 264	\$ 8,234
-	-	-	-	-	-	-	-
<u>6,165</u>	<u>1,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>264</u>	<u>8,234</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	14,368	-	-	12,599	192,325	-	219,292
-	-	-	-	-	-	-	-
885,395	-	-	-	-	-	-	885,395
-	-	229,152	-	-	-	-	229,152
<u>885,395</u>	<u>14,368</u>	<u>229,152</u>	<u>-</u>	<u>12,599</u>	<u>192,325</u>	<u>-</u>	<u>1,333,839</u>
<u>\$ 891,560</u>	<u>\$ 16,173</u>	<u>\$ 229,152</u>	<u>\$ -</u>	<u>\$ 12,599</u>	<u>\$ 192,589</u>	<u>\$ 192,589</u>	<u>\$ 1,342,073</u>

(Continued)

MIAMI SHORES VILLAGE, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS (Continued)

SEPTEMBER 30, 2008

	Debt Service GO Bonds	Capital Projects				Total Nonmajor Governmental Funds
		Capital Improvements	Aquatic Facility	Charter High School		
				Construction	Total	
Cash and cash equivalents	\$ 165,992	\$ 157,161	\$ 73,989	\$ -	\$ 231,150	\$ 692,684
Investments	545,709	392,368	-	73,265	465,633	1,957,382
Accounts receivable	19,396	-	-	-	-	119,887
Due from other funds	54,626	-	-	-	-	54,626
Prepaid items	66,347	-	-	-	-	66,347
Total assets	\$ 852,070	\$ 549,529	\$ 73,989	\$ 73,265	\$ 696,783	\$ 2,890,926

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,234
Due to other funds	-	-	73,866	-	73,866	73,866
Total liabilities	-	-	73,866	-	73,866	82,100

Fund balances:

Reserved for:						
Prepaid items	66,347	-	-	-	-	66,347
Encumbrances	-	71,080	-	-	71,080	71,080
Law enforcement	-	-	-	-	-	219,292
Debt service	785,723	-	-	-	-	785,723
Transportation	-	-	-	-	-	885,395
Unreserved and undesignated	-	478,449	123	73,265	551,837	780,989
Total fund balances	852,070	549,529	123	73,265	622,917	2,808,826
Total liabilities and fund balances	\$ 852,070	\$ 549,529	\$ 73,989	\$ 73,265	\$ 696,783	\$ 2,890,926

MIAMI SHORES VILLAGE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Special Revenue							Total
	Transportation Surtax	Grants	Hurricane	Charter High School	Law Enforcement Training	Police Forfeiture	Police Forfeiture	
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	335,957	-	-	-	-	-	-	335,957
Intergovernmental revenues	-	12,102	83,080	-	-	-	-	95,182
Miscellaneous	-	-	-	-	3,753	96,345	-	100,098
Interest income	26,053	264	557	-	159	4,222	-	31,255
Total revenues	<u>362,010</u>	<u>12,366</u>	<u>83,637</u>	<u>-</u>	<u>3,912</u>	<u>100,567</u>	<u>-</u>	<u>562,492</u>
Expenditures:								
Current:								
General government	-	13,093	18,425	131	-	-	-	31,649
Public safety	-	-	-	-	3,295	6,884	-	10,179
Public works	148,969	-	-	-	-	-	-	148,969
Capital outlay	-	-	-	-	-	48,192	-	48,192
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	<u>148,969</u>	<u>13,093</u>	<u>18,425</u>	<u>131</u>	<u>3,295</u>	<u>55,076</u>	<u>-</u>	<u>238,989</u>
Excess (deficiency) of revenues over expenditures	<u>213,041</u>	<u>(727)</u>	<u>65,212</u>	<u>(131)</u>	<u>617</u>	<u>45,491</u>	<u>-</u>	<u>323,503</u>
Other financing sources (uses):								
Transfers in	-	1,330	-	-	-	-	-	1,330
Transfers out	(277,319)	-	-	(6,144)	-	-	-	(283,463)
Total other financing sources (uses)	<u>(277,319)</u>	<u>1,330</u>	<u>-</u>	<u>(6,144)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,133)</u>
Net change in fund balances	<u>(64,278)</u>	<u>603</u>	<u>65,212</u>	<u>(6,275)</u>	<u>617</u>	<u>45,491</u>	<u>41,370</u>	<u>41,370</u>
Fund balances, beginning	<u>949,673</u>	<u>13,765</u>	<u>163,940</u>	<u>6,275</u>	<u>11,982</u>	<u>146,834</u>	<u>1,292,469</u>	<u>1,292,469</u>
Fund balances, ending	<u>\$ 885,395</u>	<u>\$ 14,368</u>	<u>\$ 229,152</u>	<u>\$ -</u>	<u>\$ 12,599</u>	<u>\$ 192,325</u>	<u>\$ 1,333,839</u>	<u>\$ 1,333,839</u>

MIAMI SHORES VILLAGE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Capital Projects						Total Nonmajor Governmental Funds
	Debt		Charter		Total		
	Service GO Bonds	Capital Improvements	Aquatic Facility	High School Construction	Total	Total	
Revenues:							
Property taxes	\$ 618,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 618,460
Other taxes	-	-	-	-	-	-	335,957
Intergovernmental revenues	-	-	-	-	-	-	95,182
Miscellaneous	-	-	-	-	-	-	100,098
Interest income	18,238	9,217	2,426	2,596	14,239	14,239	63,732
Total revenues	<u>636,698</u>	<u>9,217</u>	<u>2,426</u>	<u>2,596</u>	<u>14,239</u>	<u>14,239</u>	<u>1,213,429</u>
Expenditures:							
Current:							
General government	12,620	11,545	-	-	11,545	-	55,814
Public safety	-	-	-	-	-	-	10,179
Public works	-	-	-	-	-	-	148,969
Capital outlay	-	-	12,601	-	12,601	-	60,793
Debt service:							
Principal	415,130	-	-	-	-	-	415,130
Interest and fiscal charges	495,997	-	-	-	-	-	495,997
Total expenditures	<u>923,747</u>	<u>11,545</u>	<u>12,601</u>	<u>-</u>	<u>24,146</u>	<u>24,146</u>	<u>1,186,882</u>
Excess (deficiency) of revenues over expenditures	<u>(287,049)</u>	<u>(2,328)</u>	<u>(10,175)</u>	<u>2,596</u>	<u>(9,907)</u>	<u>26,547</u>	
Other financing sources (uses):							
Transfers in	435,328	-	-	-	-	-	436,658
Transfers out	-	-	-	-	-	-	(283,463)
Total other financing sources (uses)	<u>435,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,195</u>
Net change in fund balances	148,279	(2,328)	(10,175)	2,596	(9,907)	(9,907)	179,742
Fund balances, beginning	703,791	551,857	10,298	70,669	632,824	632,824	2,629,084
Fund balances, ending	<u>\$ 852,070</u>	<u>\$ 549,529</u>	<u>\$ 123</u>	<u>\$ 73,265</u>	<u>\$ 622,917</u>	<u>\$ 2,808,826</u>	

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE TRANSPORTATION SURTAX FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<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:				
Other taxes	\$ 369,289	\$ 369,289	\$ 335,957	\$ (33,332)
Interest income	<u>3,500</u>	<u>3,500</u>	<u>26,053</u>	<u>22,553</u>
Total revenues	372,789	372,789	362,010	(10,779)
Expenditures:				
Current:				
Public works	<u>182,578</u>	<u>182,578</u>	<u>148,969</u>	<u>33,609</u>
Excess of revenues over expenditures	190,211	190,211	213,041	22,830
Other financing uses:				
Transfers out	<u>(277,319)</u>	<u>(277,319)</u>	<u>(277,319)</u>	<u>-</u>
Net change in fund balance	(87,108)	(87,108)	(64,278)	22,830
Fund balance, beginning	<u>87,108</u>	<u>87,108</u>	<u>949,673</u>	<u>862,565</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 885,395</u>	<u>\$ 885,395</u>

MIAMI SHORES VILLAGE, FLORIDA

BUDGETARY COMPARISON SCHEDULE DEBT SERVICE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
Revenues:				
Property taxes	\$ 651,511	\$ 651,511	\$ 618,460	\$ (33,051)
Interest income	<u>10,000</u>	<u>10,000</u>	<u>18,238</u>	<u>8,238</u>
Total revenues	<u>661,511</u>	<u>661,511</u>	<u>636,698</u>	<u>(24,813)</u>
Expenditures:				
Current:				
General government	<u>10,000</u>	<u>13,250</u>	<u>12,620</u>	<u>630</u>
Debt service:				
Principal	400,728	462,858	415,130	47,728
Interest	<u>506,111</u>	<u>513,981</u>	<u>495,997</u>	<u>17,984</u>
Total debt service	<u>906,839</u>	<u>976,839</u>	<u>911,127</u>	<u>65,712</u>
Total expenditures	<u>916,839</u>	<u>990,089</u>	<u>923,747</u>	<u>66,342</u>
Deficiency of revenues over expenditures	<u>(255,328)</u>	<u>(328,578)</u>	<u>(287,049)</u>	<u>41,529</u>
Other financing sources (uses):				
Transfers in	380,328	435,328	435,328	-
Transfers out	<u>(125,000)</u>	<u>(106,750)</u>	<u>-</u>	<u>106,750</u>
Total other financing sources	<u>255,328</u>	<u>328,578</u>	<u>435,328</u>	<u>106,750</u>
Net change in fund balance	-	-	148,279	148,279
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>703,791</u>	<u>703,791</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,070</u>	<u>\$ 852,070</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, 2008

	<u>Risk Management</u>	<u>Fleet Maintenance</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 366,015	\$ 768,760	\$ 1,134,775
Investments	298,869	-	298,869
Accounts receivable	6,640	-	6,640
Inventories	-	84,625	84,625
Total current assets	671,524	853,385	1,524,909
Capital assets:			
Capital assets not being depreciated	-	7,127	7,127
Capital assets being depreciated, net	-	677,105	677,105
Total noncurrent assets	-	684,232	684,232
Total assets	671,524	1,537,617	2,209,141
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable and accrued liabilities	45,436	358,107	403,543
Due to other funds	-	54,626	54,626
Compensated absences	-	8,724	8,724
Capital lease	-	96,426	96,426
Claims payable	41,084	-	41,084
Total current liabilities	86,520	517,883	604,403
Noncurrent liabilities:			
Compensated absences	-	26,171	26,171
Capital lease	-	361,445	361,445
Claims payable	298,916	-	298,916
Total noncurrent liabilities	298,916	387,616	686,532
Total liabilities	385,436	905,499	1,290,935
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	-	324,839	324,839
Unrestricted	286,088	307,279	593,367
Total net assets	\$ 286,088	\$ 632,118	\$ 918,206

MIAMI SHORES VILLAGE, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Risk Management <u>Fund</u>	Fleet Maintenance <u>Fund</u>	<u>Total</u>
Charges for services	\$ 1,229,538	\$ 1,050,704	\$ 2,280,242
Operating expenses:			
Administrative and general	52,831	536,780	589,611
Personnel expenses	-	246,574	246,574
Depreciation	-	115,634	115,634
Insurance premiums	755,144	167,225	922,369
Insurance claims	139,911	-	139,911
Total operating expenses	<u>947,886</u>	<u>1,066,213</u>	<u>2,014,099</u>
Operating income (loss)	<u>281,652</u>	<u>(15,509)</u>	<u>266,143</u>
Non-operating revenues (expenses):			
Loss on sale of capital assets	-	(7,634)	(7,634)
Interest income	6,077	8,823	14,900
Interest expense	-	(7,497)	(7,497)
Other revenues	18,913	14,865	33,778
Total non-operating revenues	<u>24,990</u>	<u>8,557</u>	<u>33,547</u>
Income (loss) before transfers	306,642	(6,952)	299,690
Transfers in	-	100,554	100,554
Transfers out	<u>(20,554)</u>	<u>-</u>	<u>(20,554)</u>
Change in net assets	286,088	93,602	379,690
Net assets, beginning	<u>-</u>	<u>538,516</u>	<u>538,516</u>
Net assets, ending	<u>\$ 286,088</u>	<u>\$ 632,118</u>	<u>\$ 918,206</u>

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	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	\$ 1,226,103	\$ 1,050,704	\$ 2,276,807
Cash paid to suppliers	(789,564)	(401,053)	(1,190,617)
Cash paid to employees	-	(254,784)	(254,784)
Other revenues	<u>18,913</u>	<u>14,865</u>	<u>33,778</u>
Net cash provided by operating activities	<u>455,452</u>	<u>409,732</u>	<u>865,184</u>
Cash flows from noncapital financing activities:			
Transfers in	-	100,554	100,554
Transfers out	<u>(20,554)</u>	<u>-</u>	<u>(20,554)</u>
Net cash provided by (used in) noncapital financing activities	<u>(20,554)</u>	<u>100,554</u>	<u>80,000</u>
Cash flows from capital and related financing activities:			
Proceeds from capital lease	-	505,000	505,000
Proceeds from sale of capital assets	-	4,200	4,200
Acquisition of capital assets	-	(450,351)	(450,351)
Due to other funds	-	54,626	54,626
Principal paid on capital lease	-	(47,129)	(47,129)
Interest paid on capital lease	<u>-</u>	<u>(7,497)</u>	<u>(7,497)</u>
Net cash provided by capital and related financing activities	<u>-</u>	<u>58,849</u>	<u>58,849</u>
Cash flows from investing activities:			
Interest received	6,077	8,823	14,900
Purchases of investments	<u>(298,869)</u>	<u>-</u>	<u>(298,869)</u>
Net cash provided by (used in) investing activities	<u>(292,792)</u>	<u>8,823</u>	<u>(283,969)</u>
Net increase in cash and cash equivalents	142,106	577,958	720,064
Cash and cash equivalents, beginning	<u>223,909</u>	<u>190,802</u>	<u>414,711</u>
Cash and cash equivalents, ending	<u>\$ 366,015</u>	<u>\$ 768,760</u>	<u>\$ 1,134,775</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 281,652</u>	<u>\$ (15,509)</u>	<u>\$ 266,143</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	115,634	115,634
Other revenues	18,913	14,865	33,778
Changes in operating assets and liabilities:			
Accounts receivable	(3,435)	-	(3,435)
Prepaid items	-	5,000	5,000
Inventories	-	(42,989)	(42,989)
Accounts payable and accrued liabilities	34,617	340,941	375,558
Compensated absences	-	(8,210)	(8,210)
Claims payable	<u>123,705</u>	<u>-</u>	<u>123,705</u>
Net cash used by operating activities	<u>\$ 455,452</u>	<u>\$ 409,732</u>	<u>\$ 865,184</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.

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, 2008

	Police Pension <u>Trust</u>	General Employees' Pension <u>Trust</u>	<u>Total</u>
<u>ASSETS</u>			
Investments:			
Common stocks	\$ 4,297,979	\$ 3,667,760	\$ 7,965,739
Corporate bonds	722,015	535,408	1,257,423
U.S. Treasury obligations	1,885,897	930,558	2,816,455
U.S. Government agencies	974,358	957,531	1,931,889
Equity mutual funds	1,716,896	1,317,885	3,034,781
Money market mutual funds	982,160	439,785	1,421,945
Due from State of Florida	69,624	-	69,624
Accrued interest receivable	<u>46,344</u>	<u>34,628</u>	<u>80,972</u>
Total assets	<u>10,695,273</u>	<u>7,883,555</u>	<u>18,578,828</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Liabilities:			
DROP liability	<u>170,496</u>	<u>52,411</u>	<u>222,907</u>
Net assets held in trust for pension benefits	<u>\$ 10,524,777</u>	<u>\$ 7,831,144</u>	<u>\$ 18,355,921</u>

MIAMI SHORES VILLAGE, FLORIDA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Police Pension <u>Fund</u>	General Employees' Pension <u>Fund</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Village	\$ 670,263	\$ 88,622	\$ 758,885
Employees	154,116	184,335	338,451
State	<u>69,624</u>	<u>-</u>	<u>69,624</u>
Total contributions	<u>894,003</u>	<u>272,957</u>	<u>1,166,960</u>
Investment income:			
Net depreciation in fair value of investments	(2,093,311)	(1,681,652)	(3,774,963)
Interest income	143,653	105,704	249,357
Dividends	215,900	171,319	387,219
Less investment expenses	<u>(96,780)</u>	<u>(66,781)</u>	<u>(163,561)</u>
Net investment income	<u>(1,830,538)</u>	<u>(1,471,410)</u>	<u>(3,301,948)</u>
Total additions	<u>(936,535)</u>	<u>(1,198,453)</u>	<u>(2,134,988)</u>
DEDUCTIONS			
Pension benefits	<u>777,946</u>	<u>374,924</u>	<u>1,152,870</u>
Change in net assets	(1,714,481)	(1,573,377)	(3,287,858)
Net assets held in trust for pension benefits, beginning	<u>12,239,258</u>	<u>9,404,521</u>	<u>21,643,779</u>
Net assets held in trust for pension benefits, ending	<u>\$ 10,524,777</u>	<u>\$ 7,831,144</u>	<u>\$ 18,355,921</u>

MIAMI SHORES VILLAGE, FLORIDA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Police Insurance Trust Agency Fund

	Balance September 30, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,213	\$ -	\$ 1,695	\$ 518
Investments	<u>116,502</u>	<u>13,073</u>	<u>-</u>	<u>129,575</u>
	<u>\$ 118,715</u>	<u>\$ 13,073</u>	<u>\$ 1,695</u>	<u>\$ 130,093</u>
 <u>LIABILITIES</u>				
Deposits held in trust	<u>\$ 118,715</u>	<u>\$ 13,073</u>	<u>\$ 1,695</u>	<u>\$ 130,093</u>

COMPLIANCE SECTION



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

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

We have audited the 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, 2008, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 29, 2010. Our report contains a scope qualification relating to our inability to gather audit evidence related to the timing, extent and magnitude of the alleged misappropriation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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



A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 08-01 and 08-02 to be material weaknesses.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 08-03.

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

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



a division of Marcum LLP
Miami, Florida
September 29, 2010

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, 2008, and have issued our report thereon dated September 29, 2010. Our report contains a scope qualification relating to our inability to gather audit evidence related to the timing, extent and magnitude of the alleged misappropriation.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated September 29, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of findings and recommendations made in the preceding annual financial report are reported in the accompanying summary schedule of prior audit findings.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our findings and recommendations are incorporated in the accompanying schedule of findings and responses.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. Matters required to be disclosed by the Rules of the Auditor General are reported in the accompanying schedule of findings and responses.

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MARCUMGROUP
MEMBER

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- Section 10.554(l)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. Matters required to be disclosed by the Rules of the Auditor General are reported in the accompanying schedule of findings and responses.
- Section 10.554(l)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village has made these disclosures in the notes to the financial statements.
- Section 10.554(l)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(l)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2008 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, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(l)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, Village Council, management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties



a division of Marcum LLP
Miami, Florida
September 29, 2010

MIAMI SHORES VILLAGE, FLORIDA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2008

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND STATUS

The following addresses the status of financial statement findings reported in the fiscal year ended September 30, 2007 schedule of findings and responses.

Matters that are repeated in the accompanying schedule of findings and responses:

06-01 Excess of Expenditures over Appropriations (revised and included as comment 08-03)

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS

Material Weaknesses

08-01 Override of Controls

Criteria

The opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect fraud. Certain steps should be taken so that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Steps should also be taken by senior management to ensure there are adequate controls in place to ensure employees are not able to override existing controls.

Safeguards against misappropriation of assets include an adequate segregation of duties, a timely review of bank reconciliations by an appropriate level of management as well as the review and approval by an appropriate level of management of adjusting journal entries and supporting documentation.

Condition

During our review of internal controls, we noted that bank reconciliations and journal entries were prepared by the Village's comptroller, but were not reviewed by an appropriate level of management. Furthermore, we noted that many journal entries lacked supporting documentation.

During the year, it was learned that cash collected by the Village from various departments was not being deposited into the Village's bank account. The Village's comptroller, in May 2010, was arrested and charged. The investigation is ongoing.

Cause

Lack of sufficient internal controls over the review and approval process as well as safeguards to ensure employees are not able to override existing controls. The adequacy of internal controls can be affected by the design of the internal controls as well as the adequacy of staffing levels and skill sets.

Effect

Unauthorized and/or fraudulent transactions posted to the general ledger, the appearance of no oversight of the bank reconciliation process and employee override of controls. In addition, the Village experienced a misappropriation of assets by the former comptroller.

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SEPTEMBER 30, 2008

Recommendation

We recommend that the Village implement policies and procedures to ensure that there is evidence of bank reconciliation and journal entry review by an appropriate level of senior management. We also recommend that the Village implement controls to ensure that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Also, the Village should take steps to ensure that procedures in place do not allow for employee override of controls.

View of Responsible Officials and Planned Corrective Action

In early 2008, bank reconciliations and journal entries were handled consistent with prior years. In the latter part of 2008, a new Finance Director was selected. At that time, new internal controls began to be implemented. As part of these procedures, the Finance Director directly receives the bank statements, reviews all bank reconciliations and reviews and approves all journal entries. Additional controls have been implemented over the entire cash receipt process. Management discovered that cash collected by the Village was not being deposited into the Village's bank accounts during the process of implementing appropriate internal controls.

08-02 Prior Period Adjustment

Criteria

The establishment and maintenance of accurate accounting records for capital assets is necessary to help assure that the Village's property, plant and equipment are not stolen, misused or subject to undue wear and tear. These records are a necessary element in an on-going governmental capital asset repair and preventative maintenance program and enhance efforts to obtain optimum insurance coverage.

Condition

During the 2008 fiscal year, the Village determined that certain transactions relating to capital assets were not properly recorded in prior years. It was noted that certain capital assets totaling \$391,852 and the related accumulated depreciation was not properly recorded in prior years. Furthermore, accumulated depreciation was adjusted for \$1,082,434 as a result of depreciation expense being improperly calculated on certain other capital assets in prior years. The net effect of these adjustments was an increase in net assets of \$1,474,086.

Effect

The potential effect was, that without the above noted corrections, the Village's financial statements were materially misstated.

Cause

Internal controls were not in place to determine if capital assets and the related accumulated depreciation was properly recorded.

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SEPTEMBER 30, 2008

Recommendation

We recommend that the Village perform procedures to ensure that capital assets are properly captured and recorded on a monthly basis. These procedures, with the appropriate supervisory review, should ensure accurate reporting of capital assets in the Village's financial statements.

View of Responsible Officials and Planned Corrective Action

Management does not concur with the cause of this prior period adjustment. This adjustment is related to the implementation of GASB 34 in fiscal year 2007. The GASB 34 fixed asset implementation was a joint effort between the auditors and Village staff. The discrepancy in the fixed assets was discovered by Village staff while analyzing the recording of the capital assets during fiscal year 2008.

Noncompliance Matters

08-03 Excess of Expenditures and Other Financing Uses Over Appropriations

Criteria

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.

Condition

We noted that the Excise Tax Fund exceeded appropriations by \$25,861.

Effect

The Village is not in compliance with Florida Statutes.

Cause

The Village did not monitor the budget to ensure compliance with Florida Statutes.

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.

MIAMI SHORES VILLAGE, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES (Continued)

SEPTEMBER 30, 2008

View of Responsible Officials and Planned Corrective Action

Management does not concur with the cause of the over appropriation. Management analyzes budget to actual expenses on a weekly basis. Budget amendments are prepared when necessary and are approved by resolution. There were three budget amendments during fiscal year 2008. This over appropriation is related to the transfer of funds from the Excise Tax Fund to the General Fund in 2007. The Village maintains an Excise Tax Fund to record certain general fund revenues in order to segregate these funds to substantiate compliance with a note payable. The over appropriation occurred as not all funds were transferred during fiscal year 2007. This transfer occurred just after the close of 2007 and was not recognized during fiscal year 2007. It is the opinion of management that this transfer should not be considered a normal budget expenditure as all revenues received in this fund are transferred to the General Fund and should actually be considered as part of the General Fund revenues. No other expenditures exceeded appropriations. The Village does monitor the budget in compliance with Florida Statutes.