



Village of Palmetto Bay

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year ended
September 30, 2007**

Prepared by the Department of Finance

VILLAGE OF PALMETTO BAY, FLORIDA

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INTRODUCTORY SECTION



February 15, 2008

To the Citizens of the Village of Palmetto Bay, Florida
And Other Interested Parties:

State law requires that all general-purpose local governments publish within one year of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants. Additionally, the Village's charter requires an annual independent audit of the books of accounts, financial records and transactions of all departments of the Village by independent certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Village of Palmetto Bay for the fiscal year ended September 30, 2007.

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

The Village's financial statements have been audited by Rachlin LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the Village's financial statements for the fiscal year ended September 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the Village of Palmetto Bay's financial statements for the fiscal year ended September 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The Village of Palmetto Bay is the 33rd incorporated municipality in Miami-Dade County. Its borders are SW 136th street to the north, US 1 to the west, Biscayne Bay to the east, and SW 184th street to the south. The Village is approximately eight square miles, comprised primarily of residential properties, and its business district concentrated along the US 1 corridor.

The Village of Palmetto Bay was incorporated in 2002 and operates under the Council/Manager form of government. The Village Council is comprised of the Mayor, Vice-Mayor, and three Council Members elected village-wide. The Mayor and Council Members term is for four years with a maximum of eight consecutive years. The Village Council is responsible for enacting laws (resolutions, ordinances and regulations) governing the Village, as well as appointing the members of various advisory committees, and hiring the Village Manager, Village Clerk and Village Attorney. The Village Manager is responsible for enforcement of all laws, provisions of the Charter and directives of the Council, appointment of department heads, and oversight of the operations of the Village.

The Village operates with a small, highly qualified core staff, and outsources several major functions including police protection, public works construction, building inspections, and code enforcement. The Village keeps a close working relationship with Miami-Dade County for such services as refuse collection, debris cleanup, fire protection, and schools.

The Mayor and Council Members are also the Board of Directors for the Palmetto Bay Foundation, Inc. The purpose of the Foundation is to raise the educational and social levels of the residents of the Village of Palmetto Bay, and to foster and promote community wide interest and concern for the history and preservation of the Village of Palmetto Bay. The Foundation is presented as a blended component unit in the financial statements.

The annual budget serves as the foundation for the Village of Palmetto Bay's financial planning and control. All departments of the Village are required to submit proposed budgets to the Village Manager, who then makes any necessary revisions. The Manager then presents to the Village Council for their review, a budget estimate of the revenues and expenditures of all the Village's departments. Two public hearings are conducted to inform the taxpayers of the proposed budget and to receive their comments. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1 by the passage of a resolution. The Village's budget is approved at the department level. The Manager and Finance Director may amend the adopted budget for adjustments within a department administratively, but the Village Council must approve all budget adjustments between departments. Supplemental appropriations of revenues in excess of the adopted budget may be appropriated by the Council with an ordinance. Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

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

Local Economy

The Village of Palmetto Bay is a medium-sized municipality serving approximately 25,000 citizens. The majority of the Village's ad-valorem taxes are derived from its residential properties with an average home value of \$462,569. The foundation of Palmetto Bay is its low-density residential development that serves as housing for employment centers north of the Village. Commercial and office uses are primarily oriented towards the U.S. 1 corridor and consists of seven major auto dealerships, two large-box retailers, several retail shopping plazas, and multiple office buildings. Two other concentrations of commercial uses are located in the eastern portion of the Village and include retail service uses and a class A office park development.

Long-Term Financial Planning and Major Initiatives

The Village has approved a new zoning district encompassing 330 acres known as the Franjo Triangle and U.S. 1 Island area. The new mixed-use district includes commercial, office and residential users. The County has a water and sewer infrastructure expansion project slated for completion in 2011, which will assist in attracting developers to the area. In the middle of the redevelopment area is Palmetto Bay Park, which is a newly expanded 25-acre park. It has six softball fields which are Amateur Softball Association (ASA) and United States Specialty Sport Association (USSSA) approved tournament fields, multi-purpose courts, a skate park, and one of the largest boundless playgrounds in the nation; and the only one south of West Palm Beach, Florida. A public library is being built on newly acquired Village property on Biscayne Bay. The plans also include a park and community center. A home built in 1929 on a 3.5 acre oceanfront property purchased in 2006, is being reviewed to determine if it can be declared a historical building, and therefore supported through outside historical facility funding sources. Other areas of the property are being renovated to allow for outdoor related functions. As part of the Comprehensive Master Plan, the Village intends to resurface all 118 miles of its roads, of which approximately 30% has already been completed. A storm water master plan has been created to identify the critical flooding areas within the Village. As funding becomes available through the Stormwater utility fee, the areas will be addressed according to the priorities as established in the Master Plan.

Cash Management Policies and Practices

The Village invests operating funds in an effort to earn a reasonable yield on its portfolio. This is consistent with the Village's primary objective of safeguarding public assets by minimizing the level of credit and market risks assumed. The investment priority is safety of capital, liquidity of funds and investment income, in that order. The Village's investment policy is consistent with local government investment policies delineated in Chapter 218 F.S. The Village currently keeps a \$2.5 million cash reserve for cash flow and emergencies.

Pension Benefits

The Village of Palmetto Bay maintains a defined contribution pension plan with International City Managers' Association, Retirement Corporation (ICMA RC) for its full-time employees, created in accordance with Internal Revenue Code Section 401 (a). The Village automatically contributes 6% for all full-time employees. In addition, each employee can contribute up to 6% of their income with an equal match from the Village. The Village also sponsors a 457 deferred compensation plan, of which participation is voluntary.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palmetto Bay for its comprehensive annual financial report for the fiscal year ended September 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of the CAFR on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in preparation of this report. We also wish to recognize the assistance provided by the firm of Rachlin LLP.

In closing, the Mayor, Vice-Mayor and the Village Council, must also be credited for their leadership, and for maintaining the highest standards of professionalism in the management of the Village's finances.

Sincerely,



Ron E. Williams
Village Manager



Desmond Chin
Finance Director

Village of Palmetto Bay, Florida

ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2007

VILLAGE COUNCIL

Mayor	Eugene P. Flinn
Vice Mayor	Linda Robinson
Council Member	Ed Feller, M.D.
Council Member	Shelley Stanczyk
Council Member	Paul Neidhart

VILLAGE MANAGER

Ron E. Williams

VILLAGE ATTORNEY

Nagin Gallop Figueredo

VILLAGE CLERK

Meighan Rader

FINANCE DIRECTOR

Desmond Chin, CPA

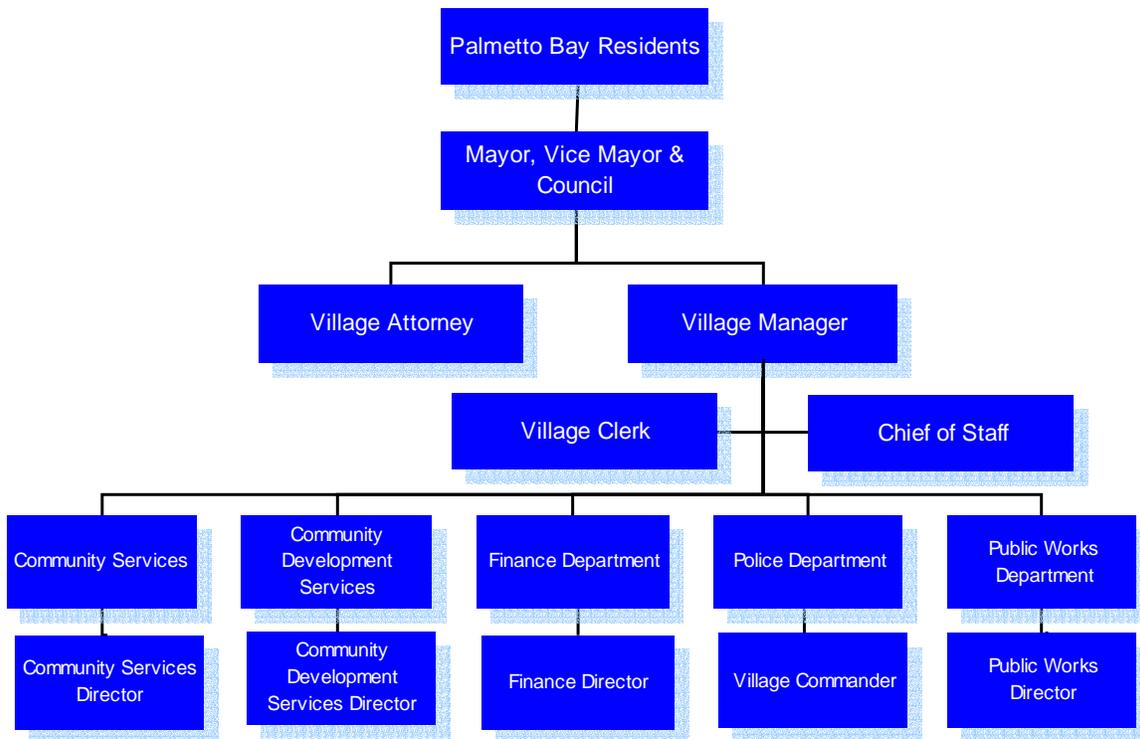
VILLAGE AUDITORS

Rachlin LLP
Accountants • Consultants

Village of Palmetto Bay, Florida

ORGANIZATION CHART

SEPTEMBER 30, 2007



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FINANCIAL SECTION

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Palmetto Bay, Florida (the Village), as of and for the year ended September 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida, as of September 30, 2007, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2008, on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain laws, regulations, grant agreements, contracts 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 other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida
Page Two

Management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 29 and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Rachlin LLP

Miami, Florida
February 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

Management's Discussion and Analysis

As management of the Village of Palmetto Bay (the Village), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village of Palmetto Bay for the fiscal year ended September 30, 2007.

Financial Highlights

- The assets of the Village of Palmetto Bay exceeded its liabilities at the close of the most recent fiscal year by \$38,882,165 (net assets). Of this amount, \$18,100,704 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$20,781,461 is comprised of capital assets net of related debt \$19,661,211 and restricted assets \$1,120,250.
- The Village's total net assets increased by \$6,434,788. This increase is attributable to excess revenues over expenses for fiscal year 2007.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$19,299,680, an increase of \$1,589,898 in comparison with the prior year. Approximately 86% of ending fund balance or \$16,546,476 is available for spending at the Village's discretion (*unreserved fund balance*).
- At the end of the reporting period, unreserved fund balance for the General Fund was \$5,016,169, or 45% of total General Fund expenditures.
- In fiscal year 2007 the Village of Palmetto Bay issued debt in the amount of \$2,500,000 for street sign replacement.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Palmetto Bay's basic financial statements. The Village of Palmetto Bay'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 Village of Palmetto Bay's finances, in a manner similar to a private sector business.

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

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

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

The government-wide financial statements include only the Village itself (known as the *primary government*) and can be found on pages 10 and 11 of this report.

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

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

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

The Village of Palmetto Bay maintains three major governmental funds: a general fund, a special revenue fund, and a capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balance.

The Village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget on page 29.

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

The Village has four non-major funds, the Palmetto Bay Foundation, Law Enforcement Forfeiture Fund, False Alarm and Stormwater Management. A description of the Foundation is found in the notes to the financial statements on page 15, and the combining statements can be found on pages 31 and 32.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15 to 28 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Village's case, assets exceeded liabilities by \$38,882,165 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$19,661,211 or 51%, reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Palmetto Bay uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Palmetto Bay reports its investment in capital assets net of related debt (\$9,937,929), it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets \$18,100,704 may be used to meet the government's ongoing obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

	September 30,	
	2007	2006
Current Assets	\$ 23,246,178	\$ 19,580,625
Capital Assets	29,515,305	22,424,240
Total Assets	52,761,483	42,004,865
Long-Term Liabilities Outstanding	9,549,641	7,494,368
Other Liabilities	4,329,677	2,063,120
Total Liabilities	13,879,318	9,557,488
Net Assets:		
Investment in Capital Assets, net of related debt	19,661,211	14,877,490
Restricted for:		
Law enforcement	8,903	9,053
Transportation	1,111,347	1,827,095
Unrestricted	18,100,704	15,733,739
Total Net Assets	\$ 38,882,165	\$ 32,447,377

At the end of the current fiscal year, the Village of Palmetto Bay is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

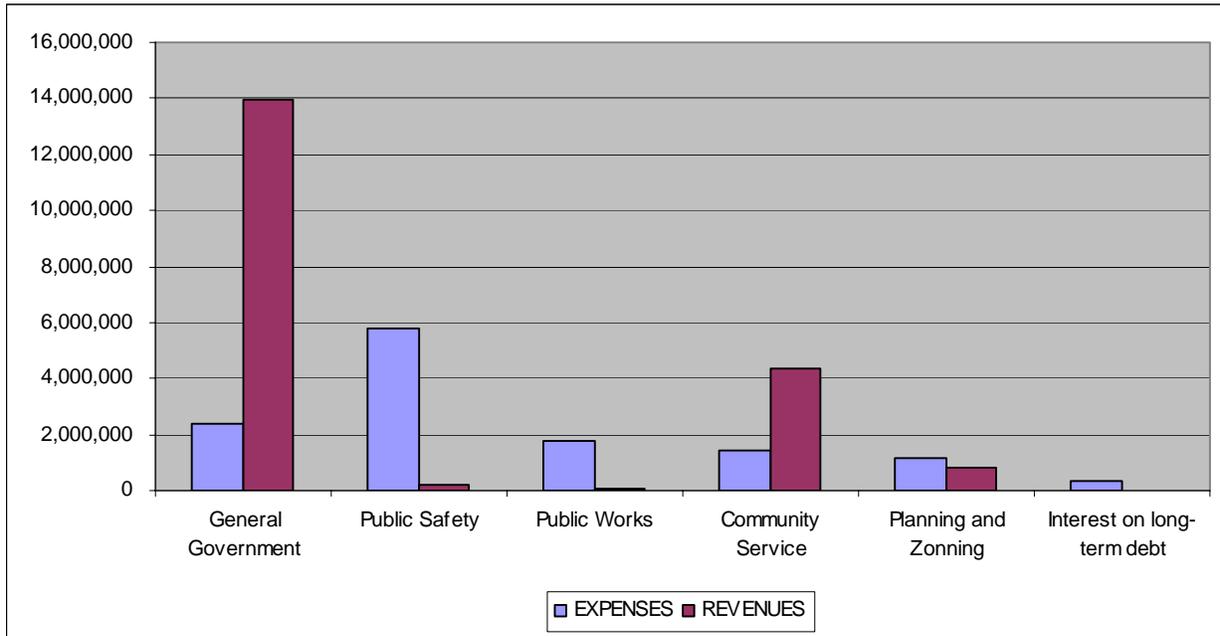
Governmental activities. The Village's net assets increased by \$6,434,788 during the current fiscal year. The increase is attributable mainly to a surplus in Governmental Funds in the amount of \$1,589,898, and capital expenditures net of depreciation in the amount of \$7,091,065, less new debt of \$2,500,000. Key elements of this increase are as follows:

Village of Palmetto Bay's Net Changes in Net Assets

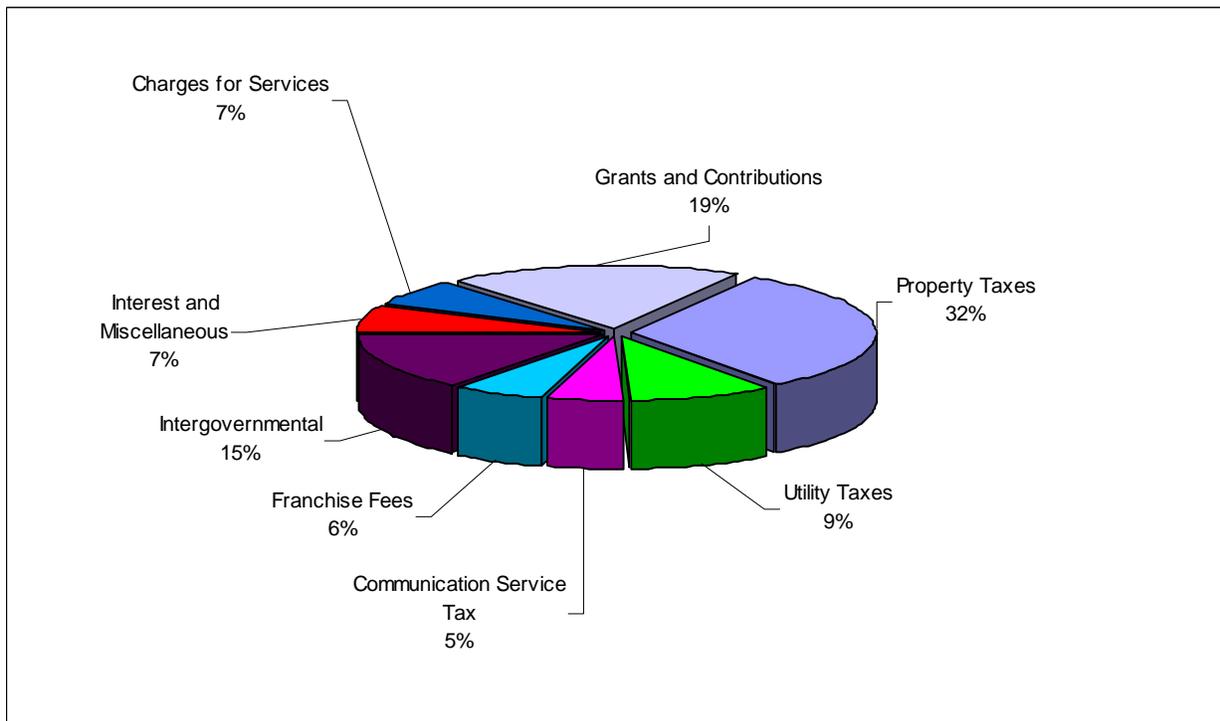
	Fiscal Year	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,746,091	\$ 1,354,536
Operating Grants and Contributions	117,453	605,000
Capital Grants and Contributions	3,717,497	6,277,311
General Revenues:		
Property Taxes	6,073,012	5,455,327
Utility Taxes	1,809,609	1,741,781
Communications Service Tax	932,032	910,766
Franchise Fees	1,169,359	837,003
Intergovernmental	2,797,044	3,011,956
Investment Income and Miscellaneous	1,006,442	626,776
Total Revenues	19,368,539	20,820,456
Expenses:		
General Government	2,385,824	3,734,061
Public Safety	5,805,170	5,953,233
Public Works	1,791,109	1,027,352
Community Services	1,411,155	1,286,162
Planning & Zoning	1,184,014	1,273,108
Interest on long-term debt	356,479	453,676
Total Expenses	12,933,751	13,727,592
Change in Net Assets	\$ 6,434,788	\$ 7,092,864

- Taxes of \$11,669,039 comprised 61% of total revenues in the current fiscal year. Most of this category is Property Taxes \$6,073,012. The Village reduced the millage rate to \$2.3736 from \$2.447 per \$1,000 of assessed taxable value for fiscal year 2007.
- Operating Grants, Capital Grants and Contributions accounted for \$4,586,542 (24%) of total revenues

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Village of Palmetto Bay's governmental funds reported combined ending fund balances of \$19,299,680, an increase of \$1,589,898 in comparison with the prior year. Approximately 86% of this amount or \$16,546,476 constitutes *unreserved fund balance*, which is available for spending at the Village's discretion.

The General Fund is the chief operating fund of the Village of Palmetto Bay. At the end of the current fiscal year fund balance of the general fund was \$7,769,373, \$5,016,169 of which was unreserved. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45% percent of total general fund expenditures, while total fund balance represents 69% percent of that same amount. The fund balance of the Village's general fund increased \$1,932,931 during the current fiscal year.

The Grant Fund is used to account for and track the expenditures of the approximately 14 grants, impact fees, and a Village funded Capital Improvements fund. The increase in fund balance of \$643,545 is mainly due to a transfer of \$1,042,000 for the Capital Improvements fund. The ending fund balance of \$3,278,340 is for funded projects which have not been completed, and \$1,000,000 set aside for Village Hall.

The Transportation Fund is used to account for the various fuel and transportation taxes that are restricted to the maintenance and improvement of the Village's roadways. The decrease in the ending fund balance by \$715,747 to \$1,111,347 is a result of traffic calming and drainage improvements.

The Capital Projects Fund is used to account for financial resources (usually when financed through borrowings or contributions) to be used for the acquisition or construction of major capital facilities. The ending fund balance of \$6,939,139 represents new financing of \$2,500,000 for the replacement of street signs and the unused financing the Village borrowed to renovate the Village's three main parks, and build a Village library.

General Fund Budgetary Highlights

Total surpluses from revenues \$435,223 and expenditures \$2,928,583 totaled \$3,363,806. After a transfer out of \$1,430,875 to the Grants Fund net surplus for the current fiscal year was \$1,932,931.

The most significant variances were in:

General Government - \$446,809, which was due mainly to unused contingencies as the community was fortunate to have weathered another hurricane season.

Public Safety - \$172,430, savings from personnel overtime as there was no state of emergencies declared this fiscal year.

Community Development - \$237,824, the Village's land development code was not fully adopted and so the related costs for implementation has been delayed.

Mitigation - \$1,634,097 the State of Florida passed legislation that forbids any County from charging mitigation for a Municipality to incorporate. That issue is being litigated.

Capital Assets and Debt Administration

Capital Assets. The Village of Palmetto Bay’s investment in capital assets as of September 30, 2007, amounted to \$29,515,305 (net of accumulated depreciation). This investment in capital assets includes land, buildings, street and sidewalk improvements, machinery, furniture and equipment. The Village’s investment in capital assets increased by \$7,091,065 in the current fiscal year.

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

- Palmetto Bay Park renovation (\$4,943,460).
- Perrine Wayside Dog Park renovation (\$435,527).
- Coral Reef Park renovation (\$432,591)
- Drainage improvements (\$602,332).
- Traffic calming (\$475,792)

VILLAGE OF PALMETTO BAY
Capital Assets (Net of Depreciation)

	September 30,	
	2007	2006
Governmental activities:		
Land	\$ 19,247,086	\$ 19,247,086
Construction in progress	6,428,019	406,935
Furniture and Equipment	568,544	490,899
Building	786,171	816,264
Improvements Other than Buildings	891,333	465,021
Infrastructure	1,594,152	998,035
Governmental activities Capital Assets, net	\$ 29,515,305	\$ 22,424,240

Additional information on the Village’s capital assets can be found in note 5 on pages 21-22 of this report.

Long-term Debt. At the end of the current fiscal year, the Village of Palmetto Bay had total debt outstanding of \$9,841,504. The total debt is backed by the full faith and credit of the Village for which the Village is liable in the unlikely event of default.

Village of Palmetto Bay’s Outstanding Debt
Promissory Notes and Revenue Bonds

	September 30,	
	2007	2006
Promissory Note	\$ 8,376,504	\$ 6,000,000
Revenue Bond	1,465,000	1,495,000
Total	\$ 9,841,504	\$ 7,495,000

The Village of Palmetto Bay’s total debt increased by \$2,500,000 during the current fiscal year. The increase is due to the issuance of a promissory note to replace street signs through out the Village. There were two other debt issues outstanding at the end of the fiscal year; Florida Municipal Loan Council Revenue Bond Series 2005D (Village Library) \$1,465,000 and Promissory Note Series 2006 (Park Renovation) \$5,876,504.

Additional information on the Village of Palmetto Bay’s long-term debt can be found in note 6 pages 22-24.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2007 was 4.1 percent, which represents a slight increase from a rate of 4.0 percent the previous year. This compares favorably to the state's average unemployment rate of 4.3 percent and the national average rate of 4.5 percent in September 2007. The unemployment rate of the Village of Palmetto Bay is generally lower than the County. (Source: Florida Research and Economic Database - Labor Market Statistics.)
- Inflationary trends in the County are approximately 1.7% higher than the national average.
- With Florida leading the nation in foreclosures and most in southeastern Florida, the Village of Palmetto Bay has not followed that trend as the Village is an older more stable community.

All of these factors were considered in preparing the Village's budget for the 2008 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$7,769,373. The Village of Palmetto Bay has appropriated \$1,063,751 of this amount for capital projects in the 2008 fiscal year budget. The Village of Palmetto Bay kept the millage rate at 2.3736 as the Village was exempt from Florida Legislator's bill HB1B which required the reduction of millage rates.

Requests for Information

This financial report is designed to provide a general overview of the Village of Palmetto Bay's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 8950 S.W. 152nd Street, Palmetto Bay, Florida 33157.

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BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 19,840,150
Receivables, net	143,240
Due from other governments	3,232,407
Prepaid assets	100
Deferred charges	30,281
Capital assets not being depreciated	25,675,105
Capital assets being depreciated, net	<u>3,840,200</u>
Total assets	<u>52,761,483</u>
<u>LIABILITIES</u>	
Accounts payable	3,831,824
Accrued liabilities	58,388
Due to other governments	785
Unearned revenue	46,525
Bond premium	3,867
Noncurrent liabilities:	
Due in one year	388,288
Due in more than one year	<u>9,549,641</u>
Total liabilities	<u>13,879,318</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	19,661,211
Restricted for:	
Law enforcement	8,903
Transportation	1,111,347
Unrestricted	<u>18,100,704</u>
Total net assets	<u>\$ 38,882,165</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes in <u>Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u> <u>Capital Grants and Contributions</u>	
Governmental activities:				
General government	\$ 2,385,824	\$ 98,868	\$ 57,342	\$ (2,229,614)
Public safety	5,805,170	196,038	-	(5,609,132)
Public works	1,791,109	-	60,111	(1,730,998)
Community service	1,411,155	634,902	3,717,497	2,941,244
Planning and zoning	1,184,014	816,283	-	(367,731)
Interest on long-term debt	356,479	-	-	(356,479)
Total governmental activities	\$ 12,933,751	\$ 1,746,091	\$ 3,717,497	\$ (7,352,710)
General revenues:				
Real and personal property taxes				6,073,012
Communication service tax				932,032
Franchise fees based on gross receipts				1,169,359
Utility taxes				1,809,609
Unrestricted intergovernmental				2,797,044
Unrestricted interest earnings				979,743
Miscellaneous				26,699
Total general revenues				13,787,498
Change in net assets				6,434,788
Net assets, beginning				32,447,377
Net assets, ending				\$ 38,882,165

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>General</u>	<u>Grants Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS						
Assets:						
Cash	\$ 7,167,671	\$ 2,606,320	\$ 1,093,493	\$ 8,871,784	\$ 100,882	\$ 19,840,150
Accounts receivable	12,521	-	-	-	130,719	143,240
Due from other funds	69,139	587,729	-	-	2,771	659,639
Due from other governments	849,487	1,467,901	192,494	722,525	-	3,232,407
Prepaid items	100	-	-	-	-	100
Total assets	<u>\$ 8,098,918</u>	<u>\$ 4,661,950</u>	<u>\$ 1,285,987</u>	<u>\$ 9,594,309</u>	<u>\$ 234,372</u>	<u>\$ 23,875,536</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 288,906	\$ 1,341,110	\$ 174,640	\$ 2,004,933	\$ 22,235	\$ 3,831,824
Accrued liabilities	37,083	-	-	-	-	37,083
Due to other governments	785	-	-	-	-	785
Deferred revenue	-	42,500	-	-	4,025	46,525
Due to other funds	2,771	-	-	650,237	6,631	659,639
Total liabilities	<u>329,545</u>	<u>1,383,610</u>	<u>174,640</u>	<u>2,655,170</u>	<u>32,891</u>	<u>4,575,856</u>
Fund balances:						
Reserved for:						
Prepaid items	100	-	-	-	-	100
Subsequent year expenditures	1,125,418	-	-	-	-	1,125,418
Mitigation	1,627,686	-	-	-	-	1,627,686
Unreserved recorded in:						
General fund	5,016,169	-	-	-	-	5,016,169
Special revenue funds	-	3,278,340	1,111,347	-	201,481	4,591,168
Capital projects fund	-	-	-	6,939,139	-	6,939,139
Total fund balances	<u>7,769,373</u>	<u>3,278,340</u>	<u>1,111,347</u>	<u>6,939,139</u>	<u>201,481</u>	<u>19,299,680</u>
Total liabilities and fund balances	<u>\$ 8,098,918</u>	<u>\$ 4,661,950</u>	<u>\$ 1,285,987</u>	<u>\$ 9,594,309</u>	<u>\$ 234,372</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,515,305
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,937,929)
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.	
The details of the difference are as follows:	
Accrued interest on bonds	(21,305)
Bond issue costs	30,281
Bond premium	(3,867)
Net assets of governmental activities	<u>\$ 38,882,165</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>General</u>	<u>Grants Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Real and personal property taxes	\$ 6,073,012	\$ -	\$ -	\$ -	\$ -	\$ 6,073,012
Utility taxes	1,809,609	-	-	-	-	1,809,609
Communication service tax	932,032	-	-	-	-	932,032
Franchise fees	1,169,359	-	-	-	-	1,169,359
Intergovernmental	2,854,386	1,614,714	951,156	630,624	-	6,050,880
Licenses and permits	915,151	-	-	-	-	915,151
Impact fees	-	60,111	-	-	-	60,111
Fines and forfeitures	196,038	-	-	-	-	196,038
Charges for services	178,217	-	-	-	456,685	634,902
Interest	412,596	181,393	-	385,744	10	979,743
Miscellaneous	20,594	300,150	5,671	-	284	326,699
Total revenues	<u>14,560,994</u>	<u>2,156,368</u>	<u>956,827</u>	<u>1,016,368</u>	<u>456,979</u>	<u>19,147,536</u>
Expenditures:						
Current:						
General government	2,168,126	352	-	10,000	-	2,178,478
Public safety	5,763,986	-	-	-	174	5,764,160
Public works	388,176	83,402	855,055	-	76,392	1,403,025
Community service	1,019,301	-	-	-	-	1,019,301
Planning and zoning	1,178,705	-	-	-	-	1,178,705
Mitigation/QNIP	190,072	-	-	-	-	190,072
Capital outlay	67,218	2,471,069	1,206,394	3,833,678	189,802	7,768,161
Debt service:						
Principal payments	153,496	-	-	-	-	153,496
Interest expense	268,108	-	-	134,132	-	402,240
Total expenditures	<u>11,197,188</u>	<u>2,554,823</u>	<u>2,061,449</u>	<u>3,977,810</u>	<u>266,368</u>	<u>20,057,638</u>
Excess (deficiency) of revenues over expenditures	<u>3,363,806</u>	<u>(398,455)</u>	<u>(1,104,622)</u>	<u>(2,961,442)</u>	<u>190,611</u>	<u>(910,102)</u>
Other financing sources (uses):						
Transfers in	-	1,042,000	388,875	-	-	1,430,875
Transfers out	(1,430,875)	-	-	-	-	(1,430,875)
Bonds issued	-	-	-	2,500,000	-	2,500,000
Total other financing sources (uses)	<u>(1,430,875)</u>	<u>1,042,000</u>	<u>388,875</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Net change in fund balances	1,932,931	643,545	(715,747)	(461,442)	190,611	1,589,898
Fund balances, beginning	<u>5,836,442</u>	<u>2,634,795</u>	<u>1,827,094</u>	<u>7,400,581</u>	<u>10,870</u>	<u>17,709,782</u>
Fund balances, ending	<u>\$ 7,769,373</u>	<u>\$ 3,278,340</u>	<u>\$ 1,111,347</u>	<u>\$ 6,939,139</u>	<u>\$ 201,481</u>	<u>\$ 19,299,680</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2007

Amounts reported for governmental activities in the statement
of activities (Page 11) are different because:

Net change in fund balances - total government funds (Page 13)	\$ 1,589,898
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives. This is the amount
by which capital outlay exceeds depreciation in the current period:

Details of the difference are as follows:

Expenditures for capital outlays	\$ 7,369,931	
Depreciation expense	<u>(278,866)</u>	7,091,065

In the year of acquisition, governmental funds report the
acquisition of capital leases as an expenditure as well as an
other financing source. Repayment of capital lease principal
is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets.

Details of the difference are as follows:

Bonds issued	(2,500,000)	
Principal payments on debt	153,496	
Principal payments on capital leases	<u>30,103</u>	(2,316,401)

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:

Details of the difference are as follows:

Change in accrued interest on debt	45,761	
Change in compensated absences	25,408	
Amortization of bond issue costs	(1,081)	
Amortization of bond premium	<u>138</u>	<u>70,226</u>

Change in net assets of governmental activities (Page 11)	<u>\$ 6,434,788</u>
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See notes to basic financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Palmetto Bay, Florida (the Village) was incorporated on September 10, 2002. The Village operates under a Council-Manager form of government. In addition to the general government function, the Village provides its residents with public safety (police), public works, community service and planning and zoning. The Village does not provide educational or water and sewer, solid waste or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

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

A. Financial Reporting Entity

The financial statements were prepared in accordance with 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 Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village.

Component units are included in the reporting entity either as blended or as discretely presented. Blended component units, although legally separate entities, are, in substance, part of the Village's operations. Accordingly, data from these component units are combined with data of the primary government.

Based upon the application of the criteria described above, the financial activity of the blended component unit listed below has been included in the Village's financial reporting entity. The Board of Directors of the Foundation are the same individuals as the Village of Palmetto Bay Council.

1. The Palmetto Bay Foundation, Inc. (the Foundation) was created on December 6, 2004 for the purpose of enhancing and preserving the history of Palmetto Bay. The Foundation is a not-for-profit (501(c)(3)) corporation using a calendar year end. Revenues consist primarily of donations and investment income. The Foundation articles restrict the use of the funds to charitable, educational or scientific purposes.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Village does not have any business-type activities.

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

Separate financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

The *Grants Fund* accounts for all grant monies and the related program income from federal, state and local agency grants.

The *Transportation Fund* accounts for the revenues received from the transportation surtax and new local option gas tax and expenditures for related transportation costs.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital facilities.

The Village also reports the following fund types:

Special Revenue Funds account for monies received which are to be used in accordance with the funds stated purposes. These are included under the heading of other governmental funds.

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Use of Estimates

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Capital Assets

Capital assets, which include land, buildings and furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 they are completed.

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

	<u>Estimated Useful Lives (Years)</u>
Furniture and equipment	5-20
Buildings	30
Leasehold improvements	10
Infrastructure	30

3. Compensated Absences

The Village's policy is to permit employees to accumulate earned but unused sick and vacation pay benefits, limited to certain maximums, based on length of service. For certain employees, the Village also grants compensation time. All vacation, sick and compensated pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the governmental funds, compensated absences are liquidated by the general fund.

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. 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. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Long-term Obligations (Continued)

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

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, where noted, represent tentative management plans that are subject to change.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fund Deficit

The False Alarm special revenue fund had an unreserved and undesignated deficit of \$20,324. The Village will eliminate this deficit with revenues received in the subsequent year.

NOTE 3. PROPERTY TAXES

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

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Village for its share of those receipts. At September 30, 2007, there were no material delinquent taxes.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

The Village is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed.

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The SBA investment pool is recorded at its value of the pool shares (2a-7 pool) which is par value.

Credit Risk

The Village has an investment policy that limits investments to the highest ratings by a nationally recognized statistical rating organizations (NRSRO). The SBA does not have a rating from a NRSRO. This is the only external investment pool that the Village can invest in (see Note 10).

Concentration and Interest Rate Risk

Per GASB 40 paragraph 15, concentration and interest rate risk for external 2a-7 like investment pools and exempt from disclosure.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 68,658
General Fund	Other nonmajor funds	481
Grants Fund	Other nonmajor funds	6,150
Grants Fund	Capital Projects Fund	581,579
Other non major funds	General Fund	<u>2,771</u>
Total		<u>\$ 659,639</u>

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

Transfers

Transfers of \$1,042,000 from the general fund to the grants fund are used to transfer unrestricted general fund revenues to finance various projects in accordance with budgetary authorizations. Transfers of \$388,875 from the general fund to the transportation fund are used to transfer the remaining amount of the prior year allocation of transportation funds.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 19,247,086	\$ -	\$ -	\$ 19,247,086
Construction in progress	<u>406,935</u>	<u>6,058,584</u>	<u>37,500</u>	<u>6,428,019</u>
Total capital assets not being depreciated	<u>19,654,021</u>	<u>6,058,584</u>	<u>37,500</u>	<u>25,675,105</u>
Capital assets being depreciated:				
Furniture and equipment	684,340	213,878	-	898,218
Buildings	902,799	-	-	902,799
Improvements other than buildings	489,496	473,864	-	963,360
Infrastructure	<u>1,032,450</u>	<u>661,105</u>	-	<u>1,693,555</u>
Total capital assets being depreciated	<u>3,109,085</u>	<u>1,348,847</u>	-	<u>4,457,932</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Furniture and equipment	193,441	136,233	-	329,674
Buildings	86,535	30,093	-	116,628
Improvements other than buildings	24,475	47,552	-	72,027
Infrastructure	34,415	64,988	-	99,403
Total accumulated depreciation	338,866	278,866	-	617,732
Total capital assets, being depreciated, net	2,770,219	1,069,981	-	3,840,200
Governmental activities capital assets, net	\$22,424,240	\$7,128,565	\$ 37,500	\$29,515,305

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

General government	\$ 21,842
Public safety	20,710
Public works	138,084
Community service	92,921
Planning and zoning	5,309
Total depreciation expense - governmental activities	\$278,866

NOTE 7. LONG-TERM DEBT

Long-term liability activity for the period ended September 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
FMLC Bonds	\$1,495,000	\$ -	\$ 30,000	\$1,465,000	\$ 30,000
Bond Premium	4,005	-	138	3,867	-
	1,499,005	-	30,138	1,468,867	30,000
Less deferred amounts:					
Unamortized issue cost	31,362	-	1,081	30,281	-
Total bonds payable	1,467,643	-	29,057	1,438,586	30,000
Promissory note, 2006	6,000,000	-	123,496	5,876,504	103,001
Promissory note, 2007	-	2,500,000	-	2,500,000	166,788
Capital leases	69,107	-	30,103	39,004	31,078
Compensated absences	82,829	57,421	82,829	57,421	57,421
Long-term liabilities	\$7,619,579	\$2,557,421	\$ 265,485	\$9,911,515	\$ 388,288

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Capital Leases

The Village has entered into lease agreements for the financing of equipment. Future minimum lease and the present value of net minimum lease payments at September 30, 2007 are as follows:

Fiscal year ending September 30:	
2008	\$ 31,956
2009	<u>7,989</u>
Total minimum lease payments	39,945
Less amount representing interest	<u>(941)</u>
Present value of minimum lease payments	<u>\$ 39,004</u>

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 198,298
Less accumulated depreciation	<u>100,667</u>
Total	<u>\$ 97,631</u>

Florida Municipal Loan Council Revenue Bonds Series 2005D

During fiscal year 2005, the Village issued Florida Municipal Loan Council Revenue Bonds, Series 2005D for the principal amount of \$1,495,000. The bonds carry a premium of \$4,143. The proceeds will be used for the purpose of constructing a library building and funding the interest on the bonds until April 1, 2006. The bonds are payable over 30 years with principal amounts ranging from \$30,000 to \$90,000 and interest payments ranging from 3% to 5%.

The amortization of the remaining \$1,465,000 obligation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2008	\$ 30,000	\$ 63,170	\$ 93,170
2009	30,000	62,194	92,194
2010	30,000	61,220	91,220
2011	30,000	60,290	90,290
2012	35,000	59,314	94,314
2013-2017	185,000	278,096	463,096
2018-2022	225,000	238,600	463,600
2023-2027	285,000	180,050	465,050
2028-2032	360,000	107,548	467,548
2033-2036	<u>255,000</u>	<u>23,398</u>	<u>278,398</u>
Total	<u>\$ 1,465,000</u>	<u>\$ 1,133,880</u>	<u>\$ 2,598,880</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. LONG-TERM DEBT (Continued)

Promissory Note, Series 2006

During fiscal year 2006, the Village issued a Promissory Note, Series 2006 for the principal amount of \$6,000,000. The proceeds will be used for land purchases and park improvements. The note is due in 15 years with a 30 year amortization. The Village has an option to refinance the note for another fifteen years. Payments of \$91,150 are due quarterly through June 2021 at which time a balloon payment of approximately \$3,900,000 is due. Payments include interest at 4.48%.

The amortization of the \$6,000,000 note is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2008	\$ 103,001	\$ 261,599	\$ 364,600
2009	107,695	256,905	364,600
2010	112,601	251,999	364,600
2011	117,731	246,869	364,600
2012	123,094	241,507	364,601
2013-2017	704,881	1,118,127	1,823,008
2018-2021	4,607,501	725,405	5,332,906
Total	<u>\$5,876,504</u>	<u>\$3,102,411</u>	<u>\$8,978,915</u>

Promissory Note, Series 2007

During fiscal year 2007, the Village issued a Promissory Note for the principal amount of \$2,500,000. The proceeds will be used for the manufacture and installation of street signs throughout the Village. The note is due in 12 years and requires quarterly payments of \$66,467 through August 2019 at which time it will be paid in full. Payments include interest of 3.90%.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2008	\$ 166,788	\$ 102,663	\$ 269,451
2009	173,388	88,480	261,868
2010	180,250	81,618	261,868
2011	187,383	74,484	261,867
2012	194,798	67,069	261,867
2013-2017	1,095,911	213,431	1,309,342
2018-2019	501,482	22,252	523,734
Total	<u>\$2,500,000</u>	<u>\$ 649,997</u>	<u>\$3,149,997</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. DEFINED CONTRIBUTION PLAN

The Village provides retirement benefits for full time employees through a money purchase plan (a defined contribution plan). The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of the employees are tax deferred until the time of withdrawal. The Plan is administered by ICMA Retirement Corporation. Amendments to the Plan are authorized by the Village Council. The contribution plan was established pursuant to Resolution 03-82 adopted on October 7, 2003 by the Village Council.

Plan benefits depend solely on amounts contributed to the Plan, plus investment earnings, less administrative expenses. The Village's contribution for participating employees is 6% of the employees' gross salary. Plan members may contribute up to 6% of the Plan member's gross salary and receive matching from the Village for a total Village contribution of up to 12% of the member's salary. Employees are fully vested after 5 years of service. The Village contributed \$129,838 for the year ended September 30, 2007.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Municipal Service Trust Fund

The Village is required to contribute municipal property tax revenues into a municipal service Trust Fund (MSTF) of the County. The MSTF will be utilized by the County to (1) maintain police services in the unincorporated areas proximate to the Village; and (2) to provide a municipal assistance retainer enabling the Village to obtain certain advice, expertise, training, financial planning and technological services, and other assistance from the County. The contribution ("Mitigation Payment") will vary yearly and is based on the Consumer Price Index and other calculations. The Mitigation Payment totaling \$1,627,686 for the year ended September 30, 2007, was not paid pending the outcome of litigation involving the legality of the payment.

Quality Neighborhood Improvement Program (QNIP)

The Village is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 issued prior to the Village's incorporation. The payment for the period ended September 30, 2007 was approximately \$190,000. The balance of the remaining payments are estimated to be relatively the same per year until the debt is liquidated in fiscal year 2023-2024.

Litigation

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Village carries commercial insurance. There were no settlements that exceeded coverage during the last three years.

Agreement with Miami-Dade County for Local Police Patrol Services

On May 5, 2003, the Village executed an agreement with Miami-Dade County for local police patrol services. The Village makes regular monthly installments to the County. Payments are adjusted to accrue labor costs incurred and deducted from the gross revenues due the Village from Miami-Dade County. Payments for the services provided by the County are based on the level of staffing services requested by the Village utilizing the actual personnel costs of officers and equipment. The initial term of the agreement expired on June 30, 2006 and a new agreement for three years was entered into on March 6, 2007 effective June 30, 2006. Payments for patrol services totaled approximately \$5,431,000 during fiscal year ended September 30, 2007.

Agreement with Miami-Dade County for Specialized Police Services

Effective June 1, 2003, the Village executed an agreement with Miami-Dade County for specialized police services. The payment for specialized police services during fiscal year ended September 30, 2007 was approximately \$233,000. A payment credit is provided to the Village based on the contribution made by Village residents in their countywide millage for specialized police services. This ensures that there is no double taxation to the residents of the Village. Payments for the services provided by the County for subsequent fiscal years shall be determined by the County based on factors detailed in the agreement. The initial term of the agreement expires in three years, unless otherwise terminated in accordance with the agreement, the agreement is automatically renewed for consecutive three year terms in perpetuity.

Operating Lease

On March 14, 2003, the Village executed a lease agreement for office space from May 1, 2003 for a period of ten years. An addendum to this agreement was executed on August 29, 2003 to provide for additional office space starting November 1, 2003. The Village is paying a base rent of \$12,161 per month, the current monthly payment is \$13,377. The lease is subject to a 10% rental increase on each three year anniversary. Utilities are not included in the rent.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 9. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease (Continued)

The future minimum lease payments for this lease are as follows:

Year ending September 30:	
2008	\$ 160,521
2009	167,209
2010	176,573
2011	176,573
2012	183,930
2013	194,230
Total	<u>\$ 1,059,036</u>

Construction Commitments

The Village had construction commitments outstanding at September 30, 2007 in the amount of approximately \$6,137,000 for park projects.

NOTE 10. SUBSEQUENT EVENTS

Local Government Surplus Trust Fund Investment Pool

As discussed in Note 4, September 30, 2007, the Village had \$6,118,725 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from BlackRock, an independent investment advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of top-tier money market assets of the highest quality, while Pool B contained assets that either defaulted on a payment, paid more slowly than expected, or had significant credit or liquidity risk. Pool A represented about 86%, or approximately \$12 billion, of the pool assets and Pool B was approximately \$2 billion (or 14% of the pool assets). On December 21, 2007, Standard and Poor's, Ratings Services assigned its "AAAm" principal stability fund rating to Pool A. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

Currently, Pool A participants may withdraw 37% of their balance or \$4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 10. SUBSEQUENT EVENTS (Continued)

Local Government Surplus Trust Fund Investment Pool (Continued)

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. However, cash holdings are being distributed to participants as they become available from maturities, sales, interest and principal payments as a transfer from Pool B to Pool A participant accounts in proportion to original adjusted Pool B balances. To date, approximately \$570 million has been transferred from Pool B to Pool A, and this is not subject to withdrawal restrictions. The most current holdings report, dated February 18, 2008, indicates an approximately \$1.5 billion par value on Pool B assets. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of the January 31, 2008 pool statements, the Village had \$1,298,895 and \$808,337 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Property Tax Amendment

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 during 2007. With respect to homesteaded property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$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 savings of \$240 for the 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 homesteaded property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homesteaded property (businesses, industrial property, rental property, second homes, etc.), Amendment 1 limits (caps) the annual increase in assessed value 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-homesteaded property, which becomes effective on January 1, 2009.

Based on information received from the 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 \$390,000 million. At present, there is no accurate way to determine the impact of the portability and assessment cap on non-homesteaded property in terms of potential loss of property tax revenues.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final Budget - Positive (Negative)
Revenues:				
Real and personal property taxes	\$ 6,025,316	\$ 6,025,316	\$ 6,073,012	\$ 47,696
Utility taxes	1,685,000	1,685,000	1,809,609	124,609
Communication service tax	1,158,000	1,158,000	932,032	(225,968)
Franchise fees	840,000	840,000	1,169,359	329,359
Intergovernmental	2,895,355	2,895,355	2,854,386	(40,969)
Licenses and permits	1,121,600	1,121,600	915,151	(206,449)
Impact fees	2,000	2,000	-	(2,000)
Fines and forfeitures	268,500	268,500	196,038	(72,462)
Charges for services	75,000	75,000	178,217	103,217
Interest	250,000	250,000	412,596	162,596
Other	5,000	5,000	20,594	15,594
Revenue contingency	(200,000)	(200,000)	-	200,000
Total revenues	<u>14,125,771</u>	<u>14,125,771</u>	<u>14,560,994</u>	<u>435,223</u>
Expenditures:				
Current:				
General government:				
Village council	171,148	171,148	137,923	33,225
Village manager/clerk	616,784	616,784	558,822	57,962
Finance department	261,053	261,053	222,637	38,416
Village Attorney	240,000	251,261	251,261	-
Other general government	<u>1,310,582</u>	<u>1,314,689</u>	<u>997,483</u>	<u>317,206</u>
Total general government	2,599,567	2,614,935	2,168,126	446,809
Public safety	5,936,416	5,936,416	5,763,986	172,430
Public works	534,303	534,303	388,176	146,127
Community services	1,122,114	1,123,119	1,019,301	103,818
Community development (planning/zoning)	1,418,329	1,416,529	1,178,705	237,824
Mitigation/QNIP	1,824,169	1,824,169	190,072	1,634,097
Capital outlay	230,058	214,453	67,218	147,235
Debt service:				
Principal payments	152,464	153,496	153,496	-
Interest expense	<u>308,351</u>	<u>308,351</u>	<u>268,108</u>	<u>40,243</u>
Total expenditures	<u>14,125,771</u>	<u>14,125,771</u>	<u>11,197,188</u>	<u>2,928,583</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,363,806</u>	<u>3,363,806</u>
Other financing sources (uses):				
Transfers out	(1,430,875)	(1,430,875)	(1,430,875)	-
Appropriation of prior years' fund balance	<u>1,430,875</u>	<u>1,430,875</u>	<u>-</u>	<u>(1,430,875)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,430,875)</u>	<u>(1,430,875)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,932,931</u>	<u>\$ 1,932,931</u>

See note to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2007

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States. Special Revenue Funds do not have adopted budgets.

- (1) Prior to fiscal year end, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances. Budgetary control over expenditures, including capital outlay and operating transfers in the General Fund is legally maintained at the departmental level.
- (2) Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
- (3) Prior to September 30th (unless preempted by TRIM) as stated in the Village's Charter, the budget is legally enacted through passage of an ordinance.
- (4) The Village Manager may at any time transfer any unencumbered appropriated balance or portion thereof between general classifications of expenditures within an office, department or agency. At the request of the Village Manager and within the last three months of the budget year, the Council may by ordinance transfer any unencumbered appropriated balance or portion thereof, from one office, department or agency to another.
- (5) Budgeted amounts are as originally adopted or as amended. No significant revisions to the budget were required in 2007.
- (6) Unencumbered appropriations lapse at year-end.

COMBINING STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

	<u>Palmetto Bay Foundation (1)</u>	<u>Law Enforcement Trust Fund</u>	<u>False Alarm</u>	<u>Stormwater Management</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 2,111	\$ 9,053	\$ 1,326	\$ 88,392	\$ 100,882
Accounts receivable	-	-	-	130,719	130,719
Due from other funds	-	-	2,675	96	2,771
Total assets	<u>\$ 2,111</u>	<u>\$ 9,053</u>	<u>\$ 4,001</u>	<u>\$ 219,207</u>	<u>\$ 234,372</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 14,300	\$ 7,935	\$ 22,235
Deferred revenue	-	-	4,025	-	4,025
Due to other funds	-	150	6,000	481	6,631
Total liabilities	<u>-</u>	<u>150</u>	<u>24,325</u>	<u>8,416</u>	<u>32,891</u>
 Fund balances (deficit):					
Unreserved	<u>2,111</u>	<u>8,903</u>	<u>(20,324)</u>	<u>210,791</u>	<u>201,481</u>
Total liabilities and fund balances	<u>\$ 2,111</u>	<u>\$ 9,053</u>	<u>\$ 4,001</u>	<u>\$ 219,207</u>	<u>\$ 234,372</u>

(1) Amounts reflected as of December 31, 2007, the date of the latest foundation year.

VILLAGE OF PALMETTO BAY, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2007

	Palmetto Bay Foundation (1)	Law Enforcement Trust Fund	False Alarm	Stormwater Management	Total Nonmajor Governmental Funds
Revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ 456,685	\$ 456,685
Donations	284	-	-	-	284
Interest	<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
Total revenues	<u>294</u>	<u>-</u>	<u>-</u>	<u>456,685</u>	<u>456,979</u>
Expenditures:					
Current:					
Public safety	-	150	24	-	174
Public works	-	-	-	76,392	76,392
Capital outlay	<u>-</u>	<u>-</u>	<u>20,300</u>	<u>169,502</u>	<u>189,802</u>
Total expenditures	<u>-</u>	<u>150</u>	<u>20,324</u>	<u>245,894</u>	<u>266,368</u>
Net change in fund balances	294	(150)	(20,324)	210,791	190,611
Fund balances, beginning	<u>1,817</u>	<u>9,053</u>	<u>-</u>	<u>-</u>	<u>10,870</u>
Fund balances (deficit), ending	<u>\$ 2,111</u>	<u>\$ 8,903</u>	<u>\$ (20,324)</u>	<u>\$ 210,791</u>	<u>\$ 201,481</u>

(1) Amounts reflected as of December 31, 2007, the date of the latest foundation year.

STATISTICAL SECTION

Statistical Section

This part of the Village of Palmetto Bay's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the Village's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	33-36
Revenue Capacity	
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	37-40
Debt Capacity	
These schedules represent information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	41-42
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village financial activities take place.	45-46
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial reports relates to the services the Village provides and the activities it performs.	47-49

VILLAGE OF PALMETTO BAY, FLORIDA

Net Assets by Component
Last Five Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities:					
Investment in capital assets, net of related debt	\$ 36,174	\$ 15,972,947	\$ 14,184,649	\$ 14,877,490	\$ 19,661,211
Restricted	-	-	1,298,518	1,836,148	1,120,250
Unrestricted	<u>4,417,263</u>	<u>6,199,324</u>	<u>9,894,528</u>	<u>15,733,739</u>	<u>18,100,704</u>
Total governmental activities net asset	<u>\$ 4,453,437</u>	<u>\$ 22,172,271</u>	<u>\$ 25,377,695</u>	<u>\$ 32,447,377</u>	<u>\$ 38,882,165</u>

Note: There are no business-type activities.

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

VILLAGE OF PALMETTO BAY, FLORIDA

Changes in Net Assets
Last Five Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
General government	\$ 3,025,208	\$ 3,156,184	\$ 3,929,899	\$ 3,734,061	\$ 2,385,824
Public safety	3,292,636	4,600,142	5,075,834	5,953,233	5,805,170
Public works	190,219	607,009	799,823	1,027,352	1,791,109
Community services	694,497	671,670	738,130	1,286,162	1,411,155
Planning and zoning	65,918	909,235	1,164,167	1,273,108	1,184,014
Interest on long-term debt	-	-	19,150	453,676	356,479
Total governmental activities expenses	<u>7,268,478</u>	<u>9,944,240</u>	<u>11,727,003</u>	<u>13,727,592</u>	<u>12,933,751</u>
Program revenue:					
Governmental activities:					
Charge for services:					
General government	94,000	90,370	87,433	71,318	98,868
Public safety	137,944	116,650	168,660	208,917	196,038
Planning and zoning	60,828	586,450	807,796	989,290	816,283
Public works	-	-	-	-	456,685
Community services	-	57,714	101,229	85,011	178,217
Operating grants and contributions	-	3,142	2,621,678	605,000	117,453
Capital grants and contributions	<u>343,465</u>	<u>15,621,411</u>	<u>-</u>	<u>6,277,311</u>	<u>3,717,497</u>
Total governmental activities programs revenues	<u>636,237</u>	<u>16,475,737</u>	<u>3,786,796</u>	<u>8,236,847</u>	<u>5,581,041</u>
Net (expense) revenue:					
Governmental activities	<u>(6,632,241)</u>	<u>6,531,497</u>	<u>(7,940,207)</u>	<u>(5,490,745)</u>	<u>(7,352,710)</u>
General revenues and other changes in net assets:					
Governmental activities:					
Taxes:					
Property taxes	4,224,785	4,465,261	4,883,257	5,455,327	6,073,012
Communication taxes	1,470,541	795,085	1,059,858	910,766	932,032
Franchise taxes	900,000	800,967	828,052	837,003	1,169,359
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609
Unrestricted intergovernmental revenue	2,094,780	3,424,556	2,246,412	3,011,956	2,797,044
Unrestricted investment earnings	46,906	77,050	208,533	531,872	979,743
Miscellaneous	<u>4,060</u>	<u>879</u>	<u>245,432</u>	<u>94,904</u>	<u>26,699</u>
Total governmental activities	<u>11,085,678</u>	<u>11,187,337</u>	<u>11,145,631</u>	<u>12,583,609</u>	<u>13,787,498</u>
Change in net asset:					
Governmental activities	<u>4,453,437</u>	<u>17,718,834</u>	<u>3,205,424</u>	<u>7,092,864</u>	<u>6,434,788</u>
Total primary government	<u>\$ 4,453,437</u>	<u>\$ 17,718,834</u>	<u>\$ 3,205,424</u>	<u>\$ 7,092,864</u>	<u>\$ 6,434,788</u>

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

VILLAGE OF PALMETTO BAY, FLORIDA

Fund Balances, Governmental Funds

Last Five Fiscal Years¹

(modified accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund:					
Reserved	\$ -	\$ -	\$ 100	\$ 100	\$ 2,753,204
Unreserved	3,989,133	5,479,997	5,769,238	5,836,342	5,016,169
Total general fund	\$ 3,989,133	\$ 5,479,997	\$ 5,769,338	\$ 5,836,442	\$ 7,769,373
All other governmental funds:					
Reserved	\$ -	\$ -	\$ 33,559	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	428,131	719,327	2,582,216	4,472,814	4,591,168
Capital projects funds	-	-	1,433,241	7,400,579	6,939,139
Debt service funds	-	-	-	-	-
Total all other governmental funds	\$ 428,131	\$ 719,327	\$ 4,049,016	\$ 11,873,393	\$ 11,530,307

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

VILLAGE OF PALMETTO BAY, FLORIDA

Change in Fund Balances, Governmental Funds

Last Five Fiscal Years¹

(modified accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327	\$ 6,073,012
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609
Communication taxes	1,470,541	795,085	1,059,858	910,766	932,032
Franchise fees	900,000	800,967	828,052	837,003	1,169,359
Intergovernmental	2,094,780	3,424,556	4,868,090	9,858,120	6,050,880
Licenses and permits	154,828	674,435	895,229	1,060,608	915,151
Impact fees	343,465	40,281	22,288	36,147	60,111
Fines and forfeitures	137,944	117,850	166,888	208,917	196,038
Charges for services	-	58,899	80,713	85,011	634,902
Interest	46,906	77,050	208,533	531,872	979,743
Miscellaneous fees	4,060	4,018	245,432	94,904	326,699
Total revenues	<u>11,721,915</u>	<u>12,081,941</u>	<u>14,932,427</u>	<u>20,820,456</u>	<u>19,147,536</u>
Expenditures:					
General government	1,153,401	1,151,514	1,699,674	1,878,987	2,178,478
Public safety	3,292,636	4,594,747	5,066,538	5,840,026	5,764,160
Public work	190,219	576,370	788,776	851,623	1,403,025
Community services	694,496	671,670	699,809	839,552	1,019,301
Planning and zoning	65,918	909,235	1,163,352	1,268,789	1,178,705
Mitigation/QNIP	1,864,041	1,645,521	1,671,767	1,741,551	190,072
Capital outlay	89,075	855,722	4,358,682	3,386,695	7,768,161
Debt service:					
Principal payments	5,196	36,655	942,992	2,739,270	153,496
Interest expense	857	5,559	19,150	386,610	402,240
Total expenditures	<u>7,355,839</u>	<u>10,446,993</u>	<u>16,410,740</u>	<u>18,933,103</u>	<u>20,057,638</u>
Excess of revenues over (under) expenditures	4,366,076	1,634,948	(1,478,313)	1,887,353	(910,102)
Other financing sources (uses):					
Bond issue	-	-	1,499,143	6,000,000	2,500,000
Proceeds from capital leases	51,188	147,110	3,600,000	-	-
Total other financing sources (uses)	<u>51,188</u>	<u>147,110</u>	<u>5,099,143</u>	<u>6,000,000</u>	<u>2,500,000</u>
Net change in fund balances	<u>\$ 4,417,264</u>	<u>\$ 1,782,058</u>	<u>\$ 3,620,830</u>	<u>\$ 7,887,353</u>	<u>\$ 1,589,898</u>
Debt services as a percentage of noncapital expenditures	0.0832%	0.4393%	7.6636%	19.2728%	4.3801%

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

VILLAGE OF PALMETTO BAY, FLORIDA

Assessed Value and Actual Value of Taxable Property

Last Five Fiscal Years¹

(dollars expressed in thousands)

Fiscal Year	Real Property		Personal Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total ⁴ Direct Tax Rate	Estimated ² Actual Value	Assessed Value as a % of Actual Value
	Residential	Commercial						
2003 ³	\$ -	\$ -	\$ -	\$ -	\$ -	2.4470	Not Avail	Not Avail
2004 ⁵	2,151,379		71,180	323,274	1,899,285	2.4470	Not Avail	Not Avail
2005	1,862,490	499,261	71,230	418,663	2,014,318	2.4470	\$ 3,168,376	76.79%
2006	2,086,440	573,447	76,929	458,857	2,277,959	2.4470	3,728,250	73.41%
2007	2,326,117	660,802	104,416	509,675	2,581,660	2.3736	4,508,589	68.57%

Information obtained from Miami-Dade County Department of Property Appraisal.

Information not available for fiscal year 2003

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

²Includes tax-exempt property.

³Information not available.

⁴Tax rates are per \$1,000 of assessed value.

⁵Detail not available.

VILLAGE OF PALMETTO BAY, FLORIDA

Property Tax Rates Direct and Overlapping Governments Last Five Fiscal Years¹

Fiscal Year	Village of Palmetto Bay Direct Rates		Overlapping Rates				Total Millage
	Basic Rate	Total Direct	School District	State Rates	Miami Dade County	Special District Millages	
2003	2.4470	2.4470	9.1000	0.7355	6.2540	3.6470	22.1835
2004	2.4470	2.4470	8.6870	0.7355	6.2200	3.5912	21.6807
2005	2.4470	2.4470	8.4380	0.7355	6.1200	3.5758	21.3163
2006	2.4470	2.4470	8.4380	0.7355	6.1200	3.5758	21.3163
2007	2.3736	2.3736	8.1050	0.7355	5.5150	3.8443	20.5734

Information Obtained from Miami-Dade County Department of Property Appraisal

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

VILLAGE OF PALMETTO BAY, FLORIDA

Property Tax Levies and Collections

Last Five Fiscal Years¹

Fiscal Year	Total Tax Levy ¹	Current Tax Collections ²	Percent of		Total Tax Collections	Ratio of Total Tax Collection to		Outstanding Delinquent Taxes ³	Ratio of Delinquent Taxes to	
			Current Taxes Collected	Delinquent Tax Collections ²		Total Tax Levy	Total Tax Levy		Total Tax Levy	Total Tax Levy
2003 ⁴	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	0.0%		
2004	4,647,551	4,464,141	96.1%	1,120	4,465,261	96.1%	4,303	0.1%		
2005	5,105,943	4,871,212	95.4%	12,045	4,883,257	95.6%	2,197	0.0%		
2006	5,764,103	5,443,645	94.4%	2,272	5,445,917	94.5%	2,084	0.0%		
2007	6,524,460	6,047,853	92.7%	12,252	6,060,105	92.9%	31,997	0.5%		

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

²Information taken from Certification of Taxable Value.

³Information obtained from Village of Palmetto Bay's financial statements.

⁴Information obtained from Miami-Dade County Tax Collector confirmation.

⁵Information not available.

VILLAGE OF PALMETTO BAY, FLORIDA

Principal Property Taxpayers
As of September 30, 2007

2005²

2007

Taxpayer	2007			2005 ²				
	Type of Business	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Type of Business	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
BrandsMart USA	Retail Outlet	\$ 32,744,925	1	1.27%	Retail Outlet	\$ 24,324,981	1	1.21%
Metropolitan Life Insurance	Retail Outlet	23,693,240	2	0.92%	Retail Outlet	21,805,507	2	1.08%
17777 Old Cutler RD LLC	Office Building	17,159,234	3	0.66%	Office Building	17,159,234	3	0.85%
KC Partnership	Automotive	13,658,047	4	0.53%	Automotive	10,100,407	5	0.50%
AutoNation USA Corp.	Automotive	13,108,937	5	0.51%	Automotive	10,719,686	4	0.53%
Florida Power & Light	Utility	10,058,844	6	0.39%	Utility	10,058,844	6	0.50%
Gramercy Park Nursing Care Center	Health Care	8,650,968	7	0.34%	Health Care	7,638,511	8	0.38%
South Motor Company of Dade Co.	Retail Outlet	8,488,478	8	0.33%	-	-	-	-
SunTrust Bank	Retail Outlet	8,304,808	9	0.32%	Retail Outlet	6,388,995	10	0.32%
DJR Realty LLC	Automotive	6,605,068	10	0.26%	-	-	-	-
Royal Coast Apartments Assoc. Ltd.	Multifamily	-	-	0.00%	Multifamily	8,511,985	7	0.42%
Coral Colony Associates	-	-	-	0.00%	Multifamily	6,415,482	9	0.32%
Total		\$ 142,472,549		5.52%		\$ 123,123,632		6.11%
Total Assessed Value		\$ 2,581,660,283				\$ 2,014,317,979		

Source: Miami-Dade tax assessor's office.

Note: The Village of Palmetto Bay was newly incorporated in September 2002, detailed property tax information only became available since fiscal year 2005.

²Detailed property tax information not available prior to 2005.

VILLAGE OF PALMETTO BAY, FLORIDA

Ratios of Outstanding Debt by Type

Last Five Fiscal Years¹

Fiscal Year	Special Revenue Bonds	Capital Leases	Total	Percentage of Actual Taxable Property Value ³	Per Capita ²
2003	\$ -	\$ 45,135	\$ 45,135	0.00%	\$ -
2004	-	151,369	151,369	0.00%	-
2005	1,495,000	2,808,377	4,303,377	0.21%	173.56
2006	7,495,000	69,107	7,564,107	0.32%	300.86
2007	9,841,504	39,003	9,880,507	0.37%	392.77

Note: Details regarding the Village's outstanding debt can be found in Note 6 of the financial statements.

Note: Personal income information is not available for the Village of Palmetto Bay.

Note: The Village has no General Obligation Bonds.

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being Fiscal Year 2003.

²See the page 43 for Demographic and Economic Statistics.

³See page 35 for Taxable Property Values.

VILLAGE OF PALMETTO BAY, FLORIDA

Direct and Overlapping Governmental Activities Debt

As of September 30, 2007

(dollars expressed in thousands)

	Bonded Debt <u>Outstanding</u>	Percentage Applicable to Village of Palmetto <u>Bay¹</u>	Amount Applicable to Village of Palmetto <u>Bay</u>	Amount Per Capita ⁴ Village of Palmetto <u>Bay</u>
Miami-Dade County ¹	\$ 446,735,000	1.03%	\$ 4,601,371	\$ 182,913
School Board ¹	553,853,000	1.03%	5,704,686	226,772
Village direct debt	<u>9,841,504</u>	100.00%	<u>9,841,504</u>	<u>391,219</u>
Total direct and overlapping debt	<u>\$ 1,010,429,504</u>		<u>\$ 20,147,560</u>	<u>\$ 800,904</u>

¹Based upon population; Village of Palmetto Bay - 25,156 (as of April 2007) and Miami-Dade County - 2,437,022 (as of April 2006).

²Information obtained from Miami-Dade County Finance Department.

³Information obtained from Miami-Dade School Board.

VILLAGE OF PALMETTO BAY, FLORIDA

Legal Debt Margin Information

Last Five Fiscal Years¹

(dollars expressed in thousands)

	Fiscal Year				
	<u>2003²</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ -	\$ 111,128	\$ 121,649	\$ 136,841	\$ 154,567
Total net debt applicable to limit	-	-	1,495	7,495	9,842
Legal debt margin	\$ -	\$ 111,128	\$ 120,154	\$ 129,346	\$ 144,725
Total net debt applicable to the limit as a percentage of debt limit		0.00%	1.23%	5.48%	6.37%
Legal debt margin calculation:					
Assessed value		\$ 1,899,285	\$ 2,014,318	\$ 2,277,959	\$ 2,581,660
Add back exempt property		323,274	418,663	458,857	509,675
Total assessed value		2,222,559	2,432,981	2,736,816	3,091,335
Debt limit (5% of total assessed value)		111,128	121,649	136,841	154,567
Debt applicable to limit:					
Special revenue bonds		-	1,495	7,495	9,842
Legal debt margin		\$ 111,128	\$ 120,154	\$ 129,346	\$ 144,725

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

²Information not available for fiscal year 2003

The Village of Palmetto Bay has set a total debt limit of 5% of the property tax base.

VILLAGE OF PALMETTO BAY, FLORIDA

Pledged-Revenue Coverage

Last Five Fiscal Years¹

(dollars expressed in thousands)

Fiscal Year	Library Bonds				Special Revenue Bonds				
	Rent ² Revenue	Debt Service Requirements		Coverage	Non-Ad Valorem Revenue		Debt Service Requirements		Coverage
		Principal	Interest		Total	Principal	Interest	Total	
2003	\$ -	\$ -	\$ -	0.00	\$ -	\$ -	\$ -	\$ -	0.00
2004	-	-	-	0.00	-	-	-	-	0.00
2005 ³	-	-	-	0.00	-	-	-	-	0.00
2006	-	67,637	67,637	0.00	8,265,095	-	-	-	0.00
2007	-	30,000	95,934	0.00	8,487,982	123,496	202,174	325,670	26.06

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being Fiscal Year 2003.

²The Village has a contract with the County to rent the facility when completed.

³Even though the Village had debt there were no debt service requirements for 2005.

VILLAGE OF PALMETTO BAY, FLORIDA

Demographic and Economic Statistics

Last Five Fiscal Years¹

<u>Fiscal Year</u>	<u>Population²</u>	<u>Personal Income (thousands of dollars)³</u>	<u>Per Capita Income³</u>	<u>Public School Enrollment⁴</u>	<u>Unemployment Rate⁵</u>
2003	24,789	\$ 64,631	\$ 27,670	3,975	5.9%
2004	24,903	68,583	29,076	3,933	5.4%
2005	24,795	74534	31,347	3,968	4.3%
2006	25,142	N/A	N/A	3,947	4.0%
2007	25,156	N/A	N/A	3,937	4.1%

N/A Information not available for year indicated.

Note: Information not available for Median Age and Education Level.

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

²Population for Village of Palmetto Bay obtained from Bureau of Economic and Business Research, University of Florida.

³Amounts presented are for Miami-Dade County, obtained from the U.S. Department of Commerce.

⁴Enrollment numbers obtained from Miami-Dade Public Schools.

⁵Rates presented are for Miami-Dade County, obtained from the U.S. Department of Labor.

VILLAGE OF PALMETTO BAY, FLORIDA

Principal Employers
As of September 30, 2007

<u>Employer</u>	<u>2007</u>			<u>2005²</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Population¹</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Population¹</u>
South Motors	592	1	2.35%	592	1	2.39%
Dade County Schools	419	2	1.67%	419	2	1.69%
Publix Supermarket	350	3	1.39%	350	3	1.41%
Brandsmart	200	4	0.80%	200	4	0.81%
World Ford Kendall	140	5	0.56%	140	5	0.56%
Westminster Christian School	135	6	0.54%	135	6	0.54%
Palmer Trinity Christian School	120	7	0.48%	120	7	0.48%
Marshall's Department Store	119	8	0.47%	119	8	0.48%
Maroone Nissan of Kendall	110	9	0.44%	110	9	0.44%
Dade Jeep Chrysler Plymouth	100	10	0.40%	100	10	0.40%
	<u>2,285</u>		<u>9.09%</u>	<u>2,285</u>		<u>9.22%</u>

¹Population information available on page 43 Demographic and Economic statistics.

²Employee information is not available prior to 2005.

VILLAGE OF PALMETTO BAY, FLORIDA

City Government Employees by Function/Programs

Last Five Fiscal Years¹

	Fiscal Year									
	2003		2004		2005		2006		2007	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Manager/Clerk	N/A	N/A	5	-	5	-	5	-	4	-
Village Clerk ²	N/A	N/A	-	-	-	-	-	-	2	-
Finance	N/A	N/A	1	1	1	1	2	-	2	1
Community Development	N/A	N/A	2	1	2	1	1	2	4	1
Community Services	N/A	N/A	3	9	3	9	3	12	5	18
Public Work	N/A	N/A	4	-	4	-	5	-	5	-
Total employees			<u>15</u>	<u>11</u>	<u>15</u>	<u>11</u>	<u>16</u>	<u>14</u>	<u>22</u>	<u>20</u>

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

²Prior to fiscal year 2007, the Manager and Clerk was combined.

Note: Information obtained from Village of Palmetto Bay Human Resources.

VILLAGE OF PALMETTO BAY, FLORIDA

Operating Indicators by Function/Program-Statistical

Last Five Fiscal Years¹

	Fiscal Year				
	2003	2004	2005	2006	2007
Police:					
Arrests	N/A	798	493	701	377
Traffic violations	N/A	12,180	9,756	15,060	11,097
Culture and recreation:					
Park rentals	0	98	141	237	182
Summer Camp Registrants	0	0	0	0	792
Community development:					
Building permits:					
Residential	N/A	2,981	4,542	5,648	3,973
Commercial	N/A	466	497	832	614
Inspections	N/A	5,368	7,470	10,392	8,646
Manager/Clerk:					
Ordinances	15	25	13	15	35
Resolutions	111	106	109	130	126
Public works:					
Roads resurfaced (miles)	0.00	5.20	4.07	8.44	6.00
Finance:					
Deposits	0	357	403	480	510
Checks	0	1,159	1,369	1,821	1,866

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

Note: Information obtained from Village of Palmetto Bay department records.

VILLAGE OF PALMETTO BAY, FLORIDA

Capital Asset Statistics by Function/Program-Statistical Last Five Fiscal Years¹

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Police:					
Station	0	1	1	1	1
Patrol units	42	42	42	42	42
Public works:					
Streets (miles)	118	118	118	118	118
Traffic signals	29	29	29	29	30
Park and recreation:					
Acreage	68	71	74.5	82	82
Parks	3	4	5	5	5
Playgrounds	2	2	2	2	2
Tennis court	8	8	8	6	8
Racquetball courts	8	8	8	8	4
Basketball courts	2	2	2	2	2
Football fields	2	2	2	2	2
Baseball fields	5	5	5	5	5
Softball fields	0	0	0	0	6
Community centers	2	2	2	2	2
Skate parks	0	0	0	1	1

¹The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being fiscal year 2003.

Note: Information obtained from Village of Palmetto Bay department records.

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COMPLIANCE SECTION

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

Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida (the Village) as of September 30, 2007 and for the period then ended, which collectively comprise the Village's basic financial statements, and have issued our report dated February 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.



Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and other matters that are required to be reported under *Government Auditing Standards*.

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.

Rachlin LLP

Miami, Florida
February 6, 2008

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

Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida

We have audited the financial statements of the Village of Palmetto Bay, Florida (the Village) as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 6, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Disclosures in those reports, which are dated February 1, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

- 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 significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.
- 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, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an



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immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(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 of Palmetto Bay was incorporated on September 10, 2002. There are no component units related to the Village.
- Section 10.554(1)(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(1)(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, 2007, 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, 2007. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Rachlin LLP

Miami, Florida
February 6, 2008



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