

VILLAGE OF PALMETTO BAY, FLORIDA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF PALMETTO BAY, FLORIDA

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INTRODUCTORY SECTION

VILLAGE OF PALMETTO BAY, FLORIDA

ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2004

VILLAGE COUNCIL

| | |
|----------------|-----------------|
| Mayor | Eugene P. Flinn |
| Vice Mayor | Linda Robinson |
| Council Member | Ed Feller, M.D. |
| Council Member | John Breder |
| Council Member | Paul Neidhart |

VILLAGE MANAGER

Charles D. Scurr

VILLAGE ATTORNEY

Nagin Gallop Figueredo

VILLAGE CLERK

Meighan Pier

FINANCE DIRECTOR

Alfredo Acín, CPA, CFE

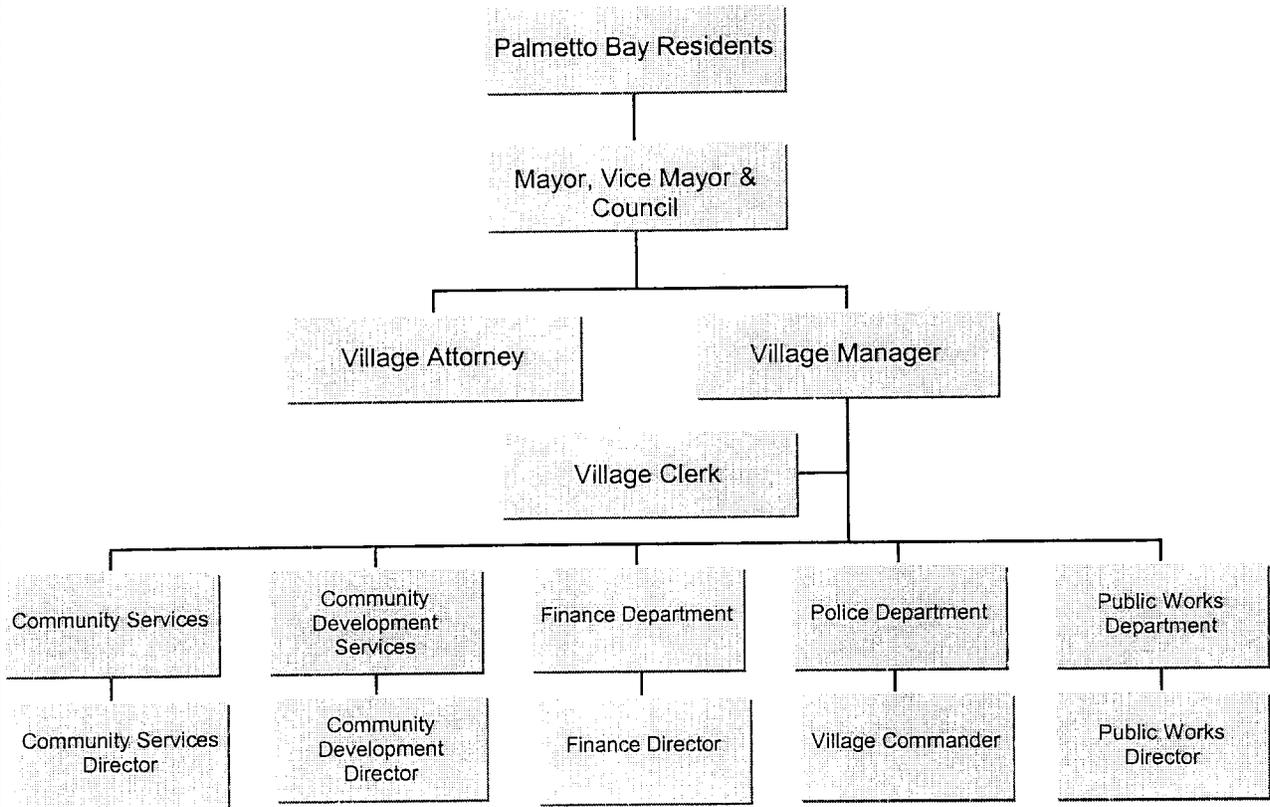
VILLAGE AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Consultants

VILLAGE OF PALMETTO BAY, FLORIDA

ORGANIZATION CHART

SEPTEMBER 30, 2004



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, 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida, as of September 30, 2004, and the respective changes in financial position, thereof for the year ended September 30, 2004 in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 1, 2005, 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.

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Rachlin Cohen & Holtz LLP

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

Management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Rachlin Cohen & Holtz LLP

Miami, Florida
April 1, 2005

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, 2004.

Financial Highlights

- The assets of the Village of Palmetto Bay exceeded its liabilities at the close of the most recent fiscal year by \$22,172,271 (net assets). Of this amount, \$6,199,324 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance (\$15,972,947) is invested in capital assets.
- The Village's total net assets increased by \$17,718,834. Most of the increase (86%) is attributable to capital assets transferred from Miami-Dade County.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$6,199,324, an increase of \$1,782,058 in comparison with the prior year. This total amount is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the reporting period, unreserved fund balance for the general fund was \$5,479,997, or 56% of total general fund expenditures.
- The Village did not issue any debt during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are 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, community service (parks), 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 two individual governmental funds: a general fund and a special revenue 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 and its special revenue fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 23 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 \$22,172,271 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$15,972,947 or 72%, 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 (\$151,369), 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 (\$6,199,324) may be used to meet the government's obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

| | Fiscal Year | |
|---|---------------|--------------|
| | 2004 | 2003 |
| Current assets | \$ 7,826,698 | \$ 4,679,567 |
| Capital assets | 16,124,316 | 81,309 |
| Total assets | 23,951,014 | 4,760,876 |
| | | |
| Long-term liabilities outstanding | 105,473 | 26,001 |
| Other liabilities | 1,673,270 | 281,438 |
| Total liabilities | 1,778,743 | 307,439 |
| | | |
| Net assets: | | |
| Investment in capital assets, net of related debt | 15,972,947 | 36,173 |
| Unrestricted | 6,199,324 | 4,417,264 |
| Total net assets | \$ 22,172,271 | \$ 4,453,437 |

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.

The Village's net assets increased by \$17,718,834 during the current fiscal year. Most of the increase (86%) is attributable to capital assets transferred from Miami-Dade County. The rest of the increase represents the degree to which revenues exceeded ongoing expenses for the fiscal year.

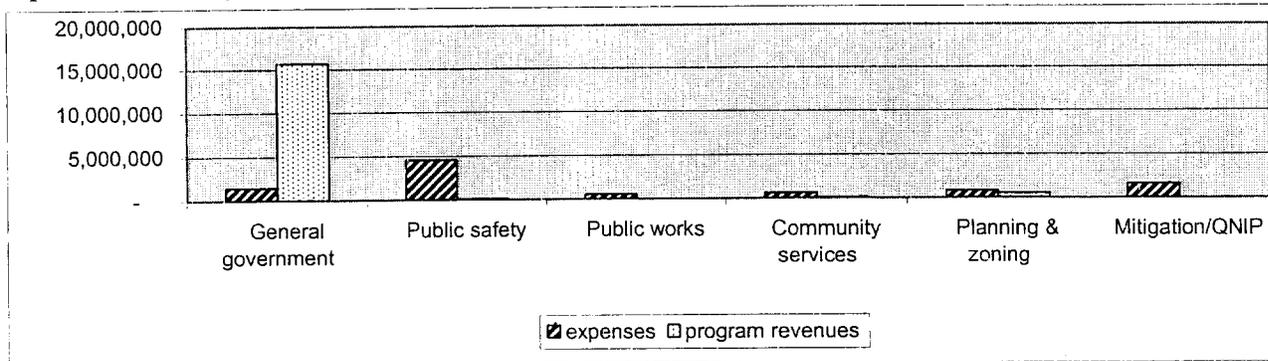
Governmental activities. Governmental activities increased the Village's net assets by \$17,718,834. Key elements of this increase are as follows:

Village of Palmetto Bay's Changes in Net Assets

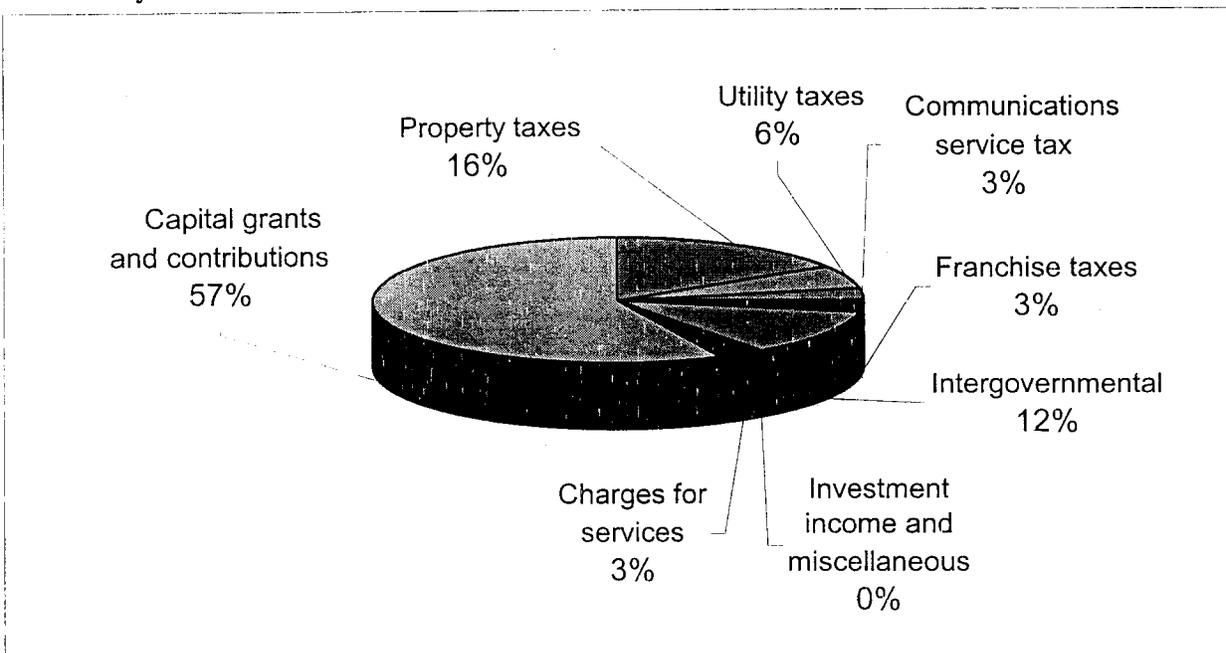
| | Fiscal Year | |
|-------------------------------------|---------------|--------------|
| | <u>2004</u> | <u>2003</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 851,184 | \$ 292,772 |
| Operating grants and contributions | 3,142 | - |
| Capital grants and contributions | 15,621,411 | 343,465 |
| General revenues: | | |
| Property taxes | 4,465,261 | 4,224,785 |
| Utility taxes | 1,623,539 | 2,344,606 |
| Communications service tax | 795,085 | 1,470,541 |
| Franchise fees | 800,967 | 900,000 |
| Intergovernmental | 3,424,556 | 2,094,780 |
| Investment income and miscellaneous | 77,929 | 50,966 |
| Total revenues | 27,663,074 | 11,721,915 |
| | | |
| Expenses: | | |
| General government | 1,510,663 | 1,161,167 |
| Public safety | 4,600,142 | 3,292,636 |
| Public works | 607,009 | 190,219 |
| Community services | 671,670 | 694,497 |
| Planning and zoning | 909,235 | 65,918 |
| Mitigation/QNIP | 1,645,521 | 1,864,041 |
| Total expenses | 9,944,240 | 7,268,478 |
| | | |
| Change in net assets | \$ 17,718,834 | \$ 4,453,437 |

- Property taxes (\$4,465,261) comprised 16% of total revenues in the current fiscal year. The Village has maintained the same millage rate of \$2.447 per \$1,000 of assessed taxable value in effect prior to the Village's incorporation.
- Capital grants and contributions increased \$15,277,946, mostly as a result of the transfer of capital assets (\$15,272,574) contributed by Miami-Dade County.

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 \$6,199,324, an increase of \$1,782,058 in comparison with the prior year. The totality of this amount 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 \$5,479,997, all 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 56 percent of total general fund expenditures, while total fund balance also represents 56 percent of that same amount.

The fund balance of the Village's general fund increased \$1,490,863 during the current fiscal year.

General Fund Budgetary Highlights

During the year there was a \$290,000 increase in appropriations between the original and final amended budget. The increase was possible because of additional revenues received by the Village. Following are the main components of the increase:

- \$200,000 supplemental appropriation to the community services department used for the acquisition of land for a park. The appropriation increase was possible due to higher than anticipated actual impact fees revenue received at the end of the prior fiscal year.
- An upturn in revenues for building permits required a \$90,000 supplemental appropriation to the community development department (building, planning and zoning) used to pay the contractor providing the outsourced building & permitting services to the Village (payments to the contractor are a percentage of actual revenues collected).

Capital Assets

The Village of Palmetto Bay's investment in capital assets as of September 30, 2004, amounted to \$16,124,316 (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 \$16,043,007 in the current fiscal year.

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

- Transfer of parks from Miami-Dade County (\$15,272,574).
- Acquisition of land for a bayside park (\$308,556).
- Sidewalks, curbing and road resurfacing (\$242,518).

Capital Assets (net of depreciation)

| | September 30, | |
|-----------------------------------|----------------------|------------------|
| | <u>2004</u> | <u>2003</u> |
| Governmental Activities | | |
| Land | \$ 14,734,506 | \$ - |
| Buildings | 818,403 | - |
| Leasehold improvements | 11,084 | - |
| Improvements other than buildings | 241,560 | - |
| Furniture and equipment | <u>318,763</u> | <u>84,924</u> |
| Governmental activities: | | |
| Capital assets, net | <u>\$ 16,124,316</u> | <u>\$ 84,924</u> |

Additional information on the Village's capital assets can be found in note 4 on pages 19-20 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2004 was 5.5 percent, which represented a decrease from a rate of 6.0 percent the previous year. This compares unfavorably to the state's average unemployment rate of 5.0 percent and the national average rate of 5.1 percent in September 2004. (Source: Florida Agency for Workplace Innovation, Labor Market Statistics.)
- The occupancy rate of the government's central business district has remained stable since the Village's inception.
- Inflationary trends in the region are comparable to national indices.

All of these factors were considered in preparing the Village's budget for the 2005 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$5,479,997. The Village of Palmetto Bay has appropriated \$2,180,000 of this amount for capital projects in the 2005 fiscal year budget. It is intended that the use of available fund balance will avoid the need to raise taxes or charges during the 2005 fiscal year.

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.

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

| | Governmental <u>Activities</u> |
|---|-----------------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 6,956,054 |
| Receivables, net | 42,793 |
| Due from other governments | 827,108 |
| Prepaid assets | 743 |
| Capital assets, net of accumulated depreciation | 1,389,810 |
| Capital assets, not being depreciated | <u>14,734,506</u> |
| Total assets | <u>23,951,014</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | 970,628 |
| Accrued liabilities | 3,574 |
| Due to other governments | 653,172 |
| Capital lease: | |
| Due in one year | 45,896 |
| Due in more than one year | <u>105,473</u> |
| Total liabilities | <u>1,778,743</u> |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | 15,972,947 |
| Unrestricted | <u>6,199,324</u> |
| Total net assets | <u>\$ 22,172,271</u> |

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2004

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Net (Expenses) Revenue and Changes in Net Assets</u> |
|--|-----------------|-----------------------------|---|---|---|
| Governmental activities: | | | | | |
| General Government | \$ 1,510,663 | \$ 90,370 | \$ - | \$ 14,734,506 | \$ 13,314,213 |
| Public Safety | 4,600,142 | 116,650 | - | 3,781 | (4,479,711) |
| Public Works | 607,009 | - | - | - | (607,009) |
| Community Service | 671,670 | 57,714 | 3,142 | 883,124 | 272,310 |
| Planning and Zoning | 909,235 | 586,450 | - | - | (322,785) |
| Mitigation/QNIP | 1,645,521 | - | - | - | (1,645,521) |
| Total governmental activities | \$ 9,944,240 | \$ 851,184 | \$ 3,142 | \$ 15,621,411 | \$ 6,531,497 |
| General revenues: | | | | | |
| Real and personal property taxes | | | | | 4,465,261 |
| Communication service tax | | | | | 795,085 |
| Franchise fees based on gross receipts | | | | | 800,967 |
| Utility taxes | | | | | 1,623,539 |
| Intergovernmental | | | | | 3,424,556 |
| Interest | | | | | 77,050 |
| Miscellaneous | | | | | 879 |
| Total general revenues | | | | | 11,187,337 |
| Change in net assets | | | | | 17,718,834 |
| Net assets, beginning | | | | | 4,453,437 |
| Net assets, ending | | | | | \$ 22,172,271 |

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2004

| | <u>General</u> | <u>Special Revenue (A Nonmajor Fund)</u> | <u>Totals Governmental Funds</u> |
|---|---------------------|--|--|
| <u>ASSETS</u> | | | |
| Assets: | | | |
| Cash | \$ 6,852,893 | \$ 103,161 | \$ 6,956,054 |
| Accounts Receivable | 42,793 | - | 42,793 |
| Due from general fund | - | 590,989 | 590,989 |
| Due from other governments | 796,033 | 31,075 | 827,108 |
| Prepaid expenses | 743 | - | 743 |
| Total assets | <u>\$ 7,692,462</u> | <u>\$ 725,225</u> | <u>\$ 8,417,687</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 964,730 | \$ 5,898 | \$ 970,628 |
| Accrued liabilities | 3,574 | - | 3,574 |
| Due to other governments | 653,172 | - | 653,172 |
| Due to special revenue fund | 590,989 | - | 590,989 |
| Total liabilities | <u>2,212,465</u> | <u>5,898</u> | <u>2,218,363</u> |
| Fund balances: | | | |
| Unreserved recorded in: | | | |
| General fund | 5,479,997 | - | 5,479,997 |
| Special revenue | - | 719,327 | 719,327 |
| Total fund balances | <u>5,479,997</u> | <u>719,327</u> | <u>6,199,324</u> |
| Total liabilities and fund balances | <u>\$ 7,692,462</u> | <u>\$ 725,225</u> | |
| Amounts reported for governmental activities in the statement of net assets are difference because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | 1,389,810 |
| Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds. | | | (151,369) |
| Net assets of governmental activities | | | <u>\$ 7,437,765</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, 2004

| | <u>General</u> | <u>Special Revenue (A Nonmajor Fund)</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|--|---|
| Revenues: | | | |
| Real and personal property taxes | \$ 4,465,261 | \$ - | \$ 4,465,261 |
| Utility taxes | 1,623,539 | - | 1,623,539 |
| Communication service tax | 795,085 | - | 795,085 |
| Franchise fees | 800,967 | - | 800,967 |
| Intergovernmental | 2,525,667 | 898,889 | 3,424,556 |
| Licenses and permits | 674,435 | - | 674,435 |
| Impact fees | 40,281 | - | 40,281 |
| Fines and forfeitures | 117,850 | - | 117,850 |
| Charges for services | 58,899 | - | 58,899 |
| Interest | 76,923 | 127 | 77,050 |
| Miscellaneous fees | 4,018 | - | 4,018 |
| Total revenues | <u>11,182,925</u> | <u>899,016</u> | <u>12,081,941</u> |
| Expenditures: | | | |
| Current: | | | |
| General Government | 1,151,514 | - | 1,151,514 |
| Public Safety | 4,594,747 | - | 4,594,747 |
| Public Works | 265,942 | 310,428 | 576,370 |
| Community Service | 671,670 | - | 671,670 |
| Planning and Zoning | 909,235 | - | 909,235 |
| Mitigation/QNIP | 1,645,521 | - | 1,645,521 |
| Capital outlay | 586,636 | 269,086 | 855,722 |
| Debt service | 13,907 | 28,307 | 42,214 |
| Total expenditures | <u>9,839,172</u> | <u>607,821</u> | <u>10,446,993</u> |
| Excess of revenues over expenditures | 1,343,753 | 291,195 | 1,634,948 |
| Other financing sources: | | | |
| Capital lease proceeds | 147,110 | - | 147,110 |
| Net change in fund balances | 1,490,863 | 291,195 | 1,782,058 |
| Fund balances, beginning | 3,989,134 | 428,132 | 4,417,266 |
| Fund balances, ending | <u>\$ 5,479,997</u> | <u>\$ 719,327</u> | <u>\$ 6,199,324</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, 2004

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) | \$ 1,782,058 |
|--|--------------|

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:

| | | |
|-----------------------------------|-----------------|------------|
| Transfers from Miami-Dade County: | | |
| Land | \$ 14,425,950 | |
| Buildings | 846,624 | |
| Expenditures for capital outlays | 837,713 | |
| Less current year depreciation | <u>(67,279)</u> | |
| | | 16,043,008 |

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:

| | | |
|-------------------------|---------------|------------------|
| Capital lease acquired | (147,110) | |
| Less principal payments | <u>40,877</u> | |
| | | <u>(106,232)</u> |

| | |
|---|----------------------|
| Change in net assets of governmental activities (Page 11) | \$ <u>17,718,834</u> |
|---|----------------------|

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Palmetto Bay, Florida (the Village) was incorporated on September 11, 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 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. For the fiscal year ended September 30, 2003, the Village adopted the new accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The more significant of the Village's accounting policies are described below:

A. Financial Reporting Entity

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

B. Government-Wide and Fund Financial Statements

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

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 (Continued)

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

Separate financial statements are provided for governmental funds. The major individual governmental fund is reported as a separate column in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds. The Village has only one nonmajor governmental fund (the Special Revenue Fund).

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. For the Village's initial period of operations the majority of the revenues recorded were collected on-behalf of the Village by Miami-Dade County (the County). These monies were collected by the County within 60 days of the Village's year-end and therefore are recorded as if they were received by the Village within the 60 day period. As of September 30, 2004, substantially all of the amounts due from other governments were due from the County.

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 fund:

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 Village also reports the following nonmajor governmental fund:

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) 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.

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.

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 (Continued)

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 |
| Improvements other than buildings | 20-30 |

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. Capital Contributions

Contributions from private developers represents amounts collected by the County for the future development or expansion of capital improvements to the Village's parks or public safety.

NOTE 2. 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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. PROPERTY TAXES (Continued)

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, 2004, there were no material delinquent taxes.

NOTE 3. DEPOSITS

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.

NOTE 4. CAPITAL ASSETS

| <u>Governmental activities</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ - | \$ 14,734,506 | \$ - | \$ 14,734,506 |
| Total capital assets not being depreciated | - | 14,734,506 | - | 14,734,506 |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 84,924 | 274,784 | - | 359,708 |
| Buildings | - | 846,624 | - | 846,624 |
| Leasehold improvements | - | 11,854 | - | 11,854 |
| Improvements other than buildings | - | 242,518 | - | 242,518 |
| Total capital assets being depreciated | 84,924 | 1,375,780 | - | 1,460,704 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (3,615) | (37,330) | - | (40,945) |
| Buildings | - | (28,221) | - | (28,221) |
| Leasehold improvements | - | (770) | - | (770) |
| Improvements other than buildings | - | (958) | - | (958) |
| Total accumulated depreciation | (3,615) | (67,279) | - | (70,894) |
| Total capital assets, being depreciated, net | 81,309 | 1,308,501 | - | 1,389,810 |
| Governmental activities capital assets, net | \$ 81,309 | \$ 16,043,007 | \$ - | \$ 16,124,316 |

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

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

| | |
|--|------------------|
| General Government | \$ 59,552 |
| Public Safety | 5,395 |
| Public Works | <u>2,332</u> |
| Total depreciation expense - governmental activities | <u>\$ 67,279</u> |

NOTE 5. LONG-TERM DEBT – CAPITAL LEASES

Long-term liability activity for the period ended September 30, 2004 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------|----------------------|-------------------|--------------------|-------------------|------------------------------|
| Governmental activities: | | | | | |
| Capital leases | <u>\$ 45,135</u> | <u>\$ 147,110</u> | <u>\$ (40,876)</u> | <u>\$ 151,369</u> | <u>\$ 45,896</u> |
| Long-term liabilities | <u>\$ 45,135</u> | <u>\$ 147,110</u> | <u>\$ (40,876)</u> | <u>\$ 151,369</u> | <u>\$ 45,896</u> |

The Village has entered into two lease agreements for the financing of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

| | |
|-------------------------------|-------------------|
| Furniture and equipment | \$ 198,298 |
| Less accumulated depreciation | <u>22,263</u> |
| Total | <u>\$ 176,035</u> |

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2004 were as follows:

| | |
|---|-------------------|
| Fiscal year ending September 30: | |
| 2005 | \$ 51,171 |
| 2006 | 40,278 |
| 2007 | 31,956 |
| 2008 | 31,956 |
| 2009 | <u>7,989</u> |
| Total minimum lease payments | 163,350 |
| Less amount representing interest | <u>(11,981)</u> |
| Present value of minimum lease payments | <u>\$ 151,369</u> |

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. 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. 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's contributions were calculated using a covered base payroll of approximately \$474,300 for the fiscal year. At September 30, there were 11 participants in the Plan.

NOTE 7. 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 totaled \$1,455,641 for the year ended September 30, 2004. The mitigation amount payable by the Village to the County for fiscal year 2004-05 is approximately \$1,496,400. In subsequent years, the mitigation amount payable from the Village to the County will be adjusted by the CPI for the residential area with limitations as defined.

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, 2004 was approximately \$189,880. The estimated payment for the fiscal year ended September 30, 2005 is approximately \$189,767 and 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES (Continued)

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.

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 year.

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 will make regular monthly installments of \$295,892 to the County based on a budgeted amount of \$3,550,698 for the first year of the agreement. Payments for this initial term will be adjusted to accrual labor costs incurred and deducted from the gross revenues due the Village from Miami-Dade County. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the Village utilizing the actual personnel costs of officers and equipment. The initial term of the agreement expires on June 30, 2006 and may be renewed for a period of up to five years. Payments for patrol services totaled \$4,177,066 in fiscal year ended September 30, 2004.

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 in fiscal year ending September 30, 2004 will be \$381,114. 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 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 Article X of the agreement, the agreement is automatically renewed for consecutive three year terms in perpetuity.

Agreement for Professional Services

On August 1, 2003, the Village executed two contracts for professional services with two consulting firms to provide public information services. Fees for the services total \$50,000. The initial fee for the partial year is \$10,000 (\$5,000 each). The Village may make equitable adjustments to the maximum price in the event that modifications made by the Village cause an increase or decrease in the fees charged. The term of each agreement is for one year, but may be extended for up to one additional year.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 7. COMMITMENTS AND CONTINGENCIES (Continued)

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 \$12,160.66 per month. The lease is subject to a 10% rental increase on each three year anniversary. Utilities are not included in the rent.

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

Year ending September 30:

| | |
|-----------|--------------------|
| 2005 | \$ 146,000 |
| 2006 | 152,000 |
| 2007 | 161,000 |
| 2008 | 161,000 |
| 2009 | 167,000 |
| 2010-2013 | <u>651,000</u> |
| Total | <u>\$1,438,000</u> |

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget - Positive (Negative) |
|---|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Real and personal property taxes | \$ 4,415,174 | \$ 4,415,174 | \$ 4,465,261 | \$ 50,087 |
| Utility taxes | 1,851,000 | 1,851,000 | 1,623,539 | (227,461) |
| Communication service tax | 729,500 | 729,500 | 795,085 | 65,585 |
| Franchise fees | 864,500 | 864,500 | 800,967 | (63,533) |
| Intergovernmental | 2,409,550 | 2,409,550 | 2,525,667 | 116,117 |
| Licenses and permits | 663,000 | 753,000 | 674,435 | (78,565) |
| Impact fees - current year | - | - | 40,281 | 40,281 |
| Impact fees - prior year carryover | 114,200 | 314,200 | 343,465 | 29,265 |
| Fines and forfeitures | 132,000 | 132,000 | 117,850 | (14,150) |
| Charges for services | 30,000 | 30,000 | 58,899 | 28,899 |
| Interest | 25,000 | 25,000 | 76,923 | 51,923 |
| Other | - | - | 4,018 | 4,018 |
| Revenue contingency | (593,824) | (593,824) | - | 593,824 |
| Total revenues | <u>10,640,100</u> | <u>10,930,100</u> | <u>11,526,390</u> | <u>596,290</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government: | | | | |
| Village council | 64,000 | 64,000 | 42,599 | 21,401 |
| Village manager/clerk | 436,850 | 436,850 | 336,371 | 100,479 |
| Finance department | 168,830 | 168,830 | 119,684 | 49,146 |
| Village Attorney | 250,000 | 250,000 | 96,810 | 153,190 |
| Other general government | 1,082,094 | 857,594 | 594,514 | 263,080 |
| Total general government | <u>2,001,774</u> | <u>1,777,274</u> | <u>1,189,978</u> | <u>587,296</u> |
| Public safety: | | | | |
| Police | 4,425,006 | 4,649,506 | 4,649,107 | 399 |
| Community services | 896,300 | 1,096,300 | 1,021,617 | 74,683 |
| Public works | 386,230 | 386,230 | 268,581 | 117,649 |
| Community development (planning/zoning) | 1,146,020 | 1,236,020 | 917,258 | 318,762 |
| Mitigation/QNIP | 1,784,770 | 1,784,770 | 1,645,521 | 139,249 |
| Total expenditures | <u>10,640,100</u> | <u>10,930,100</u> | <u>9,692,062</u> | <u>1,238,038</u> |
| Excess of revenues over expenditures | - | - | 1,834,328 | 1,834,328 |
| Other financing sources (uses): | | | | |
| Prior-year carryover impact fees | (114,200) | (314,200) | (343,465) | (29,265) |
| Net change in fund balance | (114,200) | (314,200) | 1,490,863 | 1,805,063 |
| Fund balance, beginning | <u>2,614,200</u> | <u>2,814,200</u> | <u>3,989,134</u> | <u>1,174,934</u> |
| Fund balance, ending | <u>\$ 2,500,000</u> | <u>\$ 2,500,000</u> | <u>\$ 5,479,997</u> | <u>\$ 2,979,997</u> |

See note to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2004

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---------------------------------------|-------------------------|--------------|---------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Intergovernmental: | | | | |
| Transportation Tax | \$ 547,000 | \$ 547,000 | \$ 669,034 | \$ 122,034 |
| Local Gas Option Tax | 178,000 | 178,000 | 182,341 | 4,341 |
| Grants | 548,000 | 548,000 | 47,514 | (500,486) |
| Interest | - | - | 127 | 127 |
| Prior year carryover budgeted for use | 396,500 | 396,500 | - | (396,500) |
| Total revenues | 1,669,500 | 1,669,500 | 899,016 | (770,484) |
| Expenditures: | | | | |
| Public works - operating | 480,000 | 480,000 | 310,428 | (169,572) |
| Public works - capital outlay | 1,150,500 | 1,150,500 | 269,086 | (881,414) |
| Debt service | 39,000 | 39,000 | 28,307 | (10,693) |
| Total expenditures | 1,669,500 | 1,669,500 | 607,821 | (1,061,679) |
| Excess of revenues over expenditures | - | - | 291,195 | 291,195 |
| Other financing sources: | | | | |
| Prior-year carryover budgeted for use | (396,500) | (396,500) | - | 396,500 |
| Net change in fund balance | (396,500) | (396,500) | 291,195 | 687,695 |
| Fund balance, beginning | 396,500 | 396,500 | 428,132 | 31,632 |
| Fund balance, ending | \$ - | \$ - | \$ 719,327 | \$ 719,327 |

See note to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States, except for encumbrances in the General and Special Revenue Funds.

- (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 2004. There were one supplemental appropriations during fiscal year ended September 30, 2004 which increased revenue and appropriations by approximately \$290,000.
- (6) Unencumbered appropriations lapse at year-end.

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, 2004 and for the period then ended, which collectively comprise the Village's basic financial statements, and have issued our report dated April 1, 2005. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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 assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Rachlin Cohen & Holtz LLP

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

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.

Racklin Cohen & Holtz LLP

Miami, Florida
April 1, 2005

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 governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida (the Village) as of and for the period then ended September 30, 2004 which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 1, 2005. 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. We have issued our Report of Independent Certified Public Accountants on Compliance and Other Matters and on Internal Control over Financial Reporting. Disclosures in that report, which are dated April 1, 2005, should be considered in conjunction with this management letter.

In connection with our audit of basic financial statements of the Village for the period then ended September 30, 2004, we report the following in accordance with Chapter 10.550 Rules of the Auditor General, *Local Government Entity Audits*, which requires that this report specifically address but not be limited to the matters outlined in Rule 10.554(1)(g):

1. There were no significant findings or recommendations made in the preceding financial audit report.
2. The Village was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
3. There are no recommendations to improve the Village's present financial management, accounting procedures, and internal controls.
4. During the course of our audit, other than matters that are clearly inconsequential considering both quantitative and qualitative factors, nothing came to our attention that caused us to believe that the Village:
 - a. Was in violation of any laws, rules or regulations and contractual provisions or abuse that have occurred, or were likely to have occurred, or were discovered within the scope of the audit.

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Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida
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- a. Made any illegal or improper expenditures that were discovered within the scope of the audit that may materially affect the financial statements.
 - b. Had deficiencies in internal control that are reportable conditions including but not limited to:
 - (1) Improper or inadequate accounting procedures
 - (2) Failures to properly record financial transactions
 - (3) Other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of the auditor.
5. The Village of Palmetto Bay, Florida was incorporated in accordance with the Constitution of the State of Florida and the Home Rule Charter of Miami-Dade County on September 11, 2002. There were no component units related to the Village.
6. a. The Village, during fiscal year 2004, was not in a state of financial emergency as defined by Florida Statutes 218.503(1).
- b. The annual financial report for the fiscal year ended September 30, 2004 has been filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes and is in agreement with the audited financial statements for the fiscal year ended September 30, 2004.
- c. During the course of our audit, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment, which was performed as of the Village's fiscal year end, was based on representations made by management and the review of financial information provided by the Village. There were no findings that identified deteriorating financial conditions.

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

Rachlin Cohen & Holtz LLP

Miami, Florida
April 1, 2005