

VILLAGE OF PALMETTO BAY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2006

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF PALMETTO BAY, FLORIDA

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTORY SECTION	
Letter of Transmittal	i-iv
List of Elected and Appointed Officials	v
Organization Chart	vi
Certificate of Achievement in Financial Reporting	vii
II. FINANCIAL SECTION	
Report of Independent Certified Public Accountants	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to Basic Financial Statements	15-26
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	27
Note to Budgetary Comparison Schedule	28
Combining Fund Financial Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	30
III. STATISTICAL SECTION	
Net Assets by Component	31
Changes in Net Assets	32
Fund Balances – Governmental Funds	33
Changes in Fund Balances – Governmental Funds	34
Assessed Value and Actual Value of Taxable Property	35
Property Tax Rates – Direct and Overlapping Governments	36
Property Tax Levies and Collections	37
Principal Property Taxpayers	38
Ratios of Outstanding Debt – By Type	39
Direct and Overlapping Governmental Activities Debt	40
Legal Debt Margin Information	41
Pledged-Revenue Coverage	42
Demographic and Economic Statistics	43
Principal Employers	44
City Government Employees by Function/Programs	45
Operating Indicators by Function/Program-Statistical	46
Capital Assets Statistics by Function/Program-Statistical	47

VILLAGE OF PALMETTO BAY, FLORIDA

TABLE OF CONTENTS

(Continued)

	<u>PAGE</u>
III. COMPLIANCE SECTION	
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	50-51
Report of Independent Certified Public Accountants on Compliance with and Internal Control over Compliance Applicable to each Major Federal Awards Program and State Financial Assistance Project	52-53
Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	54
Note to the Schedule of Expenditures of Federal Awards and State Financial Assistance Projects	55
Schedule of Findings and Questioned Costs	56

INTRODUCTORY SECTION



April 23, 2007

To the Citizens of the Village of Palmetto Bay
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 account, 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, 2006.

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 Cohen & Holtz 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, 2006 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, 2005, 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.

To the Citizens of the Village of Palmetto Bay
and Other Interested Parties
April 23, 2007

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 8 square miles, with primarily a residential population, 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 and four 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 the Village Manager. The Village Council also hires the Village Attorney, and approves the Village Manager's appointment to Village Clerk. The Village Manager is responsible for enforcement of all laws, provisions of the Charter and directives of the Council, appoints department heads, and oversees the operations of the Village.

The Village operates on a small highly qualified core staff, and outsources all other major functions such as police protection, public works, community development, and code enforcement. The Village keeps a close working relationship with Miami-Dade County for such services as refuse collection and 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, Florida, 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 then 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 1st 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 size municipality serving approximately 25,000 citizens. The majority of the Village's Ad-Valorem taxes are derived from residential property with an average value of \$500,000. The businesses are made up of seven major auto dealers, one large appliance retailer, several retail shopping plazas, and some office buildings.

Long-Term Financial Planning and Major Initiatives

The Village has approved a new zoning district encompassing 330 acres known as the Franjo Triangle and Island redevelopment area. The new mixed use district will include retail, office space, and residential. Individual developers are beginning to commence new projects consistent with the plan. In the middle of the redevelopment area is Palmetto Bay Commons, which is an existing 5 acre park, which is being expanded to 25 acres. It will have softball 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. A library is being built on newly acquired property on Biscayne Bay, the plans also include a park and community center. The 1929 building on ocean front property purchased in 2006 is being reviewed to determine if it can be declared a historical building.

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 and is invested with the State Board of Administration Pooled Equity Fund, along with other surplus funds.

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 contributes 6% of all full-time employees' income and each employee can contribute up to 6% of their income with an equal match from the Village. In addition the Village sponsors a 457 deferred compensation plan, participation is voluntary.

To the Citizens of the Village of Palmetto Bay
and Other Interested Parties
April 23, 2007

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 Cohen and Holtz LLP.

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

Sincerely,



Charles Scurr
Village Manager



Desmond Chin
Finance Director

VILLAGE OF PALMETTO BAY, FLORIDA

ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2006

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

Desmond Chin, CPA

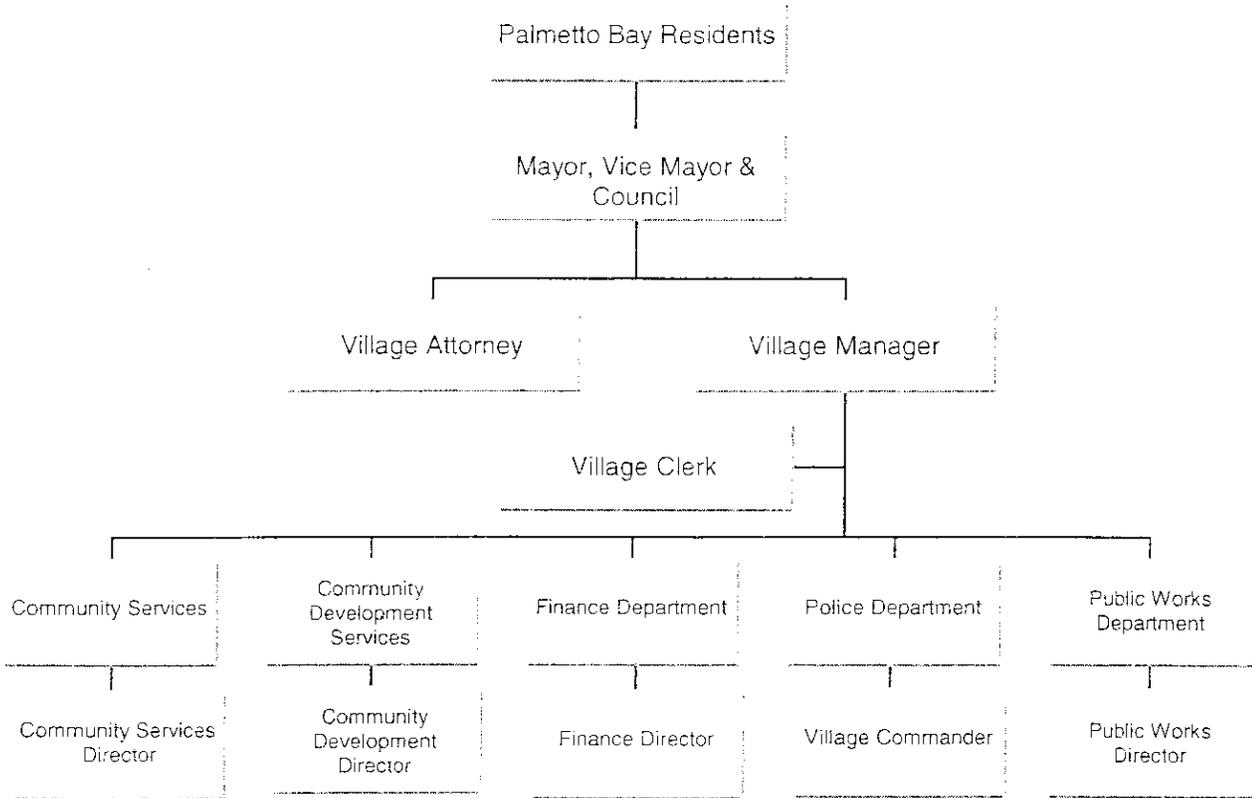
VILLAGE AUDITORS

Rachlin Cohen & Holtz LLP
Accountants ▪ Consultants

VILLAGE OF PALMETTO BAY, FLORIDA

ORGANIZATION CHART

SEPTEMBER 30, 2006



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Palmetto Bay
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Page Left Blank Intentionally

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, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government 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, 2006, 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 March 1, 2007, 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.

-1-



Rachlin Cohen & Holtz LLP

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

An Independent Member of Baker Tilly International

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

Management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 27 and 28 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.

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 on it.

Rachlin Cohen & Holtz LLP

Miami, Florida
March 1, 2007

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, 2006.

Financial Highlights

- The assets of the Village of Palmetto Bay exceeded its liabilities at the close of the most recent fiscal year by \$32,474,787 (net assets). Of this amount, \$8,283,506 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$24,191,281 is comprised of capital assets net of related debt \$22,355,133 and restricted assets \$1,836,148.
- In the government-wide financial statements, the Village's total net assets increased by \$7,092,864. The increase is mainly due to governmental activities of \$7,887,353 (\$67,105 General Fund, \$1,349,172 Grants Fund, \$544,077 Transportation Fund, \$5,933,879 Capital Projects Fund, (\$6,880) Other Governmental Funds), less transactions related to Capital Assets and Debt Payments of \$794,489.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$17,709,835, an increase of \$7,887,353 in comparison with the prior year. The total amount 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 \$5,836,442, or 49% of total general fund expenditures.
- The Village issued revenue bonds in the amount of \$6,000,000 for park renovation, and to build a community center.

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 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.

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

The Village has two non-major funds, the Palmetto Bay Foundation and the Law Enforcement Forfeiture Fund. 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 29 and 30.

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 26 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 \$32,474,787 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$22,355,133 or 69%, 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 (\$7,619,579), 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 \$8,283,506 may be used to meet the government's ongoing obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

	Fiscal Year	
	2006	2005
Current Assets	\$ 19,580,678	\$ 10,588,801
Capital Assets	22,424,240	19,901,532
Total Assets	42,004,918	30,490,333
Long-Term Liabilities Outstanding	7,467,011	3,881,121
Other Liabilities	2,063,120	1,231,517
Total Liabilities	9,530,131	5,112,638
Net Assets:		
Investment in Capital Assets, net of related debt	22,355,133	14,184,649
Restricted for:		
Law enforcement	9,053	15,500
Transportation	1,827,095	1,283,018
Unrestricted	8,283,506	9,894,528
Total Net Assets	\$ 32,474,787	\$ 25,377,695

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 \$7,092,864 during the current fiscal year. The increase is attributable to a General Fund surplus in the amount of \$67,105, and unspent grants and contributions totaling \$7,820,248.

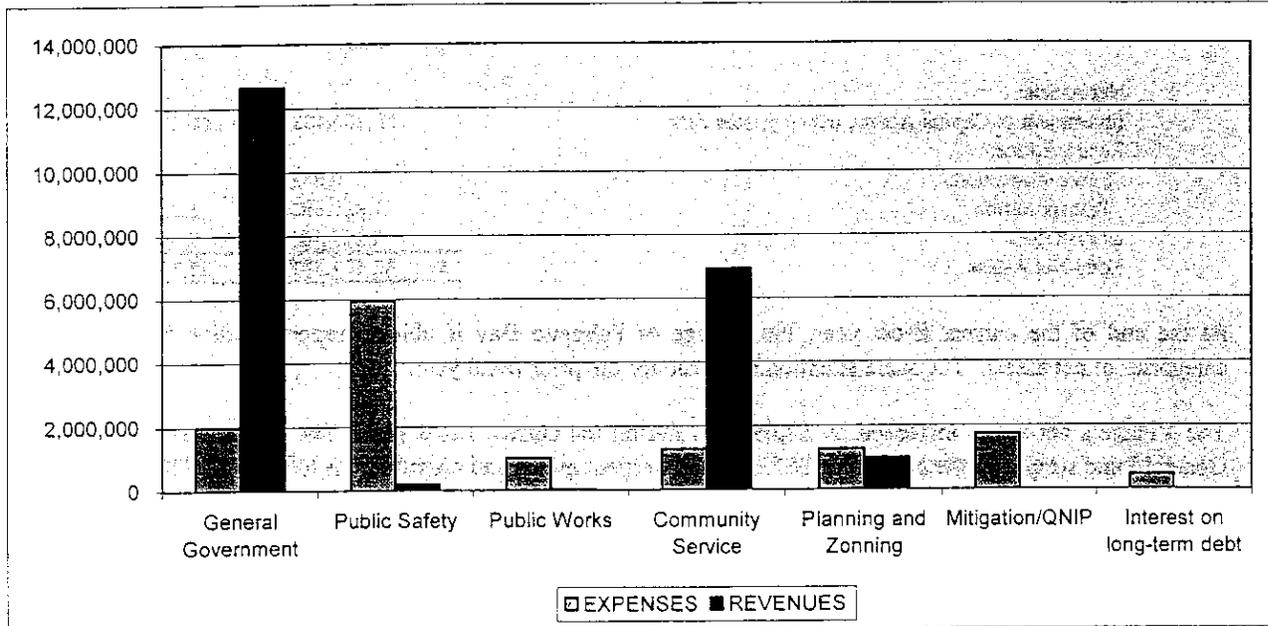
Governmental activities. Governmental activities increased the Village's net assets by \$7,092,864. Key elements of this increase are as follows:

Village of Palmetto Bay's Net Changes in Net Assets

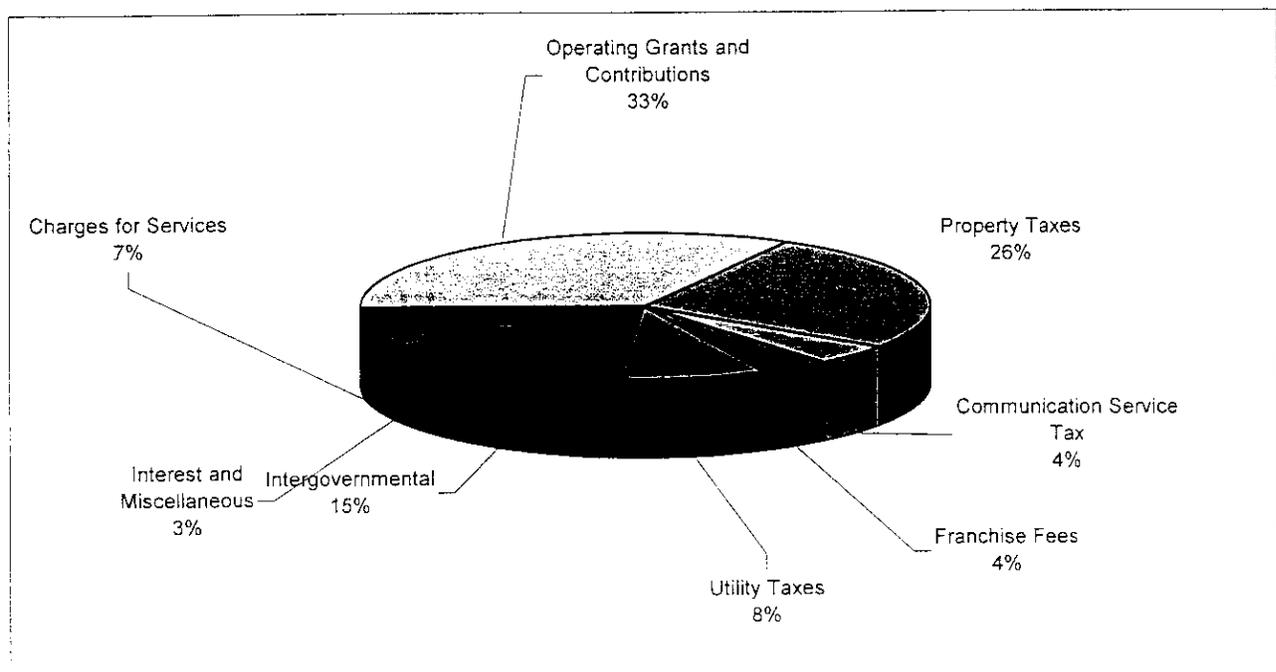
	Fiscal Year	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,354,536	\$ 1,165,118
Operating Grants and Contributions	6,882,311	2,621,678
Capital Grants and Contributions	0	0
General Revenues:		
Property Taxes	5,455,327	4,883,257
Utility Taxes	1,741,781	1,674,087
Communications Service Tax	910,766	1,059,858
Franchise Fees	837,003	828,052
Intergovernmental	3,011,956	2,246,412
Investment Income and Miscellaneous	626,776	453,965
Total Revenues	20,820,456	14,932,427
Expenses:		
General Government	1,992,510	2,258,132
Public Safety	5,953,233	5,075,834
Public Works	1,027,352	799,823
Community Services	1,286,162	738,130
Planning & Zoning	1,273,108	1,164,167
Mitigation/QNIP	1,741,551	1,671,767
Interest on long-term debt	453,676	19,150
Total Expenses	13,727,592	11,727,003
Change in Net Assets	\$ 7,092,864	\$ 3,205,424

- Property taxes of \$5,455,327 comprised 26% 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.
- Operating Grants and Contributions increased \$4,260,633, due to the Village's successful grant writing program. The Village will continue leveraging Village funds with grant dollars where ever possible.

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 \$17,709,835, an increase of \$7,887,353 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 \$5,836,442, 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 49% percent of total general fund expenditures, while total fund balance also represents 49% percent of that same amount. The fund balance of the Village's general fund increased \$67,105 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 \$1,349,172 is mainly due to a transfer of \$1,065,263 for the capital improvements fund. The ending fund balance of \$2,634,794 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 increase in the ending fund balance by \$544,077 to \$1,827,095 is the result of a surplus from operations.

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 \$7,400,579 represents \$6,000,000 the Village borrowed to renovate the Village's three main parks, and unused bond proceeds for the Village library.

General Fund Budgetary Highlights

- No appropriation increases or departmental adjustments were required between the original and final budget.
- Transportation taxes and impact fees that were formally accounted for in the General Fund was reclassified to the Special Revenue Funds to better account for these funds. This resulted in an additional \$661,128 in Transfers Out.

Capital Assets and Debt Administration

Capital Assets. The Village of Palmetto Bay's investment in capital assets as of September 30, 2006, amounted to \$22,424,240 (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 \$2,713,981 in the current fiscal year.

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

- Acquisition of 7.6 acres of land (\$911,000) for Palmetto Bay park as part of the renovation.
- Drainage and sidewalk improvements (\$835,261).
- Park renovation (\$645,200)
- Purchase of two transit buses and equipment (\$320,939).

VILLAGE OF PALMETTO BAY
Capital Assets (Net of Depreciation)

	Balance September 30,	
	<u>2006</u>	<u>2005</u>
Governmental activities:		
Land	\$ 19,247,086	\$ 18,334,506
Construction in progress	406,935	121,077
Furniture and Equipment	490,899	518,293
Building	816,264	790,182
Improvements Other than Buildings	465,021	137,474
Infrastructure	998,035	0
Governmental activities Capital Assets, net	<u>\$ 22,424,240</u>	<u>\$ 19,901,532</u>

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 \$7,495,000. Of this amount \$6,000,000 is a promissory note backed by the full faith and credit of the Village for which the Village is liable in the unlikely event of default. The remainder of the Village of Palmetto Bay's debt represents a bond secured by a lease with Miami-Dade County.

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

	<u>2006</u>	<u>2005</u>
Promissory Note	\$ 6,000,000	\$ -
Revenue Bond	1,495,000	1,495,000
Total	<u>\$ 7,495,000</u>	<u>\$ 1,495,000</u>

The Village of Palmetto Bay's total debt increased by \$6,000,000 during the current fiscal year. The increase is due to the issuance of a promissory note to renovate Palmetto Bay park, Palmetto Wayside park, and to build a community center adjoining the library. The Revenue Bond is part of the Florida Municipal Loan Council's \$25,200,000 bond series 2005D issued September 13, 2005 to build a Village library.

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 2006 was 4.0 percent, which represented a decrease from a rate of 4.1 percent the previous year. This compares unfavorably to the state's average unemployment rate of 3.5 percent but favorable to the national average rate of 4.4 percent in September 2006. (Source: Florida Research and Economic Database, Labor Market Statistics.)
- The occupancy rate of the government's central business district has remained stable since the Village's inception. With the recent approval of the Franjo Triangle and Island redevelopment area, the Village expects an increase in business development in that area.

- Inflationary trends in the County are approximately 1.5% higher than the national average.

All of these factors were considered in preparing the Village's budget for the 2007 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$5,836,442. The Village of Palmetto Bay has appropriated \$1,042,000 of this amount for capital projects in the 2007 fiscal year budget. Going into the Village's fifth year of operation expenditures have stabilized some what, and so the Village Council opted to reduce the millage rate by .0734 to 2.3736 for fiscal year 2007.

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.

Page Left Blank Intentionally

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2006

	Governmental Activities
<u>ASSETS</u>	
Cash	\$ 17,326,660
Receivables, net	11,471
Due from other governments	2,211,085
Prepaid assets	100
Deferred charges	31,362
Capital assets not being depreciated	19,654,021
Capital assets being depreciated, net	2,770,219
Total assets	<u>42,004,918</u>
<u>LIABILITIES</u>	
Accounts payable	1,761,714
Accrued liabilities	101,359
Due to other governments	974
Unearned revenue	42,500
Bond premium	4,005
Noncurrent liabilities:	
Due in one year	152,568
Due in more than one year	7,467,011
Total liabilities	<u>9,530,131</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	22,355,133
Restricted for:	
Law enforcement	9,053
Transportation	1,827,095
Unrestricted	8,283,506
Total net assets	<u>\$ 32,474,787</u>

See notes to basic financial statements.

VILLAGE OF PLEASANT HARBOR, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,992,510	\$ 71,318	\$ -	\$ -	\$ (1,921,192)
Public safety	5,953,233	208,917	-	-	(5,744,316)
Public works	1,027,352	-	36,147	-	(991,205)
Community service	1,286,162	85,011	568,853	6,277,311	5,645,013
Planning and zoning	1,273,108	989,290	-	-	(283,818)
Mitigation/QNHP	1,741,551	-	-	-	(1,741,551)
Interest on long term debt	453,676	-	-	-	(453,676)
Total governmental activities	\$ 13,727,592	\$ 1,354,536	\$ 605,000	\$ 6,277,311	\$ (5,490,745)
General revenues:					
Real and personal property taxes					5,455,327
Communication service tax					910,766
Franchise fees based on gross receipts					837,003
Utility taxes					1,741,781
Unrestricted intergovernmental					3,011,956
Interest					531,872
Miscellaneous					94,904
Total general revenues					12,583,609
Change in net assets					7,092,864
Net assets, beginning					25,381,923
Net assets, ending					\$ 32,474,787

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	<u>General</u>	Grants <u>Fund</u>	Transportation <u>Fund</u>	Capital Projects <u>Fund</u>	Other Governmental <u>Funds</u>	Totals Governmental <u>Funds</u>
<u>ASSETS</u>						
Assets:						
Cash	\$ 5,552,859	\$ 2,028,721	\$ 2,177,892	\$ 7,556,263	\$ 10,925	\$ 17,326,660
Accounts receivable	11,471	-	-	-	-	11,471
Due from other funds	176,890	85,639	-	-	-	262,529
Due from other governments	934,355	1,076,953	199,777	-	-	2,211,085
Prepaid items	100	-	-	-	-	100
Total assets	<u>\$ 6,675,675</u>	<u>\$ 3,191,313</u>	<u>\$ 2,377,669</u>	<u>\$ 7,556,263</u>	<u>\$ 10,925</u>	<u>\$ 19,811,845</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 803,966	\$ 337,129	\$ 500,930	\$ 119,689	\$ -	\$ 1,761,714
Accrued liabilities	34,293	-	-	-	-	34,293
Due to other governments	974	-	-	-	-	974
Deferred revenue	-	42,500	-	-	-	42,500
Due to other funds	-	176,890	49,644	35,995	-	262,529
Total liabilities	<u>839,233</u>	<u>556,519</u>	<u>550,574</u>	<u>155,684</u>	<u>-</u>	<u>2,102,010</u>
Fund balances:						
Reserved for:						
Prepaid items	100	-	-	-	-	100
Unreserved recorded in:						
General fund	5,836,342	-	-	-	-	5,836,342
Special revenue funds	-	2,634,794	1,827,095	-	10,925	4,472,814
Capital projects fund	-	-	-	7,400,579	-	7,400,579
Total fund balances	<u>5,836,442</u>	<u>2,634,794</u>	<u>1,827,095</u>	<u>7,400,579</u>	<u>10,925</u>	<u>17,709,835</u>
Total liabilities and fund balances	<u>\$ 6,675,675</u>	<u>\$ 3,191,313</u>	<u>\$ 2,377,669</u>	<u>\$ 7,556,263</u>	<u>\$ 10,925</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.	22,424,240
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(7,619,579)
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	107,066
Bond issue costs	31,302
Bond premium	14,005
Net assets of governmental activities	<u>\$ 32,474,787</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, 2006

	<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	\$ 5,455,327	\$ -	\$ -	\$ -	\$ -	\$ 5,455,327
Utility taxes	1,741,781	-	-	-	-	1,741,781
Communication service tax	910,766	-	-	-	-	910,766
Franchise fees	837,003	-	-	-	-	837,003
Intergovernmental	3,011,956	5,883,079	963,085	-	-	9,858,120
Licenses and permits	1,060,608	-	-	-	-	1,060,608
Impact fees	22,382	13,765	-	-	-	36,147
Fines and forfeitures	208,917	-	-	-	-	208,917
Charges for services	85,011	-	-	-	-	85,011
Interest	304,499	83,425	-	143,942	6	531,872
Miscellaneous fees	82,174	12,730	-	-	-	94,904
Total revenues	<u>13,720,424</u>	<u>5,992,999</u>	<u>963,085</u>	<u>143,942</u>	<u>6</u>	<u>20,820,456</u>
Expenditures:						
Current:						
General government	1,878,341	10	-	197	439	1,878,987
Public safety	5,634,954	198,625	-	-	6,447	5,840,026
Public works	391,275	195,140	265,208	-	-	851,623
Community service	839,552	-	-	-	-	839,552
Planning and zoning	1,268,789	-	-	-	-	1,268,789
Mitigation/QNIP	1,741,551	-	-	-	-	1,741,551
Capital outlay	100,201	2,545,234	568,853	172,407	-	3,386,695
Debt service:						
Principal payments	39,270	2,700,000	-	-	-	2,739,270
Interest expense	32,995	316,156	-	37,459	-	386,610
Total expenditures	<u>11,926,928</u>	<u>5,955,165</u>	<u>834,061</u>	<u>210,063</u>	<u>6,886</u>	<u>18,933,103</u>
Excess (deficiency) of revenues over expenditures	<u>1,793,496</u>	<u>37,834</u>	<u>129,024</u>	<u>(66,121)</u>	<u>(6,880)</u>	<u>1,887,353</u>
Other financing sources (uses):						
Transfers in	-	1,311,338	415,053	-	-	1,726,391
Transfers out	(1,726,391)	-	-	-	-	(1,726,391)
Bonds issued	-	-	-	6,000,000	-	6,000,000
Total other financing sources (uses)	<u>(1,726,391)</u>	<u>1,311,338</u>	<u>415,053</u>	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>
Net change in fund balances	67,105	1,349,172	544,077	5,933,879	(6,880)	7,887,353
Fund balances, beginning	<u>5,769,337</u>	<u>1,285,622</u>	<u>1,283,018</u>	<u>1,466,700</u>	<u>17,805</u>	<u>9,822,482</u>
Fund balances, ending	<u>\$ 5,836,442</u>	<u>\$ 2,634,794</u>	<u>\$ 1,827,095</u>	<u>\$ 7,400,579</u>	<u>\$ 10,925</u>	<u>\$ 17,709,835</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, 2006

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)	\$ 7,887,353
--	--------------

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	\$ 2,713,981	
Depreciation expense	<u>(191,273)</u>	
		2,522,708

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	(6,000,000)	
Principal payments	<u>2,739,270</u>	
		(3,260,730)

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:

Accrued interest on debt	(67,066)	
Compensated absences	11,542	
Bond issue costs	(1,081)	
Bond premium	<u>138</u>	
		<u>(56,467)</u>

Change in net assets of governmental activities (Page 11)	\$ <u>7,092,884</u>
---	---------------------

See notes to basic financial statements

Page Left Blank Intentionally

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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 (505(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 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.

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 a separate column 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.

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)

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.

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. 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, 2006, there were no material delinquent taxes.

NOTE 3. DEPOSITS AND INVESTMENTS

In March 2003, the GASB issued Statement No. 40 *Deposits and Investment Risks Disclosures* (GASB Statement No. 40), which amends GASB No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Purchase Agreements* and addresses additional risks to which governments are exposed. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

GASB 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

This statement is effective for financial statements for periods beginning after June 15, 2004, and has been adopted for the fiscal year ended September 30, 2005. The adoption of GASB 40 has resulted in changes to the form and content of the deposit and investment notes to the financial statements but did not have an impact on the Village's financial position and results of operations. The following disclosure represents the adoption of GASB 40:

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). Excess funds are also transferred daily to the Florida State Board of Administration (SBA) for their investment. The SBA does not have a rating from a NRSRO. This is the only external investment pool that the Village can invest in.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 2006 are as follows:

<u>Receivable Fund</u>	<u>Pavable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$ 176,890
Grants Fund	Transportation Fund	49,644
Grants Fund	Capital Projects Fund	<u>35,995</u>
Total		<u>\$ 262,529</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 \$1,726,391 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.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 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	\$ 18,354,506	\$ 912,580	\$ -	\$ 19,247,086
Construction in progress	<u>121,077</u>	<u>384,763</u>	<u>98,905</u>	<u>406,935</u>
Total capital assets not being depreciated	<u>18,455,583</u>	<u>1,297,343</u>	<u>98,905</u>	<u>19,654,021</u>
Capital assets being depreciated:				
Furniture and equipment	363,401	320,939	-	684,340
Buildings	846,624	56,175	-	902,799
Improvements other than buildings	246,043	243,453	-	489,496
Infrastructure	<u>137,474</u>	<u>894,976</u>	<u>-</u>	<u>1,032,450</u>
Total capital assets being depreciated	<u>1,593,542</u>	<u>1,515,543</u>	<u>-</u>	<u>3,109,085</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 5. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Furniture and equipment	91,151	102,290	-	193,441
Buildings	56,442	30,093	-	86,535
Improvements other than buildings	-	24,475	-	24,475
Infrastructure	-	34,415	-	34,415
Total accumulated depreciation	<u>147,593</u>	<u>191,273</u>	<u>-</u>	<u>338,866</u>
Total capital assets, being depreciated, net	<u>1,445,949</u>	<u>1,324,270</u>	<u>-</u>	<u>2,770,219</u>
 Governmental activities capital assets, net	 <u>\$ 19,901,532</u>	 <u>\$ 2,621,613</u>	 <u>\$ 98,905</u>	 <u>\$ 22,424,240</u>

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

General government	\$ 24,122
Public safety	13,207
Public works	75,729
Community service	73,896
Planning and zoning	<u>4,319</u>
Total depreciation expense - governmental activities	<u>\$ 191,273</u>

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the period ended September 30, 2006 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	\$ -	\$ -	\$ 1,495,000	\$ -
Bond Premium	<u>4,143</u>	<u>-</u>	<u>138</u>	<u>4,005</u>	<u>-</u>
	1,499,143	-	138	1,499,005	-
Less deferred amounts:					
Unamortized issue cost	<u>32,443</u>	<u>-</u>	<u>1,081</u>	<u>31,362</u>	<u>-</u>
Total bonds payable	1,466,700	-	(943)	1,467,643	-
Promissory note	-	6,000,000	-	6,000,000	122,464
Capital leases	2,808,377	-	2,739,270	69,107	30,104
Compensated absences	<u>67,014</u>	<u>15,815</u>	<u>-</u>	<u>82,829</u>	<u>0</u>
Long-term liabilities	<u>\$ 4,342,091</u>	<u>\$ 6,015,815</u>	<u>\$ 2,738,327</u>	<u>\$ 7,619,579</u>	<u>\$ 152,568</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. 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, 2006 are as follows:

Fiscal year ending September 30:	
2007	\$31,956
2008	31,956
2009	<u>7,989</u>
Total minimum lease payments	71,901
Less amount representing interest	<u>(2,794)</u>
Present value of minimum lease payments	<u>\$69,107</u>

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 198,298
Less accumulated depreciation	<u>74,532</u>
Total	<u>\$ 123,766</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 beginning in fiscal year 2008 and interest payments ranging from 3% to 5% beginning in fiscal year 2006.

The amortization of the \$1,495,000 obligation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2007	\$ -	\$ 64,070	\$ 64,070
2008	30,000	63,620	93,620
2009	30,000	62,683	92,683
2010	30,000	61,707	91,707
2011	30,000	60,755	90,755
2012-2016	170,000	287,481	457,481
2017-2021	210,000	251,850	461,850
2022-2026	255,000	199,625	454,625
2027-2031	330,000	130,500	460,500
2032-2036	<u>410,000</u>	<u>47,700</u>	<u>457,700</u>
Total	<u>\$ 1,495,000</u>	<u>\$ 1,229,991</u>	<u>\$ 2,724,991</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. 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. 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:			
2007	\$ 122,464	\$ 333,288	\$ 455,752
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
2012-2016	674,166	1,148,834	1,823,000
2017-2021	<u>4,762,342</u>	<u>936,198</u>	<u>5,698,540</u>
Total	<u>\$6,000,000</u>	<u>\$3,435,692</u>	<u>\$9,435,692</u>

NOTE 7. 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-S2 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 approximately \$84,000 for the year ended September 30, 2006.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. 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 \$1,551,654 for the year ended September 30, 2006.

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, 2006 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.

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 \$5,238,000 during fiscal year ended September 30, 2006.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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, 2006 was approximately \$306,000. 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.

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

Year ending September 30:	
2007	\$ 160,521
2008	160,521
2009	167,209
2010	176,573
2011	176,573
2012-2013	<u>378,160</u>
Total	<u>\$1,219,556</u>

Construction Commitments

The Village had construction commitments outstanding at September 30, 2006 in the amount of approximately \$8,700,000 for park projects.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget - Positive (Negative)
Revenues:				
Real and personal property taxes	\$ 5,575,897	\$ 5,575,897	\$ 5,455,327	\$ (120,570)
Utility taxes	1,617,200	1,617,200	1,741,781	124,581
Communication service tax	958,000	958,000	910,766	(47,234)
Franchise fees	840,000	840,000	837,003	(2,997)
Intergovernmental	2,737,400	2,737,400	3,011,956	274,556
Licenses and permits	975,000	975,000	1,060,608	85,608
Impact fees	1,000	1,000	22,382	21,382
Fines and forfeitures	135,000	135,000	208,917	73,917
Charges for services	80,000	80,000	85,011	5,011
Interest	100,000	100,000	304,499	204,499
Other	1,500	1,500	82,174	80,674
Revenue contingency	(200,000)	(200,000)	-	200,000
Total revenues	<u>12,820,997</u>	<u>12,820,997</u>	<u>13,720,424</u>	<u>899,427</u>
Expenditures:				
Current:				
General government:				
Village council	64,000	64,000	57,577	6,423
Village manager/clerk	507,560	507,560	490,811	16,749
Finance department	208,360	208,360	197,296	11,064
Village Attorney	225,000	225,000	213,379	11,621
Other general government	1,376,512	1,343,517	919,278	424,239
Total general government	<u>2,381,432</u>	<u>2,348,437</u>	<u>1,878,341</u>	<u>470,096</u>
Public safety	5,904,300	5,904,300	5,634,954	269,346
Public works	450,964	449,464	391,275	58,189
Community services	924,061	896,869	839,552	57,317
Community development (planning/zoning)	1,290,714	1,290,714	1,268,789	21,925
Mitigation/QNIP	1,746,256	1,746,256	1,741,551	4,705
Capital outlay	84,000	112,692	100,201	12,491
Debt service:				
Principal payments	39,270	39,270	39,270	-
Interest expense	-	32,995	32,995	-
Total expenditures	<u>12,820,997</u>	<u>12,820,997</u>	<u>11,926,928</u>	<u>894,069</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,793,496</u>	<u>1,793,496</u>
Other financing sources (uses):				
Transfers out	1,065,263	1,065,263	(1,726,391)	(2,791,654)
Appropriation of prior years' fund balance	(1,065,263)	(1,065,263)	-	1,065,263
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,726,391)</u>	<u>(1,726,391)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,105</u>	<u>\$ 67,105</u>

See note to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2006

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 2006.
- (6) Unencumbered appropriations lapse at year-end.

COMBINING STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	Palmetto Bay Foundation (1)	Law Enforcement Trust Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 1,872	\$ 9,053	\$ 10,925
<u>FUND BALANCES</u>			
Fund balances	\$ 1,872	\$ 9,053	\$ 10,925

(1) Amounts reflected as of December 31, 2006, 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, 2006

	<u>Palmetto Bay Foundation (1)</u>	<u>Law Enforcement Trust Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:			
Donations	\$ -	\$ -	\$ -
Interest	<u>6</u>	<u>-</u>	<u>6</u>
Total revenues	<u>6</u>	<u>-</u>	<u>6</u>
Expenditures:			
Current:			
General government	439	-	439
Public safety	<u>-</u>	<u>6,447</u>	<u>6,447</u>
Total expenditures	<u>439</u>	<u>6,447</u>	<u>6,886</u>
Net change in fund balances	(433)	(6,447)	(6,880)
Fund balances, beginning	<u>2,305</u>	<u>15,500</u>	<u>17,805</u>
Fund balances, ending	<u>\$ 1,872</u>	<u>\$ 9,053</u>	<u>\$ 10,925</u>

(1) Amounts reflected as of December 31, 2006, 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.	31-34
Revenue Capacity	
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	35-38
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.	39-42
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.	43-44
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.	45-47

VILLAGE OF PALMETTO BAY, FLORIDA

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

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities				
Investment in capital assets, net of related debt	\$ 36,174	\$ 15,972,947	\$ 14,184,649	\$ 22,355,133
Restricted	-	-	1,298,518	1,836,148
Unrestricted	<u>4,417,263</u>	<u>6,199,324</u>	<u>9,894,528</u>	<u>8,283,506</u>
Total governmental activities net asset	<u>\$ 4,453,437</u>	<u>\$ 22,172,271</u>	<u>\$ 25,377,695</u>	<u>\$ 32,474,787</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 Four Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses				
Governmental activities:				
General government	\$ 1,161,167	\$ 1,510,663	\$ 2,258,132	\$ 1,992,510
Public safety	3,292,636	4,600,142	5,075,834	5,953,233
Public works	190,219	607,009	799,823	1,027,352
Community services	694,497	671,670	738,130	1,286,162
Planning and zoning	65,918	909,235	1,164,167	1,273,108
Mitigation/QNIP	1,864,041	1,645,521	1,671,767	1,741,551
Interest on long-term debt	-	-	19,150	453,676
Total governmental activities expenses	<u>7,268,478</u>	<u>9,944,240</u>	<u>11,727,003</u>	<u>13,727,592</u>
Program revenue				
Governmental activities:				
Charge for services:				
General government	94,000	90,370	87,433	71,318
Public safety	137,944	116,650	168,660	208,917
Planning and zoning	60,828	586,450	807,796	989,290
Community services	-	57,714	101,229	85,011
Operating grants and contributions	-	3,142	2,621,678	6,882,311
ital grants and contributions	<u>343,465</u>	<u>15,621,411</u>	<u>-</u>	<u>-</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>
Net (expense)/revenue				
Governmental activities	(6,632,241)	6,531,497	(7,940,207)	(5,490,745)
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
Communication taxes	1,470,541	795,085	1,059,858	910,766
Franchise taxes	900,000	800,967	828,052	837,033
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781
Unrestricted intergovernmental revenue	2,094,780	3,424,556	2,246,412	3,011,956
Unrestricted investment earnings	46,906	77,050	208,533	531,872
Miscellaneous	4,060	879	245,432	94,904
Total governmental activities	<u>11,085,678</u>	<u>11,187,337</u>	<u>11,145,631</u>	<u>12,583,639</u>
Change in Net Asset				
Governmental activities	<u>4,453,437</u>	<u>17,718,834</u>	<u>3,205,424</u>	<u>7,092,894</u>
Total primary government	<u>\$ 4,453,437</u>	<u>\$ 17,718,834</u>	<u>\$ 3,205,424</u>	<u>\$ 7,092,894</u>

¹ - 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 Four Fiscal Years¹
(modified accrual basis of accounting)

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

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 Four Fiscal Years¹

(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781
Communication taxes	1,470,541	795,085	1,059,858	910,766
Franchise fees	900,000	800,967	828,052	837,003
Intergovernmental	2,094,780	3,424,556	4,868,090	9,858,120
Licenses and permits	154,828	674,435	895,229	1,060,608
Impact fees	343,465	40,281	22,288	36,147
Fines and forfeitures	137,944	117,850	166,888	208,917
Charges for services	-	58,899	80,713	85,011
Interest	46,906	77,050	208,533	531,872
Miscellaneous fees	4,060	4,018	245,432	94,904
Total revenues	11,721,915	12,081,941	14,932,427	20,820,456
Expenditures:				
General government	1,153,401	1,151,514	1,699,674	1,878,987
Public safety	3,292,636	4,594,747	5,066,538	5,840,026
Public work	190,219	576,370	788,776	851,623
Community services	694,496	671,670	699,809	839,552
Planning and zoning	65,918	909,235	1,163,352	1,268,789
Mitigation/QNIP	1,864,041	1,645,521	1,671,767	1,741,551
Capital outlay	89,075	855,722	4,358,682	3,386,695
Debt service	6,053	42,214	962,142	3,125,880
Total expenditures	7,355,839	10,446,993	16,410,740	18,933,103
Excess of revenues over (under) expenditures	4,366,076	1,634,948	(1,478,313)	1,887,353
Other financing sources (uses):				
Bond issue	-	-	1,499,143	6,000,000
Proceeds from capital leases	51,188	147,110	3,600,000	-
Total other financing sources (uses)	51,188	147,110	5,099,143	6,000,000
Net change in fund balances	\$ 4,417,264	\$ 1,782,058	\$ 3,620,830	\$ 7,887,353
Debt services as a percentage of noncapital expenditures	0.0833%	0.4401%	7.9832%	20.1068%

¹ 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 Four 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	\$ -	\$ -	\$ -	\$ -	\$ -	-	2.447	Not Avail	Not Avail
2004 ⁵	2,151,379		71,180	323,274	1,899,285	2.447	Not Avail	Not Avail	Not Avail
2005	1,862,490		71,230	350,041	2,082,940	2.447	\$ 3,168,376	76.79%	
2006	2,086,410		76,929	384,142	2,352,674	2.447	3,728,250	73.41%	

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 Four 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

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 Four Fiscal Years¹

Fiscal Year	Total Tax Levy ²	Current Tax Collections ³	Percent of Current Taxes Collected	Delinquent Tax Collections ⁴	Total Tax Collections	Ratio of Total Tax Collection to	Outstanding Delinquent Taxes ⁴	Ratio of Delinquent Taxes to
						Total Tax Levy		Total Tax Levy
2003 ⁵	\$ -	\$ -	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%

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 Tax Payers,
As of September 30, 2006

2005²

2006

Taxpayer	2006			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	\$ 26,821,864	1	1.18%	Retail Outlet	\$ 24,324,981	1	1.21%
Metropolitan Life Insurance	Retail Outlet	22,674,405	2	1.00%	Retail Outlet	21,805,507	2	1.08%
17777 Old Cutler RD LLC	Office Building	17,159,234	3	0.75%	Office Building	17,159,234	3	0.85%
Royal Coast Apartments Assoc. Ltd.	Multifamily	12,047,527	4	0.53%	Multifamily	8,511,985	7	0.42%
Village Homes & Condos	Multifamily	11,851,364	5	0.52%	-	-	-	0.00%
KC Partnership	Automotive	11,157,489	6	0.49%	Automotive	10,100,407	5	0.50%
Automation USA Corp	Automotive	10,923,067	7	0.48%	Automotive	10,719,686	4	0.53%
Fla Power & Light	Utility	10,058,844	8	0.44%	Utility	10,058,844	6	0.50%
Gramercy Park Nursing Care Ctr	Health Care	8,958,220	9	0.39%	Health Care	7,638,511	8	0.38%
SunTrust Bank	Retail Outlet	6,702,293	10	0.29%	Retail Outlet	6,388,995	10	0.32%
Coral Colony Associates	-	-	-	0.00%	Multifamily	6,415,482	9	0.32%
Total		\$ 138,354,307		6.07%		\$ 123,123,632		6.11%
Total Assessed Value		\$ 2,277,958,601				\$ 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 Four 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	0.23%	173.56
2006	7,495,000	69,107	7,564,107	0.36%	300.86

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, 2006

(dollars expressed in thousands)

	Net General Obligation Bonded Debt <u>Outstanding</u>	Percentage Applicable to Village of Palmetto <u>Bay</u>	Amount Applicable to Village of Palmetto <u>Bay</u>
Miami-Dade County ¹	\$ 507,316	1.00%	\$ 5,073
Village Direct Debt			<u>7,495</u>
Total direct and Overlapping Debt			<u>\$ 12,568</u>

¹Information obtained from Miami-Dade County Finance Department.

VILLAGE OF PALMETTO BAY, FLORIDA

Legal Debt Margin Information Last Four Fiscal Years¹ (dollars expressed in thousands)

	Fiscal Year			
	<u>2003</u> ²	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt Limit	\$ -	\$ 111,128	\$ 121,649	\$ 148,125
Total net debt applicable to limit	-	-	1,495	7,495
Legal debt margin	\$ -	\$ 111,128	\$ 120,154	\$ 140,630
Total net debt applicable to the limit as a percentage of debt limit		0.00%	1.23%	5.06%
Legal Debt Margin Calculation				
Assessed Value		\$ 1,899,285	\$ 2,082,940	\$ 2,578,362
Add Back: exempt property		323,274	350,041	384,142
Total assessed value		2,222,559	2,432,981	2,962,504
Debt limit (5% of total assessed value)		111,128	121,649	148,125
Debt applicable to limit:				
Special revenue bonds		-	1,495	7,495
Legal debt margin		\$ 111,128	\$ 120,154	\$ 140,630

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 Four Fiscal Years¹

(dollars expressed in thousands)

Fiscal Year	Library Bonds			Special Revenue Bonds		
	Revenue	Debt Service Requirements Principal	Coverage	Non-Ad Valorem Revenue	Debt Service Requirements Principal	Coverage
2003	\$ -	\$ -	0.00	\$ -	\$ -	0.00
2004	-	-	0.00	-	-	0.00
2005 ²	-	-	0.00	-	-	0.00
2006	-	67,637	0.00	8,265,095	-	0.00
		Total			Total	
		67,637		8,265,095	-	

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 Four 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	N/A	N/A	3,968	4.3%
2006	25,142	N/A	N/A	3,947	4.0%

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, 2006

<u>Employer</u>	<u>2006</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%
Publix Supermarket	350	2	1.39%	350	2	1.41%
Brandsmart	200	3	0.80%	200	3	0.81%
World Ford Kendall	140	4	0.56%	140	4	0.56%
Westminster Christian School	135	5	0.54%	135	5	0.54%
Palmer Trinity Christian School	120	6	0.48%	120	6	0.48%
Marshall's	119	7	0.47%	119	7	0.48%
Maroone Nissan of Kendall	110	8	0.44%	110	8	0.44%
Dade Jeep Chrysler Plymouth	100	9	0.40%	100	9	0.40%
McDonalds	100	10	0.40%	100	10	0.40%
	<u>1,966</u>		<u>7.82%</u>	<u>1,966</u>		<u>7.93%</u>

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

² Employee information is not available prior to 2005.

VILLAGE OF PALMETTO BAY, FLORIDA

City Government Employees by Function/Programs

Last Four Fiscal Years¹

	Fiscal Year							
	2003		2004		2005		2006	
	<u>FULL</u> <u>TIME</u>	<u>PART</u> <u>TIME</u>	<u>FULL</u> <u>TIME</u>	<u>PART</u> <u>TIME</u>	<u>FULL</u> <u>TIME</u>	<u>PART</u> <u>TIME</u>	<u>FULL</u> <u>TIME</u>	<u>PART</u> <u>TIME</u>
Manager/Clerk	N/A	N/A	5	-	5	-	5	-
Finance	N/A	N/A	1	1	1	1	2	-
Community Development	N/A	N/A	2	1	2	1	1	2
Community Services	N/A	N/A	3	9	3	9	3	12
Public Work	N/A	N/A	4	-	4	-	5	-
Total Employees			<u>15</u>	<u>11</u>	<u>15</u>	<u>11</u>	<u>16</u>	<u>14</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

Operating Indicators by Function/Program-Statistical Last Four Fiscal Years¹

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Police:				
Arrests	N/A	798	493	701
Traffic violations	N/A	12,180	9,756	15,060
Culture and recreation:				
Park rentals	0	98	141	237
Community development:				
Building permits:				
Residential	N/A	2,981	4,542	5,648
Commercial	N/A	466	497	832
Inspections	N/A	5,368	7,470	10,392
Manager/Clerk:				
finances	15	25	13	15
Resolutions	111	106	109	130
Public works:				
Roads Resurfaced (miles)	0.00	5.20	4.07	8.44
Finance:				
Deposits	0	357	403	480
Checks	0	1,159	1,369	1,821

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

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

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

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

Page Left Blank Intentionally

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, 2006 and for the period then ended, which collectively comprise the Village's basic financial statements, and have issued our report dated March 1, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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.

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*.

-48-



Rachlin Cohen & Holtz LLP

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

An Independent Member of Baker Tilly International

Honorable Mayor, Village Council and Village Manager
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.

Rachlin Cohen & Holtz LLP

Miami, Florida
March 1, 2007

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 year ended September 30, 2006, and have issued our report thereon dated March 1, 2007.

We conducted our audit in accordance with United States generally accepted auditing standards, and *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters and our Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Findings and Questioned Costs. Disclosures in these reports and schedule, which are dated March 1, 2007, should be considered in conjunction with this management letter.

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

The Rules of the Auditor General (Section 10.554(1)(h)1.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial report have been followed. There were no findings or recommendations made in the preceding annual financial audit report.

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

The Rules of the Auditor General (Section 10.554(1)(h)3.), require that we address in the management letter any findings and recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such findings.

-50-



Rachlin Cohen & Holtz LLP

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

An Independent Member of Baker Tilly International

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

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

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

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

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

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

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



Miami, Florida
March 1, 2007

**Report of Independent Certified Public Accountants on Compliance and Internal
Control over Compliance with Requirements Applicable to Each Major Federal Awards
Program and State Financial Assistance Project**

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

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

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

-52-



Rachlin Cohen & Holtz LLP

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

An Independent Member of Baker Tilly International

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

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state financial assistance projects. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.

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

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

Rachlin Cohen & Holtz LLP

Miami, Florida
March 1, 2007

VILLAGE OF PALMETTO BAY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Homeland Security</i>			
Federal Emergency Management Agency			
Pass-Through Program from:			
State of Florida Department of Community Affairs - FEMA Hurricane Relief - Katrina	97.036	086-UA2LD-00	\$ 350,861
<i>U.S. Department of the Interior</i>			
Pass-Through Program from:			
State of Florida Department of Environmental Protection	15.916	LW527	200,000
Recreational Trails - Celestia			\$ 550,861
<i>Total Expenditures of Federal Awards</i>			
<u>State Grantor/Pass-Through Grantor/Program Title</u>	<u>State CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>State Expenditures</u>
<i>State of Florida Department of Environmental Protection</i>			
Pass-Through From South Florida Water Management District			
Drainage Improvements	37.039	OT050654	\$ 336,646
Stormwater Master Plan	37.039	OT040557	122,354
DEP Drainage Improvements	37.039	LP6079	336,646
FRDAP - Coral Reef Park	37.017	F6089	62,244
FRDAP - Coral Palm Park Acquisition	37.017	F6091	200,000
<i>Total State of Florida Department of Environmental Protection</i>			
<i>State of Florida Department of Community Affairs</i>			
Florida Communities Trust - Land Purchase	52.002	06-CT-60-05-F5-A1-042	2,716,420
<i>Total Expenditures of State Financial Assistance Projects</i>			
			\$ 3,771,310

See note to the schedule of expenditures of federal awards and state financial assistance projects.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE PROJECTS

YEAR ENDED SEPTEMBER 30, 2004

NOTE 1. BASIS OF PRESENTATION

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

VILLAGE OF PALMETTO BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED SEPTEMBER 30, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	Unqualified	
Internal controls over financial reporting		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs		
Material weaknesses identified?	<u> </u> yes	<u> X </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)?	<u> </u> yes	<u> X </u> no

Identification of Major Programs

CFDA Number(s)

97.036

Name of Federal/State Program or Cluster

Disaster Relief Funding

CJSA Number(s)

52.002

37.039

Florida Communities Trust Land Purchase
Drainage Improvements and Master Plan

Dollar threshold used to distinguish between Type A and B programs \$ 300,000

Auditee qualified as low-risk auditee? yes X no