

Prepared by the
Finance Department



Village of Palmetto Bay



*Comprehensive
Annual Financial Report
for the Fiscal Year Ended
September 30, 2008*

VILLAGE OF PALMETTO BAY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2008

Prepared by:

THE FINANCE DEPARTMENT

VILLAGE OF PALMETTO BAY, FLORIDA

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INTRODUCTORY SECTION



May 14, 2009

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

State law requires that all general-purpose local governments publish within one year of the close of each fiscal year, a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States (GAAP) and audited in accordance with generally accepted auditing standards and government auditing standards by a firm of licensed certified public accountants. Additionally, the Village's charter requires an annual independent audit of the books of accounts, financial records and transactions of all departments of the Village by independent certified public accountants. Pursuant to these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Village of Palmetto Bay for the fiscal year ended September 30, 2008.

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

The Village's financial statements have been audited by Rachlin LLP, a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the Village's financial statements for the fiscal year ended September 30, 2008, 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, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

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

The Village operates with a small, highly qualified core staff, and outsources several major functions including police protection, public works construction, and building permitting and inspections. The Village maintains a close working relationship with Miami-Dade County for such services as refuse collection, debris cleanup, fire protection, and libraries. The Village also works closely with all public and private schools serving village residents.

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 quality of life concerns of the residents of the Village of Palmetto Bay, and to foster and promote community wide interest and concern for the history and preservation of the Village of Palmetto Bay. The Foundation is presented as a blended component unit in the financial statements.

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

Factors Affecting Financial Condition

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

Local Economy

The Village of Palmetto Bay is a medium-sized municipality serving approximately 25,000 citizens. The majority of the Village's ad-valorem taxes are derived from its residential properties with an average home value of \$493,032. The foundation of Palmetto Bay is its low-density residential development that serves as housing for employment centers north of the Village. Commercial and office uses are primarily oriented towards the U.S. 1 corridor and consists of ten major auto dealerships, several large-box retailers, retail shopping plazas, and multiple office buildings. Two other concentrations of commercial uses are located in the eastern portion of the Village and include retail service uses and a class A office park development.

Long-Term Financial Planning and Major Initiatives

The Village has approved a new zoning district encompassing 330 acres known as the Franjo Triangle and U.S. 1 Island area. The new mixed-use district includes commercial, office and residential users. The County has a water and sewer infrastructure expansion project slated for completion in 2011, which will assist in attracting developers to the area. In the middle of the redevelopment area is Palmetto Bay Park, which is a newly expanded 25-acre park. It has six softball fields which are Amateur Softball Association (ASA) and United States Specialty Sport Association (USSSA) approved tournament fields, multi-purpose courts, a skate park, and one of the largest boundless playgrounds in the nation. The Palmetto Bay Branch Public Library and Palmetto Bay Community Room at Ludovici Park project was also completed this year. The project represents the first actual building constructed in the Village, housing a 5,000 square-foot neighborhood library and a two-story 2,100 square-foot community room adjacent to the passive Ludovici Park. Other projects currently underway include the redevelopment of the historically-significant Thalatta Park from a private property to a public park to provide a venue for outdoor functions and the construction of a new concession building at Coral Reef Park.

As part of the Comprehensive Master Plan, the Village intends to resurface all 118 miles of its roads, of which approximately 42% has already been completed. A storm water master plan has been created to identify the critical flooding areas within the Village. As funding becomes available through the Stormwater utility fee, the areas will be addressed according to the priorities as established in the Master Plan.

Cash Management Policies and Practices

The Village invests operating funds in an effort to earn a reasonable yield on its portfolio. This is consistent with the Village's primary objective of safeguarding public assets by minimizing the level of credit and market risks assumed. The investment priority is safety of capital, liquidity of funds and investment income, in that order. The Village's investment policy is consistent with local government investment policies delineated in Chapter 218 F.S. The Village currently keeps a \$2.59 million cash reserve for cash flow and emergencies.

Pension Benefits

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

Awards and Acknowledgments

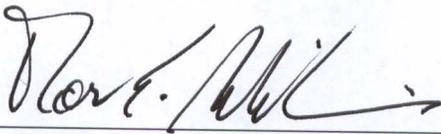
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Village of Palmetto Bay for its comprehensive annual financial report for the fiscal year ended September 30, 2007. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Sincerely,



Ron E. Williams
Village Manager



Desmond Chin
Finance Director

Village of Palmetto Bay, Florida

ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2008

VILLAGE COUNCIL

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

VILLAGE MANAGER

Ron E. Williams

VILLAGE ATTORNEY

Nagin Gallop Figueredo

VILLAGE CLERK

Meighan Rader

FINANCE DIRECTOR

Desmond Chin, CPA

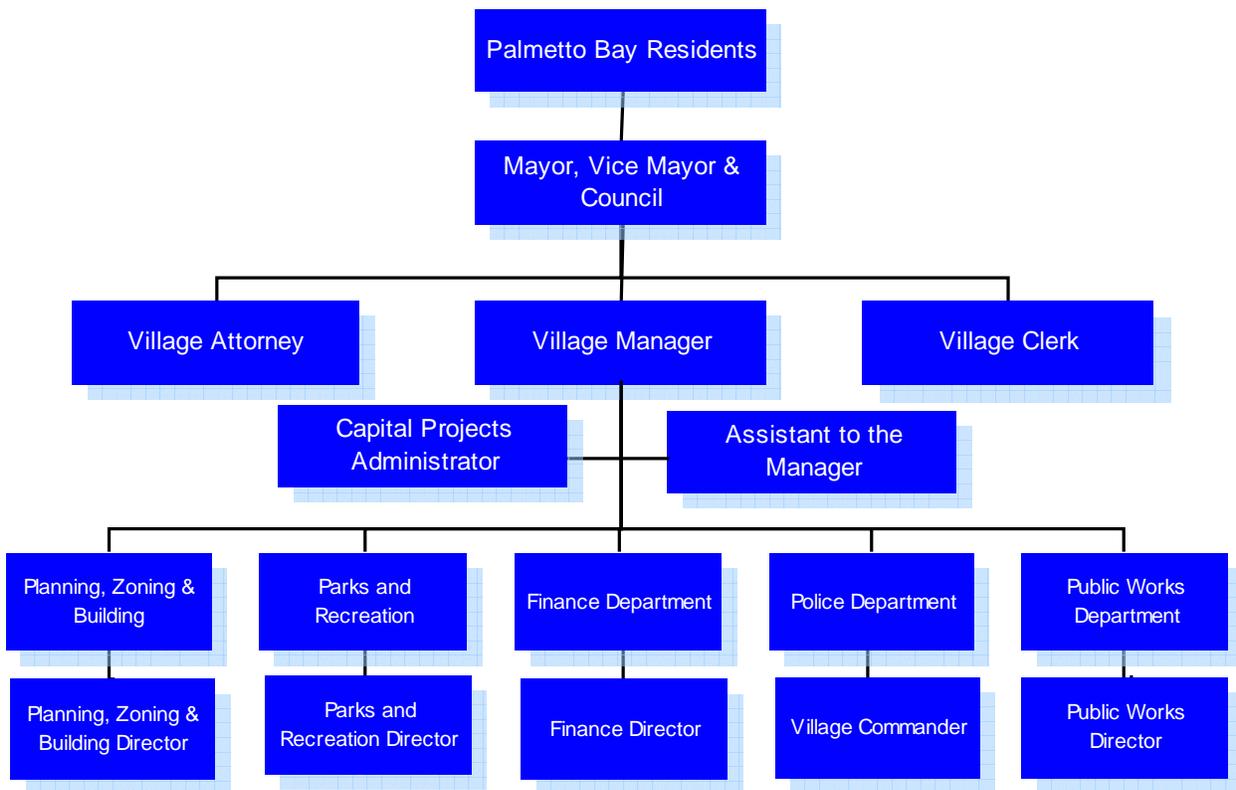
VILLAGE AUDITORS

Rachlin LLP
Accountants • Consultants

Village of Palmetto Bay, Florida

ORGANIZATION CHART

SEPTEMBER 30, 2008



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, 2007

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

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FINANCIAL SECTION

REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Palmetto Bay, Florida (the Village), as of and for the year ended September 30, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, 2008, 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 May 14, 2009, on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain laws, regulations, grant agreements, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining fund financial statements and statistical section are presented or purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the Village's basic financial statements. The combining fund financial statements and schedule of state financial assistance, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion thereon.

Rachlin LLP

Miami, Florida
May 14, 2009

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, 2008.

Financial Highlights

- The assets of the Village of Palmetto Bay exceeded its liabilities at the close of the most recent fiscal year by \$45,507,712 (net assets). Of this amount, \$17,930,478 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$27,577,234 is comprised of capital assets net of related debt \$26,660,555 and restricted assets \$916,679.
- The Village's total net assets increased by \$6,625,547. This increase is attributable to the completion of the Palmetto Bay Park renovation and start of the Village library and community center.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$18,842,556, a decrease of \$457,124 in comparison with the prior year. Approximately 85% of ending fund balance or \$16,089,515 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 \$7,905,680, or 67% of total General Fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Palmetto Bay's finances, in a manner similar to a private sector business.

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

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

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

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

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

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

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

The Village of Palmetto Bay maintains four major governmental funds: a General Fund, Grant Fund, Transportation Fund and a Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balance.

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the Village's case, assets exceeded liabilities by \$45,507,712 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$26,660,555 or 59%, reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Palmetto Bay uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Palmetto Bay reports its investment in capital assets net of related debt (\$9,623,116), 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 \$17,930,478 may be used to meet the government's ongoing obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

	Fiscal Year	
	2008	2007
Current assets	\$20,223,382	\$23,246,178
Capital assets	<u>36,191,715</u>	<u>29,515,305</u>
Total assets	<u>56,415,097</u>	<u>52,761,483</u>
Long-term liabilities outstanding	9,623,116	9,549,641
Other liabilities	<u>1,284,269</u>	<u>4,329,677</u>
Total liabilities	<u>10,907,385</u>	<u>13,879,318</u>
Net assets:		
Investment in capital assets, net of related debt	26,660,555	19,661,211
Restricted for:		
Law enforcement	6,461	8,903
Transportation	910,218	1,111,347
Unrestricted	<u>17,930,478</u>	<u>18,100,704</u>
Total net assets	<u>\$45,507,712</u>	<u>\$38,882,165</u>

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

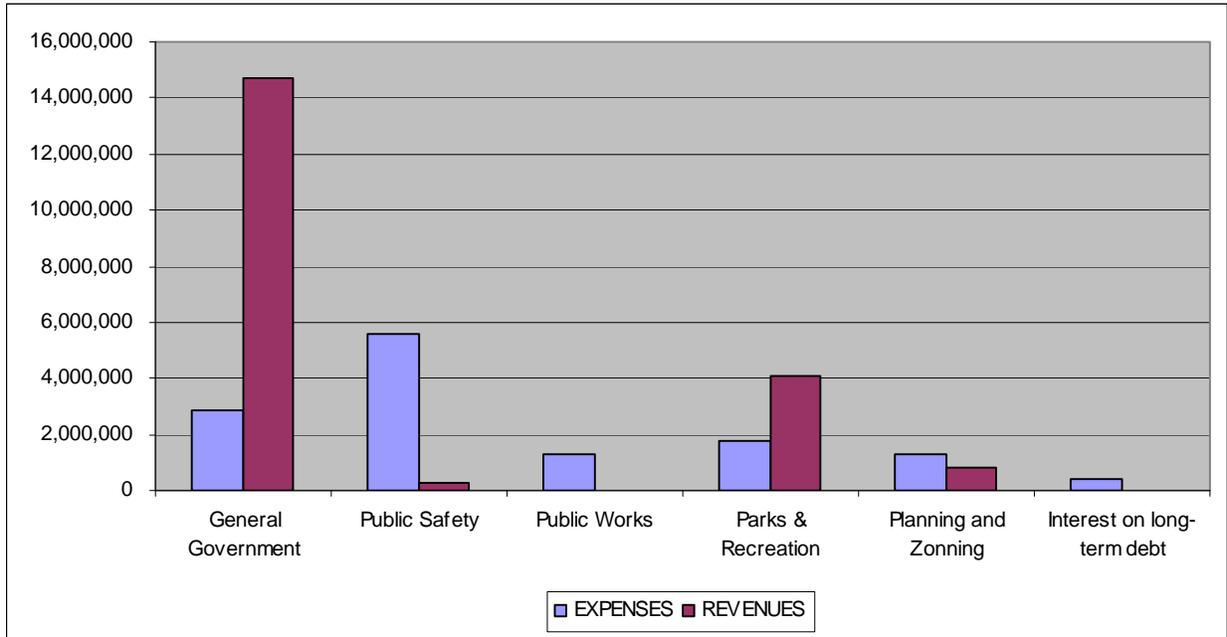
Governmental activities. The Village's net assets increased by \$6,625,547 during the current fiscal year. The increase is due to the completion of the Palmetto Bay Park renovation and the start of the Library and community center. Key elements of this increase are as follows:

Village of Palmetto Bay's Net Changes in Net Assets

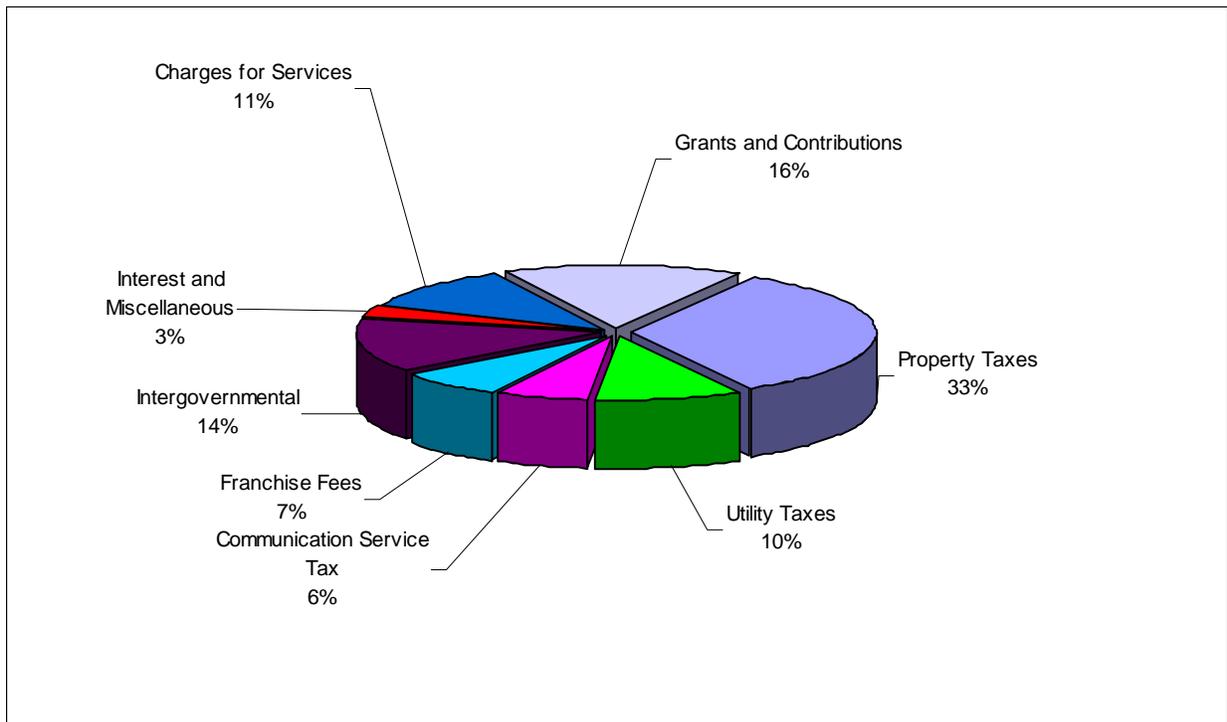
	Fiscal Year	
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$2,174,798	\$ 1,746,091
Operating grants and contributions	1,364	117,453
Capital grants and contributions	3,156,510	3,717,497
General revenues:		
Property taxes	6,692,181	6,073,012
Utility taxes	1,904,671	1,809,609
Communications service tax	1,255,103	932,032
Franchise fees	1,371,130	1,169,359
Intergovernmental	2,698,468	2,797,044
Investment income and miscellaneous	<u>648,314</u>	<u>1,006,442</u>
Total revenues	<u>19,902,539</u>	<u>19,368,539</u>
Expenses:		
General government	2,884,327	2,385,824
Public safety	5,563,958	5,805,170
Public works	1,291,657	1,791,109
Parks and recreation	1,787,333	1,411,155
Planning and zoning	1,322,591	1,184,014
Interest on long-term debt	<u>427,126</u>	<u>356,479</u>
Total expenses	<u>13,276,992</u>	<u>12,933,751</u>
Change in net assets	<u>\$6,625,547</u>	<u>\$ 6,434,788</u>

- Taxes of \$9,851,955 comprised 49% of total revenues in the current fiscal year. Most of this category is Property Taxes \$6,692,181. The Village held the millage rate at \$2.3736 per \$1,000 of assessed taxable value for fiscal year 2008, which was 10.69% more than the roll back rate of 2.1443.
- Operating Grants, Capital Grants and Contributions accounted for \$3,157,874 (16%) of total revenues

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Village of Palmetto Bay's governmental funds reported combined ending fund balances of \$18,842,556, a decrease of \$457,124 in comparison with the prior year. Approximately 85% of this amount or \$16,089,515 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 \$10,658,721, \$7,905,680 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 67% percent of total general fund expenditures, while total fund balance represents 90% percent of that same amount. The fund balance of the Village's general fund increased \$2,889,348 during the current fiscal year. The withholding of \$1.6 million of mitigation payments to the County, due to pending litigation, is the main reason for the increase.

The Grant Fund is used to account for and track the expenditures of the approximately 25 grants, impact fees, and a Village funded Capital Improvements fund. The increase in fund balance of \$170,419 is mainly due to a transfer of \$1,063,751 for the Capital Improvements fund, which helped offset the \$893,332 deficit from the park improvements. The ending fund balance of \$3,448,759 is for funded projects which have not been completed, and approximately \$1,700,000 set aside for Village Hall.

The Transportation Fund is used to account for the various fuel and transportation taxes that are restricted to the maintenance and improvement of the Village's roadways. The decrease in the ending fund balance by \$201,129 to \$910,218 is a result of traffic calming and drainage improvements.

The Capital Projects Fund is used to account for financial resources (usually when financed through borrowings or contributions) to be used for the acquisition or construction of major capital facilities. The ending fund balance of \$3,597,846 represents the unused financing the Village borrowed to renovate the Village's three main parks, build a Village library and install Village street signs.

General Fund Budgetary Highlights

Total surpluses from revenues \$1,393,208 and expenditures \$2,559,891 totaled \$3,953,099. After a transfer out of \$1,063,751 to the Grants Fund net surplus for the current fiscal year was \$2,889,348.

The most significant variances were in:

Revenues – \$1,393,208, all revenue line items had surpluses except Intergovernmental due to the down turn in the economy affecting sales and other taxes.

General Government – \$2,540,207, which was due mainly from the withholding of \$1.6 million in mitigation payments from the County due to pending litigation.

Public Safety – \$421,331, savings from several personnel vacancies that took some time to fill.

Village Manager – \$237,153, Salary and benefits from the unfilled Capital Projects Manager position.

Capital Assets and Debt Administration

Capital Assets. The Village of Palmetto Bay's investment in capital assets as of September 30, 2008, amounted to \$36,191,715 (net of accumulated depreciation). This investment in capital assets includes land, buildings, street and sidewalk improvements, machinery, furniture and equipment. The Village's investment in capital assets increased by \$7,505,370 in the current fiscal year.

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

- Palmetto Bay Park renovation (\$2,972,514).
- Perrine Wayside Dog Park renovation (\$152,658).
- Library and Community Room (\$1,576,572)
- Public Works Yard (\$580,257).
- Stormwater Drainage (\$1,324,059)

VILLAGE OF PALMETTO BAY Capital Assets (Net of Depreciation)

	<u>Balance September 30,</u>	
	<u>2008</u>	<u>2007</u>
Governmental activities:		
Land	\$ 19,603,470	\$ 19,247,086
Construction in progress	2,305,363	6,428,019
Furniture and equipment	505,761	568,544
Building	972,490	786,171
Improvements other than buildings	9,586,629	891,333
Infrastructure	<u>3,218,002</u>	<u>1,594,152</u>
Governmental activities capital assets, net	<u>\$ 36,191,715</u>	<u>\$ 29,515,305</u>

Additional information on the Village's capital assets can be found in Note 5 on pages 22-23 of this report.

Long-term Debt. At the end of the current fiscal year, the Village of Palmetto Bay had total debt outstanding of \$9,548,705. The total debt is backed by the full faith and credit of the Village for which the Village is liable in the unlikely event of default.

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

	<u>2008</u>	<u>2007</u>
Promissory Note	\$ 8,113,705	\$ 8,376,504
Revenue Bond	<u>1,435,000</u>	<u>1,465,000</u>
Total	<u>\$ 9,548,705</u>	<u>\$ 9,841,504</u>

There were three debt issues outstanding at the end of the fiscal year; Florida Municipal Loan Council Revenue Bond Series 2005D (Village Library) \$1,495,000, Promissory Note Series 2006 (Park Renovation) \$6,000,000 and Promissory Note Series 2007 (Street Signs) \$2,500,000. Additional information on the Village of Palmetto Bay's long-term debt can be found in Note 6 pages 23-25.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2008 was 5.8 percent, which represents a significant increase from a rate of 4.1 percent the previous year. This compares favorably to the state's average unemployment rate of 6.7 percent and the national average rate of 6.2 percent in September 2008. The unemployment rate of the Village of Palmetto Bay is generally lower than the County. (Source: Florida Research and Economic Database - Labor Market Statistics.)
- Inflationary trends in the County are approximately 1.5% higher than the national average.
- With Florida leading the nation in foreclosures and most in southeastern Florida, the Village of Palmetto Bay has not followed that trend as the Village is an older more stable community, this is evidenced by the 5.4% fall in property values versus the County at approximately 8%.

All of these factors were considered in preparing the Village's budget for the 2009 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$7,905,680. The Village of Palmetto Bay has appropriated \$1,034,456 of this amount for capital projects in the 2009 fiscal year budget. The Village of Palmetto Bay used the roll back rate of 2.4476 for fiscal year 2009.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2008

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 18,288,135
Investments	220,832
Receivables, net	148,269
Due from other governments	1,536,846
Prepaid assets	100
Deferred charges	29,200
Capital assets not being depreciated	21,908,832
Capital assets being depreciated, net	<u>14,282,883</u>
Total assets	<u>56,415,097</u>
<u>LIABILITIES</u>	
Accounts payable	1,172,686
Accrued liabilities	76,668
Due to other governments	1,886
Unearned revenue	29,300
Bond premium	3,729
Noncurrent liabilities:	
Due in one year	385,494
Due in more than one year	<u>9,237,622</u>
Total liabilities	<u>10,907,385</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	26,660,555
Restricted for:	
Law enforcement	6,461
Transportation	910,218
Unrestricted	<u>17,930,478</u>
Total net assets	<u>\$ 45,507,712</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2008

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
			Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,884,327	\$ 117,453	\$ -	\$ -	\$ (2,766,874)
Public safety	5,563,958	300,551	-	-	(5,263,407)
Public works	1,291,657	-	1,364	-	(1,290,293)
Community service	1,787,333	925,824	-	3,156,510	2,295,001
Planning and zoning	1,322,591	830,970	-	-	(491,621)
Interest on long-term debt	427,126	-	-	-	(427,126)
Total governmental activities	\$ 13,276,992	\$ 2,174,798	\$ 1,364	\$ 3,156,510	\$ (7,944,320)
General revenues:					
Real and personal property taxes					6,692,181
Communication service tax					1,255,103
Franchise fees based on gross receipts					1,371,130
Utility taxes					1,904,671
Unrestricted intergovernmental					2,698,468
Unrestricted interest earnings					527,081
Miscellaneous					121,233
Total general revenues					14,569,867
Change in net assets					6,625,547
Net assets, beginning					38,882,165
Net assets, ending					\$ 45,507,712

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>General</u>	<u>Grants Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>ASSETS</u>						
Assets:						
Cash and cash equivalents	\$ 9,962,771	\$ 2,638,499	\$ 738,657	\$ 4,838,200	\$ 110,008	\$ 18,288,135
Investments	123,632	97,200	-	-	-	220,832
Accounts receivable	14,266	-	-	-	134,003	148,269
Due from other funds	102,355	793,148	15,495	-	1,175	912,173
Due from other governments	972,593	370,801	193,452	-	-	1,536,846
Prepaid items	100	-	-	-	-	100
Total assets	<u>\$ 11,175,717</u>	<u>\$ 3,899,648</u>	<u>\$ 947,604</u>	<u>\$ 4,838,200</u>	<u>\$ 245,186</u>	<u>\$ 21,106,355</u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 280,651	\$ 375,337	\$ 32,768	\$ 483,930	\$ -	\$ 1,172,686
Accrued liabilities	61,721	-	-	-	-	61,721
Due to other governments	1,335	551	-	-	-	1,886
Deferred revenue	115,333	-	-	-	-	115,333
Due to other funds	57,956	75,001	4,618	756,424	18,174	912,173
Total liabilities	<u>516,996</u>	<u>450,889</u>	<u>37,386</u>	<u>1,240,354</u>	<u>18,174</u>	<u>2,263,799</u>
 Fund balances:						
Reserved for:						
Prepaid items	100	-	-	-	-	100
Subsequent year expenditures	1,125,256	-	-	-	-	1,125,256
Mitigation	1,627,685	-	-	-	-	1,627,685
Unreserved recorded in:						
General fund	7,905,680	-	-	-	-	7,905,680
Special revenue funds	-	3,448,759	910,218	-	227,012	4,585,989
Capital projects fund	-	-	-	3,597,846	-	3,597,846
Total fund balances	<u>10,658,721</u>	<u>3,448,759</u>	<u>910,218</u>	<u>3,597,846</u>	<u>227,012</u>	<u>18,842,556</u>
Total liabilities and fund balances	<u>\$ 11,175,717</u>	<u>\$ 3,899,648</u>	<u>\$ 947,604</u>	<u>\$ 4,838,200</u>	<u>\$ 245,186</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.	36,191,715
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,623,116)
Other long term assets are not available to pay for current period expenditures and therefore are deferred in the fund	86,033
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	(15,047)
Bond issue costs	29,300
Bond premium	(3,729)
Net assets of governmental activities	<u>\$ 45,507,712</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, 2008

	<u>General</u>	<u>Grants Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Real and personal property taxes	\$ 6,692,181	\$ -	\$ -	\$ -	\$ -	\$ 6,692,181
Utility taxes	1,904,671	-	-	-	-	1,904,671
Communication service tax	1,169,070	-	-	-	-	1,169,070
Franchise fees	1,371,130	-	-	-	-	1,371,130
Intergovernmental	2,698,468	2,218,918	937,592	-	-	5,854,978
Licenses and permits	948,423	-	-	-	-	948,423
Impact fees	-	1,364	-	-	-	1,364
Fines and forfeitures	300,551	-	-	-	-	300,551
Charges for services	297,343	-	-	-	628,481	925,824
Interest	289,116	47,321	-	190,639	5	527,081
Miscellaneous	137,703	3,121	270	-	500	141,594
Total revenues	<u>15,808,656</u>	<u>2,270,724</u>	<u>937,862</u>	<u>190,639</u>	<u>628,986</u>	<u>19,836,867</u>
Expenditures:						
Current:						
General government	2,307,805	-	-	495,668	48,111	2,851,584
Public safety	5,535,831	9,449	-	-	3,000	5,548,280
Public works	389,525	31,055	690,380	-	10,616	1,121,576
Community service	1,228,659	-	-	-	-	1,228,659
Planning and zoning	1,313,025	-	-	-	-	1,313,025
Capital outlay	621,380	3,123,552	179,151	3,036,264	541,728	7,502,075
Debt service:						
Principal payments	128,521	-	166,787	-	-	295,308
Interest expense	330,811	-	102,673	-	-	433,484
Total expenditures	<u>11,855,557</u>	<u>3,164,056</u>	<u>1,138,991</u>	<u>3,531,932</u>	<u>603,455</u>	<u>20,293,991</u>
Excess (deficiency) of revenues over expenditures	<u>3,953,099</u>	<u>(893,332)</u>	<u>(201,129)</u>	<u>(3,341,293)</u>	<u>25,531</u>	<u>(457,124)</u>
Other financing sources (uses):						
Transfers in	-	1,063,751	-	-	-	1,063,751
Transfers out	<u>(1,063,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,063,751)</u>
Total other financing sources (uses)	<u>(1,063,751)</u>	<u>1,063,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,889,348	170,419	(201,129)	(3,341,293)	25,531	(457,124)
Fund balances, beginning	<u>7,769,373</u>	<u>3,278,340</u>	<u>1,111,347</u>	<u>6,939,139</u>	<u>201,481</u>	<u>19,299,680</u>
Fund balances, ending	<u>\$ 10,658,721</u>	<u>\$ 3,448,759</u>	<u>\$ 910,218</u>	<u>\$ 3,597,846</u>	<u>\$ 227,012</u>	<u>\$ 18,842,556</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, 2008

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)	\$ (457,124)
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Governmental funds report capital outlays as expenditures.

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

Details of the difference are as follows:

Cost of assets	\$ 7,481,714	
Depreciation expense	<u>(805,304)</u>	6,676,410

In the year of acquisition, governmental funds report the acquisition of capital leases or the issuance of bonds as an expenditure as well as an other financing source. Repayment of principal payments 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:

Principal payments on debt	292,799	
Principal payments on capital leases	<u>31,078</u>	323,877

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds (CST adjustment)

86,033

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

Details of the difference are as follows:

Change in accrued interest on debt	6,359	
Change in compensated absences	(9,065)	
Amortization of bond issue costs	(1,081)	
Amortization of bond premium	<u>138</u>	<u>(3,649)</u>

Change in net assets of governmental activities (Page 11)

\$ 6,625,547

See notes to basic financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

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, parks and recreation, planning and zoning and building and permitting. The Village does not provide educational or water and sewer, solid waste or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

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

A. Financial Reporting Entity

The financial statements were prepared in accordance with Government Accounting Standards, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Village.

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

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

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Village does not have any business-type activities.

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

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

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

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

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

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Village reports the following major governmental funds:

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

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

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

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

The Village also reports the following fund types:

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents include cash on hand, pooled cash, demand deposits, investments in money market funds. Short-term investments, except the State Board Investment Pool, are reported at cost, which approximates fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool) which is fair value.

The nature of investments is governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the local government surplus funds trust fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts. Income from investments is recorded as earned.

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. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds.

3. Receivables

Receivables include amounts due from other governments and others for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures/expenses are incurred. Allowances for uncollectible receivables are based upon historical trends and the periodic aging of receivables.

4. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. 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

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)

6. 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.

7. 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.

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.

8. 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.

9. 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 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. The millage rate assessed by the Village for the year ended September 30, 2008 was 2.376 mills.

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, 2008, there were no material delinquent taxes.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

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

Investments

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

The State Board of Administration (SBA) administers the Local Government Surplus Funds Trust Fund (LGIP) and the Fund B Surplus Funds Trust Fund (Fund B), both of which are governed by Chapter 19-7 of the Florida Administrative Code and Chapters 215 and 218 of the Florida Statutes. These rules provide guidance and establish the policies and general

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

operating procedures for the administration of the LGIP and Fund B. The LGIP is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2a-7 fund, which permits money market funds to use amortized cost to maintain a constant net asset value (NAV) of \$1 per share. The fair value of the position in the LGIP is equal to the value of the pool shares. The Fund B is accounted for as a fluctuating NAV pool. As of September 30, 2008, the fair value factor for Fund B was \$.798385 per share. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP. The investments in the LGIP and Fund B are not insured by FDIC or any other governmental agency.

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

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
LGIP	\$1,915,534	8.5 days
Fund B	<u>220,832</u>	9.36 years
	<u>\$2,136,365</u>	

Credit Risk

The Village has an investment policy that limits investments to the highest ratings by a nationally recognized statistical rating organization (NRSRO). The LGIP is rated AAAM by Standard and Poor's. The Fund B is not rated by an NRSO.

Concentration and Interest Rate Risk

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

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund receivable and payable balances at September 30, 2008 are as follows:

	<u>Receivable Fund</u>		<u>Payable Fund</u>			
	<u>General</u>	<u>Grants Fund</u>	<u>Transportation Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
General fund	\$ -	\$ 75,002	\$ 4,618	\$ 4,561	\$ 18,174	\$ 102,355
Transportation	15,495	-	-	-	-	15,495
False alarms	1,175	-	-	-	-	1,175
Grants fund	<u>41,285</u>	<u>-</u>	<u>-</u>	<u>751,863</u>	<u>-</u>	<u>793,148</u>
	<u>\$ 57,955</u>	<u>\$ 75,002</u>	<u>\$ 4,618</u>	<u>\$ 756,424</u>	<u>\$ 18,174</u>	<u>\$ 912,173</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 approximately \$1,064,000 from the general fund to the grants fund are used to transfer unrestricted general fund revenues to finance various projects in accordance with budgetary authorizations.

NOTE 5. CAPITAL ASSETS

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

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 19,247,086	\$ 356,383	\$ -	\$ 19,603,469
Construction in progress	<u>6,428,019</u>	<u>1,857,110</u>	<u>5,979,766</u>	<u>2,305,363</u>
Total capital assets not being depreciated	<u>25,675,105</u>	<u>2,213,493</u>	<u>5,979,766</u>	<u>21,908,832</u>
Capital assets being depreciated:				
Furniture and equipment	898,218	106,007	28,416	975,809
Buildings	902,799	223,875	-	1,126,674
Improvements other than buildings	963,360	9,203,475	1,450	10,165,385
Infrastructure	<u>1,693,555</u>	<u>1,738,286</u>	<u>-</u>	<u>3,431,841</u>
Total capital assets being depreciated	<u>4,457,932</u>	<u>11,271,643</u>	<u>29,866</u>	<u>15,699,709</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>
Furniture and equipment	329,674	146,511	6,137	470,048
Buildings	116,628	37,556	-	154,184
Improvements other than buildings	72,027	506,801	73	578,755
Infrastructure	99,403	114,436	-	213,839
Total accumulated depreciation	<u>617,732</u>	<u>805,304</u>	<u>6,210</u>	<u>1,416,826</u>
Total capital assets, being depreciated, net	<u>3,840,200</u>	<u>10,466,339</u>	<u>23,656</u>	<u>14,282,883</u>
 Governmental activities capital assets, net	 <u>\$29,515,305</u>	 <u>\$12,679,832</u>	 <u>\$6,003,422</u>	 <u>\$36,191,715</u>

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

General government	\$ 51,305
Public safety	15,678
Public works	170,081
Parking and recreation	558,674
Planning and zoning	<u>9,566</u>
Total depreciation expense - governmental activities	<u>\$ 805,304</u>

NOTE 6. LONG-TERM DEBT

Long-term liability activity for the period ended September 30, 2008 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	\$1,465,000	\$ -	\$ 30,000	\$1,435,000	\$ 30,000
Bond Premium	<u>3,867</u>	<u>-</u>	<u>138</u>	<u>3,729</u>	<u>-</u>
	1,468,867	-	30,138	1,438,729	30,000
Less deferred amounts:					
Unamortized issue cost	<u>30,281</u>	<u>-</u>	<u>1,081</u>	<u>29,200</u>	<u>-</u>
Total bonds payable	1,438,586	-	29,057	1,409,529	30,000
Promissory note, 2006	5,876,504	-	96,012	5,780,492	107,694
Promissory note, 2007	2,500,000	-	166,787	2,333,213	173,388
Capital leases	39,004	-	31,078	7,926	7,926
Compensated absences	<u>57,421</u>	<u>66,486</u>	<u>57,421</u>	<u>66,486</u>	<u>66,486</u>
Long-term liabilities	<u>\$9,911,515</u>	<u>\$66,486</u>	<u>\$380,355</u>	<u>\$9,597,646</u>	<u>\$385,494</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, 2008 are as follows:

Fiscal year ending September 30, 2009	\$ 7,926
Less amount representing interest	<u>(63)</u>
Present value of minimum lease payments	<u>\$ 7,863</u>

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 198,298
Less accumulated depreciation	<u>126,801</u>
Total	<u>\$ 71,497</u>

Florida Municipal Loan Council Revenue Bonds Series 2005D

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

The amortization of the remaining \$1,435,000 obligation is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2009	\$ 30,000	\$ 62,683	\$ 92,683
2010	30,000	61,708	91,708
2011	30,000	60,755	90,755
2012	35,000	59,802	94,802
2013	35,000	58,724	93,724
2014-2018	190,000	274,654	464,654
2019-2023	235,000	233,625	468,625
2024-2028	300,000	173,237	473,237
2029-2033	375,000	99,468	474,468
2034-2036	<u>175,000</u>	<u>17,645</u>	<u>192,645</u>
	<u>\$1,435,000</u>	<u>\$1,102,301</u>	<u>\$2,537,301</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. The Village has an option to refinance the note for another fifteen years. Payments of \$91,150 are due quarterly through June 2021 at which time a balloon payment of approximately \$3,900,000 is due. Payments include interest at 4.48%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2009	\$ 107,694	\$ 256,907	\$ 364,601
2010	112,602	252,001	364,603
2011	117,731	246,870	364,601
2012	123,094	241,507	364,601
2013	128,702	235,899	364,601
2014-2018	736,994	1,086,014	1,823,008
2019-2021	<u>4,453,675</u>	<u>517,132</u>	<u>4,970,807</u>
Total	<u>\$5,780,492</u>	<u>\$2,836,330</u>	<u>\$8,616,822</u>

Promissory Note, Series 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2009	\$ 173,388	\$ 88,480	\$ 261,868
2010	180,250	81,617	261,867
2011	187,383	74,484	261,867
2012	194,798	67,069	261,867
2013	202,507	59,361	261,868
2014-2019	<u>1,394,887</u>	<u>176,313</u>	<u>1,571,200</u>
Total	<u>\$2,333,213</u>	<u>\$547,324</u>	<u>\$2,880,537</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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. Amendments to the Plan are authorized by the Village Council. The contribution plan was established pursuant to Resolution 03-82 adopted on October 7, 2003 by the Village Council.

Plan benefits depend solely on amounts contributed to the Plan, plus investment earnings, less administrative expenses. The Village's contribution for participating employees is 6% of the employees' gross salary. Plan members may contribute up to 6% of the Plan member's gross salary and receive matching from the Village for a total Village contribution of up to 12% of the member's salary. Employees are fully vested after 5 years of service. The Village contributed \$178,340 for the year ended September 30, 2008.

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 totaling \$1,627,686 for the year ended September 30, 2007 and \$1,678,401 for the year ended September 30, 2008, were not paid pending the outcome of litigation involving the legality of the payment.

Quality Neighborhood Improvement Program (QNIP)

The Village is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 issued prior to the Village's incorporation. The payment for the period ended September 30, 2008 was approximately \$190,000. The balance of the remaining payments is 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

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 \$5,343,000 during fiscal year ended September 30, 2008.

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, 2008 was approximately \$97,000. 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. Miami-Dade County has terminated the Village payments for specialized police services as of September 30, 2008, which will be provided as county-wide service.

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:	
2009	\$ 167,209
2010	176,573
2011	176,573
2012	183,930
2013	<u>194,230</u>
Total	<u>\$ 898,515</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Construction Commitments

The Village had construction commitments outstanding at September 30, 2008 in the amount of approximately \$1,540,000 for library projects and \$51,000 for park renovations.

NOTE 9. SUBSEQUENT EVENTS

Future Village Hall Site

The Village of Palmetto Bay has been actively looking for a site for a permanent Village Hall. In December 2008 a commercial property owner approached the Village if there was any interest in a 2.5 acre site with a 24,000 square foot building. The site most recently housed a supermarket and some small offices. For the last thirty years this site has never been totally vacant. Due to the economy this unique opportunity has presented itself. The site is located at 9705 East Hibiscus Street, one block west of the newly renovated Palmetto Bay park, and on the southern end of the Village's redevelopment area known as the Franjo Triangle and Island (FT&I). In January 2009 the Village signed a 90 day contract to allow the Village to complete the required due diligence and secure financing. The Village obtained a \$2.5 million 10 year loan from SunTrust at a rate of 4.34% and with \$1,550,000 Village Hall reserved funds, closed on the property April 8, 2009 at a final price of \$4,050,000.

Mitigation

The Village and Miami-Dade have come to an agreement to terminate mitigation payments (see Note 8), which was adopted by Village Ordinance 09-13. The matter will be presented to the Village residents for a vote on June 25, 2009, as a Charter amendment is required.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final Budget - Positive (Negative)
Revenues:				
Real and personal property taxes	\$ 6,655,959	\$ 6,655,959	\$ 6,692,181	\$ 36,222
Utility taxes	1,750,000	1,750,000	1,904,671	154,671
Communication service tax	892,292	892,292	1,169,070	276,778
Franchise fees	740,000	740,000	1,371,130	631,130
Intergovernmental	2,975,297	2,975,297	2,698,468	(276,829)
Licenses and permits	906,600	906,600	948,423	41,823
Fines and forfeitures	165,000	165,000	300,551	135,551
Charges for services	173,800	173,800	297,343	123,543
Interest	250,000	250,000	289,116	39,116
Other	6,500	6,500	137,703	131,203
Revenue contingency	<u>(100,000)</u>	<u>(100,000)</u>	-	100,000
Total revenues	<u>14,415,448</u>	<u>14,415,448</u>	<u>15,808,656</u>	<u>1,393,208</u>
Expenditures:				
Current:				
General government:				
Village council	158,497	158,497	152,024	6,473
Village manager/clerk	877,850	877,850	640,697	237,153
Finance department	290,057	290,057	245,650	44,407
Village Attorney	326,000	334,684	334,684	-
Other general government	<u>3,207,421</u>	<u>3,186,924</u>	<u>934,750</u>	<u>2,252,174</u>
Total general government	4,859,825	4,848,012	2,307,805	2,540,207
Public safety	5,957,162	5,957,162	5,535,831	421,331
Public works	488,426	488,426	389,525	98,901
Community services	1,286,685	1,276,771	1,228,659	48,112
Community development (planning/zoning)	1,323,465	1,321,315	1,313,025	8,290
Capital outlay	40,000	963,877	621,380	342,497
Debt service:				
Principal payments	133,002	128,521	128,521	-
Interest expense	<u>326,883</u>	<u>331,364</u>	<u>330,811</u>	<u>553</u>
Total expenditures	<u>14,415,448</u>	<u>15,315,448</u>	<u>11,855,557</u>	<u>3,459,891</u>
Excess (deficiency) of revenues over expenditures	-	(900,000)	3,953,099	4,853,099
Other financing sources (uses):				
Transfers out	(1,063,751)	(1,063,751)	(1,063,751)	-
Capital acquisition	-	900,000	-	(900,000)
Appropriation of prior years' fund balance	<u>1,063,751</u>	<u>1,063,751</u>	-	<u>(1,063,751)</u>
Total other financing uses	<u>-</u>	<u>900,000</u>	<u>(1,063,751)</u>	<u>(1,963,751)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889,348</u>	<u>\$ 2,889,348</u>

See note to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2008

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 2008.
- (6) Unencumbered appropriations lapse at year-end.

COMBINING STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2008

	<u>Palmetto Bay Foundation (1)</u>	<u>Law Enforcement Trust Fund</u>	<u>False Alarm</u>	<u>Stormwater Management</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>					
Cash	\$ 2,553	\$ 6,461	\$ 52,480	\$ 48,514	\$ 110,008
Accounts receivable	-	-	-	134,003	134,003
Due from other funds	-	-	1,175	-	1,175
Total assets	<u>\$ 2,553</u>	<u>\$ 6,461</u>	<u>\$ 53,655</u>	<u>\$ 182,517</u>	<u>\$ 245,186</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 17,077	\$ 1,097	\$ 18,174
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,077</u>	<u>\$ 1,097</u>	<u>\$ 18,174</u>
Fund balances:					
Unreserved	<u>2,553</u>	<u>6,461</u>	<u>36,578</u>	<u>181,420</u>	<u>227,012</u>
Total liabilities and fund balances	<u>\$ 2,553</u>	<u>\$ 6,461</u>	<u>\$ 53,655</u>	<u>\$ 182,517</u>	<u>\$ 245,186</u>

(1) Amounts reflected as of September 30, 2008.

VILLAGE OF PALMETTO BAY, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Palmetto Bay Foundation (1)	Law Enforcement Trust Fund	False Alarm	Stormwater Management	Total Nonmajor Governmental Funds
Revenues:					
Charges for services	\$ -	\$ -	\$ 107,950	\$ 520,531	\$ 628,481
Donations	500	-	-	-	500
Interest	5	-	-	-	5
Total revenues	505	-	107,950	520,531	628,986
Expenditures:					
Current:					
General Government	63	-	48,048	-	48,111
Public safety	-	-	3,000	-	3,000
Public works	-	-	-	10,616	10,616
Capital outlay	-	2,442	-	539,286	541,728
Total expenditures	63	2,442	51,048	549,902	603,455
Net change in fund balances	442	(2,442)	56,902	(29,371)	25,531
Fund balances, beginning	2,111	8,903	(20,324)	210,791	201,481
Fund balances, ending	\$ 2,553	\$ 6,461	\$ 36,578	\$ 181,420	\$ 227,012

(1) Amounts reflected as of September 30, 2008.

STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	33-36
Revenue Capacity	
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	37-40
Debt Capacity	
These schedules represent information to help the reader assess the affordability of the Village's current levels of outstanding debt and the Village's ability to issue additional debt in the future.	41-44
Demographic and Economic Information	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village financial activities take place.	45-46
Operating Information	
These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial reports relates to the services the Village provides and the activities it performs.	47-49

VILLAGE OF PALMETTO BAY, FLORIDA

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

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities:						
Investment in capital assets, net of related debt	\$ 36,174	\$ 15,972,947	\$ 14,184,649	\$ 14,877,490	\$ 19,661,211	\$ 26,660,555
Restricted	-	-	1,298,518	1,836,148	1,120,250	916,679
Unrestricted	4,417,263	6,199,324	9,894,528	15,733,739	18,100,704	17,930,478
Total governmental activities net asset	<u>\$ 4,453,437</u>	<u>\$ 22,172,271</u>	<u>\$ 25,377,695</u>	<u>\$ 32,447,377</u>	<u>\$ 38,882,165</u>	<u>\$ 45,507,712</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 Six Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses:						
Governmental activities:						
General government	\$ 3,025,208	\$ 3,156,184	\$ 3,929,899	\$ 3,734,061	\$ 2,385,824	\$ 2,884,327
Public safety	3,292,636	4,600,142	5,075,834	5,953,233	5,805,170	5,563,958
Public works	190,219	607,009	799,823	1,027,352	1,791,109	1,291,657
Parks and recreation	694,497	671,670	738,130	1,286,162	1,411,155	1,787,333
Planning and zoning	65,918	909,235	1,164,167	1,273,108	1,184,014	1,322,591
Interest on long-term debt	-	-	19,150	453,676	356,479	427,126
Total governmental activities expenses	<u>7,268,478</u>	<u>9,944,240</u>	<u>11,727,003</u>	<u>13,727,592</u>	<u>12,933,751</u>	<u>13,276,992</u>
Program revenue:						
Governmental activities:						
Charge for services:						
General government	94,000	90,370	87,433	71,318	98,868	117,453
Public safety	137,944	116,650	168,660	208,917	196,038	300,551
Planning and zoning	60,828	586,450	807,796	989,290	816,283	830,970
Public works	-	-	-	-	456,685	-
Parks and recreation	-	57,714	101,229	85,011	178,217	925,824
Operating grants and contributions	-	3,142	2,621,678	605,000	117,453	1,364
Capital grants and contributions	343,465	15,621,411	-	6,277,311	3,717,497	3,156,510
Total governmental activities programs revenues	<u>636,237</u>	<u>16,475,737</u>	<u>3,786,796</u>	<u>8,236,847</u>	<u>5,581,041</u>	<u>5,332,672</u>
Net (expense) revenue:						
Governmental activities	<u>(6,632,241)</u>	<u>6,531,497</u>	<u>(7,940,207)</u>	<u>(5,490,745)</u>	<u>(7,352,710)</u>	<u>(7,944,320)</u>
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	4,224,785	4,465,261	4,883,257	5,455,327	6,073,012	6,692,181
Communication taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,255,103
Franchise taxes	900,000	800,967	828,052	837,003	1,169,359	1,371,130
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609	1,904,671
Unrestricted intergovernmental revenue	2,094,780	3,424,556	2,246,412	3,011,956	2,797,044	2,698,468
Unrestricted investment earnings	46,906	77,050	208,533	531,872	979,743	527,081
Miscellaneous	4,060	879	245,432	94,904	26,699	121,233
Total governmental activities	<u>11,085,678</u>	<u>11,187,337</u>	<u>11,145,631</u>	<u>12,583,609</u>	<u>13,787,498</u>	<u>14,569,867</u>
Change in net asset:						
Governmental activities	<u>4,453,437</u>	<u>17,718,834</u>	<u>3,205,424</u>	<u>7,092,864</u>	<u>6,434,788</u>	<u>6,625,547</u>
Total primary government	<u>\$ 4,453,437</u>	<u>\$ 17,718,834</u>	<u>\$ 3,205,424</u>	<u>\$ 7,092,864</u>	<u>\$ 6,434,788</u>	<u>\$ 6,625,547</u>

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

VILLAGE OF PALMETTO BAY, FLORIDA

Fund Balances, Governmental Funds

Last Six Fiscal Years¹

(modified accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General fund:						
Reserved	\$ -	\$ -	\$ 100	\$ 100	\$ 2,753,204	\$ 2,753,041
Unreserved	3,989,133	5,479,997	5,769,238	5,836,342	5,016,169	7,905,680
Total general fund	<u>\$ 3,989,133</u>	<u>\$ 5,479,997</u>	<u>\$ 5,769,338</u>	<u>\$ 5,836,442</u>	<u>\$ 7,769,373</u>	<u>\$ 10,658,721</u>
All other governmental funds:						
Reserved	\$ -	\$ -	\$ 33,559	\$ -	\$ -	\$ -
Unreserved, reported in:						
Special revenue funds	428,131	719,327	2,582,216	4,472,814	4,591,168	3,448,759
Transportation fund	-	-	-	1	-	910,218
Capital projects funds	-	-	1,433,241	7,400,579	6,939,139	3,597,846
Other governmental funds	-	-	-	-	-	227,012
Total all other governmental funds	<u>\$ 428,131</u>	<u>\$ 719,327</u>	<u>\$ 4,049,016</u>	<u>\$ 11,873,394</u>	<u>\$ 11,530,307</u>	<u>\$ 8,183,835</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

Change in Fund Balances, Governmental Funds

Last Six Fiscal Years¹

(modified accrual basis of accounting)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327	\$ 6,073,012	\$ 6,692,181
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609	1,904,671
Communication taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,169,070
Franchise fees	900,000	800,967	828,052	837,003	1,169,359	1,371,130
Intergovernmental	2,094,780	3,424,556	4,868,090	9,858,120	6,050,880	5,854,978
Licenses and permits	154,828	674,435	895,229	1,060,608	915,151	948,423
Impact fees	343,465	40,281	22,288	36,147	60,111	1,364
Fines and forfeitures	137,944	117,850	166,888	208,917	196,038	300,551
Charges for services	-	58,899	80,713	85,011	634,902	925,824
Interest	46,906	77,050	208,533	531,872	979,743	527,081
Miscellaneous fees	4,060	4,018	245,432	94,904	326,699	141,594
Total revenues	<u>11,721,915</u>	<u>12,081,941</u>	<u>14,932,427</u>	<u>20,820,456</u>	<u>19,147,536</u>	<u>19,836,867</u>
Expenditures:						
General government	3,017,442	2,797,035	3,371,441	3,620,538	2,368,550	2,851,584
Public safety	3,292,636	4,594,747	5,066,538	5,840,026	5,764,160	5,548,280
Public work	190,219	576,370	788,776	851,623	1,403,025	1,121,576
Parks and recreation	694,496	671,670	699,809	839,552	1,019,301	1,228,659
Planning and zoning	65,918	909,235	1,163,352	1,268,789	1,178,705	1,313,025
Capital outlay	89,075	855,722	4,358,682	3,386,695	7,768,161	7,502,075
Debt service:						
Principal payments	5,196	36,655	942,992	2,739,270	153,496	295,308
Interest expense	857	5,559	19,150	386,610	402,240	433,484
Total expenditures	<u>7,355,839</u>	<u>10,446,993</u>	<u>16,410,740</u>	<u>18,933,103</u>	<u>20,057,638</u>	<u>20,293,991</u>
Excess of revenues over (under) expenditures	4,366,076	1,634,948	(1,478,313)	1,887,353	(910,102)	(457,124)
Other financing sources (uses):						
Bond issue	-	-	1,499,143	6,000,000	2,500,000	-
Proceeds from capital leases	51,188	147,110	3,600,000	-	-	-
Total other financing sources (uses)	<u>51,188</u>	<u>147,110</u>	<u>5,099,143</u>	<u>6,000,000</u>	<u>2,500,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 4,417,264</u>	<u>\$ 1,782,058</u>	<u>\$ 3,620,830</u>	<u>\$ 7,887,353</u>	<u>\$ 1,589,898</u>	<u>\$ (457,124)</u>
Debt services as a percentage of noncapital expenditures	0.0832%	0.4393%	7.6636%	7.6636%	4.3801%	5.6973%

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

VILLAGE OF PALMETTO BAY, FLORIDA

Assessed Value and Actual Value of Taxable Property

Last Six Fiscal Years⁵

(dollars expressed in thousands)

Fiscal Year	Real Property		Personal Property	Less Tax-Exempt Property	Total Taxable Assessed Value	Total ¹ Direct Tax Rate	Estimated ² Actual Value	Assessed Value as a % of <u>Actual Value</u>
	Residential	Commercial						
2003 ²	\$ -	\$ -	\$ -	\$ -	\$ -	2.4470	Not Avail	Not Avail
2004 ⁴	2,151,379	-	71,180	323,274	1,899,285	2.4470	Not Avail	Not Avail
2005	1,862,490	499,261	71,230	418,663	2,014,318	2.4470	\$ 3,168,376	76.79%
2006	2,086,440	573,447	76,929	458,857	2,277,959	2.4470	3,728,250	73.41%
2007	2,326,117	660,802	104,416	509,675	2,581,660	2.3736	4,508,589	68.57%
2008	1,917,431	1,390,927	90,879	446,014	2,953,223	2.3736	5,011,457	67.83%

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

¹Includes tax-exempt property.

²Property tax information not available.

³Tax rates are per \$1,000 of assessed value.

⁴Detail not available for real property.

⁵The 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 Rates Direct and Overlapping Governments Last Six Fiscal Years¹

Fiscal Year	Village of Palmetto Bay Direct Rates		Overlapping Rates				Total Millage
	Basic Rate	Total Direct	School District	State Rates	Miami-Dade County	Special District Millages	
2003	2.4470	2.4470	9.1000	0.7355	6.2540	3.6470	22.1835
2004	2.4470	2.4470	8.6870	0.7355	6.2200	3.5912	21.6807
2005	2.4470	2.4470	8.4380	0.7355	6.1200	3.5758	21.3163
2006	2.4470	2.4470	8.4380	0.7355	6.1200	3.5758	21.3163
2007	2.3736	2.3736	8.1050	0.7355	5.6150	3.8443	20.6734
2008	2.3736	2.3736	7.9480	0.6585	4.5796	3.3402	18.8999

Information Obtained from Miami-Dade County Department of Property Appraisal

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

VILLAGE OF PALMETTO BAY, FLORIDA

Property Tax Levies and Collections

Last Five Fiscal Years⁵

Fiscal Year ⁴	Total Tax Levy ¹	Current Tax Collections ²	Percent of		Total Tax Collections	Ratio of Total Tax Collection to		Outstanding Delinquent Taxes ³	Ratio of Total Tax Levy	
			Current Taxes Collected	Delinquent Tax Collections ²		Total Tax Levy	Total Tax Levy			
2003 ⁴	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	0.0%		
2004	4,647,551	4,464,141	96.1%	1,120	4,465,261	96.1%	4,303	0.1%		
2005	5,105,943	4,871,212	95.4%	12,045	4,883,257	95.6%	2,197	0.0%		
2006	5,764,103	5,443,645	94.4%	2,272	5,445,917	94.5%	2,084	0.0%		
2007	6,524,460	6,047,853	92.7%	12,252	6,060,105	92.9%	31,997	0.5%		
2008	6,987,852	6,667,982	95.4%	12,131	6,680,113	95.6%	166,827	2.4%		

¹Information taken from Certification of Taxable Value.

²Information obtained from Village of Palmetto Bay's financial statements.

³Information obtained from Miami-Dade County Tax Collector confirmation.

⁴Information not available.

⁵The 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

Principal Property Taxpayers
As of September 30, 2008

Taxpayer	2008			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	\$ 36,971,289	1	1.25%	Retail Outlet	\$ 24,324,981	1	1.21%
1777 Old Cutler RD LLC	Office Building	34,700,000	2	1.17%	Office Building	17,159,234	3	0.85%
Metropolitan Life Insurance	Retail Outlet	23,932,327	3	0.81%	Retail Outlet	21,805,507	2	1.08%
AutoNation USA Corp.	Automotive	16,276,549	4	0.55%	Automotive	10,719,686	4	0.53%
KC Partnership	Automotive	13,752,860	5	0.47%	Automotive	10,100,407	5	0.50%
Equity One, Inc.	Retail Outlet	13,710,571	6	0.46%	Retail Outlet	6,388,995	10	0.32%
South Motor Company of Dade Co.	Retail Outlet	10,095,350	7	0.34%	-	-	-	-
Florida Power & Light	Utility	10,058,844	8	0.34%	Utility	10,058,844	6	0.50%
Publix Supermarket	Retail Outlet	9,528,446	9	0.32%	-	-	-	-
Gramercy Park Nursing Care Center	Health Care	8,650,968	10	0.29%	Health Care	7,638,511	8	0.38%
Royal Coast Apartments Assoc. Ltd.	Multifamily	-	-	-	Multifamily	8,511,985	7	0.42%
Coral Colony Associates	-	-	-	-	Multifamily	6,415,482	9	0.32%
Total		<u>\$ 177,677,204</u>		<u>6.02%</u>		<u>\$ 123,123,632</u>		<u>6.11%</u>
Total Assessed Value		<u>\$ 2,953,223,000</u>				<u>\$ 2,014,317,979</u>		

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 Six 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	N/A	\$ -
2004	-	151,369	151,369 #	N/A	# -
2005	1,495,000	2,808,377	4,303,377	N/A	173.56
2006	7,495,000	69,107	7,564,107	N/A	300.86
2007	9,841,504	39,003	9,880,507	N/A	392.77
2008	9,545,107	7,926	9,553,033	N/A	379.75

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

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 45 for Demographic and Economic Statistics.

³Information is not available for the Village of Palmetto Bay.

VILLAGE OF PALMETTO BAY, FLORIDA

Direct and Overlapping Governmental Activities Debt

As of September 30, 2008

	Bonded Debt <u>Outstanding</u>	Percentage Applicable to Village of Palmetto Bay ¹	Amount Applicable to Village of Palmetto Bay	Amount Per Capita ⁴ Village of Palmetto Bay ¹
Miami-Dade County ²	\$ 523,596,000	1.02%	\$ 5,340,679	\$ 212,302
School Board ³	479,440,000	1.02%	4,890,288	194,398
Village direct debt	<u>9,553,033</u>	100.00%	<u>9,553,033</u>	<u>380</u>
Total direct and overlapping debt	<u>\$ 1,012,589,033</u>		<u>\$ 19,784,000</u>	<u>\$ 407,080</u>

¹Based upon population as of April 2007; Village of Palmetto Bay - 25,156 and Miami-Dade County - 2,462,292.

²Information obtained from Miami-Dade County Finance Department.

³Information obtained from Miami-Dade School Board.

VILLAGE OF PALMETTO BAY, FLORIDA

Legal Debt Margin Information

Last Six Fiscal Years¹

(dollars expressed in thousands)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Debt limit	\$ -	\$ 111,128	\$ 121,649	\$ 136,841	\$ 154,567	\$ 169,962
Total net debt applicable to limit	-	-	1,495	7,495	9,842	9,842
Legal debt margin	\$ -	\$ 111,128	\$ 120,154	\$ 129,346	\$ 144,725	\$ 160,120
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	1.23%	5.48%	6.37%	5.79%
Legal debt margin calculation:						
Assessed value	\$ -	\$ 1,899,285	\$ 2,014,318	\$ 2,277,959	\$ 2,581,660	\$ 2,953,223
Add back exempt property	-	323,274	418,663	458,857	509,675	446,014
Total assessed value	-	2,222,559	2,432,981	2,736,816	3,091,335	3,399,237
Debt limit (5% of total assessed value)	-	111,128	121,649	136,841	154,567	169,962
Debt applicable to limit:						
Special revenue bonds	-	-	1,495	7,495	9,842	9,842
Legal debt margin	\$ -	\$ 111,128	\$ 120,154	\$ 129,346	\$ 144,725	\$ 160,120

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 Six Fiscal Years¹

Fiscal Year	Library Bonds				Special Revenue Bonds				
	Rent ² Revenue	Debt Service Requirements		Coverage	Non-Ad Valorem Revenue		Debt Service Requirements		Coverage
		Principal	Interest		Principal	Interest	Principal	Interest	
2003	\$ -	\$ -	\$ -	0.00	\$ -	\$ -	\$ -	\$ -	0.00
2004	-	-	-	0.00	-	-	-	-	0.00
2005 ³	-	-	-	0.00	-	-	-	-	0.00
2006	-	67,637	67,637	0.00	8,265,095	-	-	-	0.00
2007	-	30,000	65,934	0.00	8,487,982	123,496	202,174	325,670	26.06
2008	-	30,000	64,730	0.00	9,140,674	98,520	266,081	364,601	25.07

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 in fiscal year 2009.

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

VILLAGE OF PALMETTO BAY, FLORIDA

Demographic and Economic Statistics Last Six 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	N/A	\$ 64,631	\$ 27,670	3,975	5.9%
2004	24,789	68,583	29,076	3,933	5.4%
2005	24,903	74,534	31,347	3,968	4.3%
2006	24,795	82,481	34,708	3,947	4.0%
2007	25,142	85,978	36,081	3,937	4.1%
2008	25,156	N/A	N/A	3,915	5.8%

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, 2008

<u>Employer</u>	2008			2005 ²		
	Employees	Rank	Percentage of Total Village Population ¹	Employees	Rank	Percentage of Total Village Population ¹
South Motors	592	1	2.35%	592	1	2.39%
Dade County Schools	419	2	1.67%	419	2	1.69%
Publix Supermarket	350	3	1.39%	350	3	1.41%
Brandsmart	200	4	0.80%	200	4	0.81%
World Ford Kendall	140	5	0.56%	140	5	0.56%
Westminster Christian School	135	6	0.54%	135	6	0.54%
Palmer Trinity Christian School	120	7	0.48%	120	7	0.48%
Marshall's Department Store	119	8	0.47%	119	8	0.48%
Maroone Nissan of Kendall	110	9	0.44%	110	9	0.44%
Dade Jeep Chrysler Plymouth	100	10	0.40%	100	10	0.40%
	2,285		9.09%	2,285		9.22%

¹Population information available on page 45 Demographic and Economic statistics.

²Employee information is not available prior to 2005.

Note: Information obtained from Village business license data.

VILLAGE OF PALMETTO BAY, FLORIDA

City Government Employees by Function/Programs

Last Six Fiscal Years¹

	2003		2004		2005		2006		2007		2008	
	Full Time	Part Time										
Manager/Clerk	N/A	N/A	5	-	5	-	5	-	4	-	5	-
Village Clerk ²	N/A	N/A	-	-	-	-	-	-	2	-	2	-
Finance	N/A	N/A	1	1	1	1	2	-	2	1	3	-
Planning and Zoning	N/A	N/A	2	1	2	1	1	2	4	1	6	-
Building and Permitting	N/A	N/A	-	-	-	-	-	-	-	-	6	1
Community Services	N/A	N/A	3	9	3	9	3	12	5	18	7	19
Public Work	N/A	N/A	4	-	4	-	5	-	5	-	5	-
Total employees			<u>15</u>	<u>11</u>	<u>15</u>	<u>11</u>	<u>16</u>	<u>14</u>	<u>22</u>	<u>20</u>	<u>34</u>	<u>20</u>

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

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

³Prior to fiscal year 2008, Building and Permitting was combined with Planning and Zoning.

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

VILLAGE OF PALMETTO BAY, FLORIDA

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

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:						
Arrests	N/A	798	493	701	377	331
Traffic violations	N/A	12,180	9,756	15,060	11,097	7,000
False alarms ²	N/A	N/A	N/A	N/A	N/A	2,145
Culture and recreation:						
Park rentals	0	98	141	237	182	319
Summer camp registrants	0	0	0	0	792	988
Community development:						
Building permits:						
Residential	N/A	2,981	4,542	5,648	3,973	3,744
Commercial	N/A	466	497	832	614	544
Inspections	N/A	5,368	7,470	10,392	8,646	7,310
Manager/Clerk:						
Ordinances	15	25	13	15	35	23
Resolutions	111	106	109	130	126	125
Public works:						
Roads resurfaced (miles)	0.00	5.20	4.07	8.44	6.00	12.88
Finance:						
Deposits	0	357	403	480	510	902
Checks	0	1,159	1,369	1,821	1,866	1,775

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

²False alarm program implemented as of fiscal year 2008.

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

VILLAGE OF PALMETTO BAY, FLORIDA

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Police:						
Station	0	1	1	1	1	1
Patrol units	42	42	42	42	42	42
Public works:						
Streets (miles)	118	118	118	118	118	118
Traffic signals	29	29	29	29	30	30
Park and recreation:						
Acreage	68	71	74.5	82	82	82
Parks	3	4	5	5	5	5
Playgrounds	2	2	2	2	2	2
Tennis court	8	8	8	6	8	8
Racquetball courts	8	8	8	8	4	4
Basketball courts	2	2	2	2	2	2
Football fields	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	5
Softball fields	0	0	0	0	6	6
Community centers	2	2	2	2	2	2
Skate parks	0	0	0	1	1	1

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

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

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COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida (the Village) as of September 30, 2008 and for the period then ended, which collectively comprise the Village's basic financial statements, and have issued our report dated May 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

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

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



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

Compliance and Other Matters

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

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

Rachlin LCP

Miami, Florida
May 14, 2009

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

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

We have audited the financial statements of the Village of Palmetto Bay, Florida (the Village) as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated May 14, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*, Report of Independent Certified Public Accountants on Compliance and on Internal Control Over Compliance Applicable to Each Major State Financial Assistance Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 14, 2009, should be considered in conjunction with this management letter.

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

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no significant findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Village complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.



- Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village of Palmetto Bay was incorporated on September 10, 2002. There are no component units related to the Village.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Village for the fiscal year ended September 30, 2008, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2008. In connection with our audit, we determined that these two reports were in agreement.
- Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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



Miami, Florida
May 14, 2009

Report of Independent Certified Public Accountants on Compliance and on Internal Control over Compliance Applicable to Each Major State Financial Assistance Project

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

Compliance

We have audited the compliance of Village of Palmetto Bay (the Village) with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state project for the fiscal year ended September 30, 2008. The Village's major 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 state project 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; and Chapter 10.550, Rules of the Auditor General. Those standards 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 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 of 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 each of its major state financial assistance projects for the year ended September 30, 2008.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its 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 major



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

state financial assistance projects in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state financial assistance project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state financial assistance project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state financial assistance project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state financial assistance project will not be prevented or detected by the entity's internal control.

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

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

Rachlin LLP

Miami, Florida
May 14, 2009

VILLAGE OF PALMETTO BAY, FLORIDA.

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

<u>Grantor Pass-Through Agency and Program Title</u>	<u>CSFA Number</u>	<u>Contract or Grant Number</u>	<u>Expenditures</u>
<i>Florida Department of State</i>			
Division of Library and Information Service			
Library Construction Grant	45.020	07-PLC-09	<u>114,712</u>
Total Florida Department of State			<u>114,712</u>
<i>Florida Department of Environmental Protection</i>			
Statewide Surface Water Restoration and Wastewater Projects			
Palmetto Bay Stormwater System Improvements	37.039	LP6851	500,000
Passthrough South Florida Water Management District			
Sub-Basin #5 Drainage Improvement Project	37.039	4600000545	250,000
Florida Recreation Development Assistance Program			
Coral Reef Renovations, Ph II	37.017	F08046	22,543
Perrine Park Development	37.017	F07203	<u>188,750</u>
Total Florida Department of Environmental Protection			<u>961,293</u>
Total Expenditures of State Financial Assistance			<u>\$ 1,076,005</u>

See note to schedule of expenditures of state financial assistance.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FISCAL YEAR ENDED SEPTEMBER 30, 2008

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Village and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General. 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, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	<i>Unqualified Opinion</i>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

State Financial Assistance Program:

Internal control over major state awards program:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weakness?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported

Type of auditor’s report issued on compliance for major state financial assistance projects:	<i>Unqualified Opinion</i>
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Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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Identification of major state financial assistance projects:	<u>State CSFA No.</u>
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State Programs

Florida Department of State – Library Construction	45.020
Florida Department of Environmental Protection – Statewide Surface Water Restoration & Wastewater Projects	37.039
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>

VILLAGE OF PALMETTO BAY, FLORIDA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Village was not subject to the Florida Single Audit Act for the fiscal year ended September 30, 2007.