

# Village of Palmetto Bay

*Prepared by the Finance Department*

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended September 30, 2010**



**VILLAGE OF PALMETTO BAY, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2010**

**Prepared by:**  
**THE FINANCE DEPARTMENT**

# VILLAGE OF PALMETTO BAY, FLORIDA

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## **INTRODUCTORY SECTION**

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April 28, 2011

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, 2010.

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 Marcum 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, 2010, 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, 2010, 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 33<sup>rd</sup> incorporated municipality in Miami-Dade County. Its borders are SW 136<sup>th</sup> street to the north, US 1 to the west, Biscayne Bay to the east, and SW 184<sup>th</sup> 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 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 \$353,114, which was a 9.7% decline from prior year. 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 zoning district encompassing 330 acres known as the Franjo Triangle and U.S. 1 Island area. The 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. Village projects currently underway include the redevelopment of the historically-significant Thalatta Estates from a private property to a public park to provide a venue for outdoor functions, the construction of a new concession building at Coral Reef Park and the construction of a new Village Hall in the middle of the above mentioned redevelopment area. The Village Hall will be 25,000 square feet platinum LEED certified. We have been getting inquiries from universities to use this as a study project, and the Village has obtained a Federal Energy grant through the State of Florida. Eventually the building will not require any external sources of energy, and will be one of the first governmental buildings to have accomplished this. Economically this will be the stimulus for the redevelopment for the area. The second phase of the Village Hall complex is a parking garage and mixed used project.

## **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 \$2.66 million cash reserve for major emergencies. Using the Florida Investment Pool as a bench mark the Village has been able to obtain on average of 77 basis points more than their average rate of .28%. The Village's investment income of \$157,272 is down 45% from FY09.

## **Pension Benefits**

The Village of Palmetto Bay maintains a defined contribution pension plan with the 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, 2009. 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 Marcum LLP.

In closing, the Mayor, Vice-Mayor and the Village Council, must 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, 2010**

**VILLAGE COUNCIL**

Mayor	Shelley Stanczyk
Vice Mayor	Brian Pariser
Council Member	Patrick Fiore
Council Member	Howard Tendrich
Council Member	Joan Lindsay

**VILLAGE MANAGER**

Ron E. Williams

**VILLAGE ATTORNEY**

Figueredo & Boutsis, P.A.

**VILLAGE CLERK**

Meighan Alexander

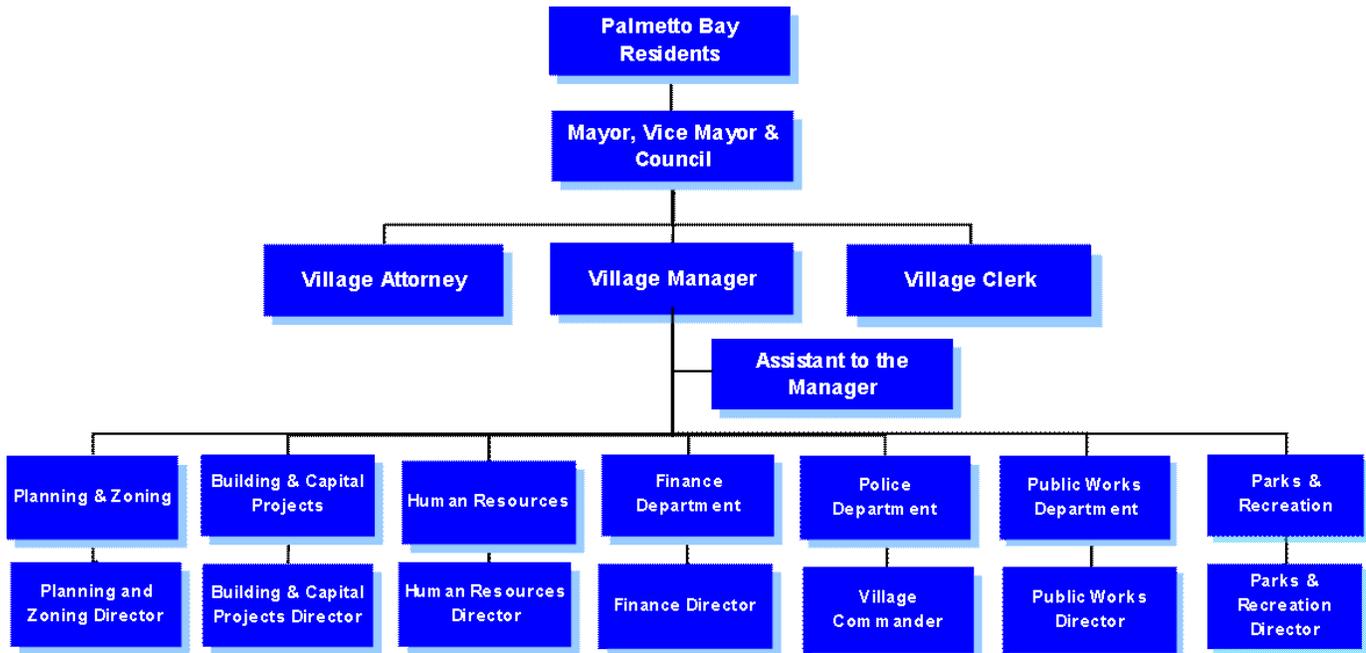
**FINANCE DIRECTOR**

Desmond Chin, CPA

# VILLAGE OF PALMETTO BAY, FLORIDA

## ORGANIZATION CHART

SEPTEMBER 30, 2010



# 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, 2009

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**

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# **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

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, 2010, 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 of America 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, 2010, and the respective changes in financial position, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2011, on our consideration of the Village's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements

and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 11 and the required supplementary information on pages 35 and 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section, combining fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures 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 not a required part of the basic financial statements. The combining fund financial statements and schedule of expenditures 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 information included in the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Marcum LLP*

Miami, FL  
April 28, 2011

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(MD&A)**

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## 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, 2010.

### Financial Highlights

- The assets of the Village of Palmetto Bay exceeded its liabilities at the close of the most recent fiscal year by \$49,214,869 (net assets). Of this amount, \$13,729,932 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$35,484,938 is comprised of capital assets net of related debt \$35,384,115 and restricted assets \$100,822.
- The Village's total net assets increased by \$3,957,235. This increase is attributable to an increase in Fund Balance of \$4,927,614, an increase in Capital Assets net of depreciation of \$5,038,355, issuance of debt (\$5,964,143), and an increase in Compensated Absences (\$44,592).
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$18,312,753, an increase of \$4,927,614 in comparison with the prior year. Approximately 79% of ending fund balance or \$14,493,934 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 \$9,642,106, or 83% 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 12 and 13 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 35.

The basic governmental fund financial statements can be found on pages 14 to 16 of this report.

The Village has four non-major funds, the Palmetto Bay Foundation, Law Enforcement Forfeiture Fund, False Alarm and Stormwater Management. The combining statements can be found on pages 37 and 38.

**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 17 to 34 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 \$49,214,868 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$35,384,115 or 72%, reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Village of Palmetto Bay uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Palmetto Bay reports its investment in capital assets net of related debt, 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 \$13,729,932 may be used to meet the government's ongoing obligations to citizen's and creditors.

#### Village of Palmetto Bay's Net Assets

	Fiscal Year	
	2010	2009
Current assets	\$ 20,415,807	\$ 14,174,471
Capital assets	48,640,123	43,601,941
<b>Total Assets</b>	<u>69,055,930</u>	<u>57,776,412</u>
Long-term liabilities outstanding	18,109,141	11,743,757
Other liabilities	1,731,920	775,021
<b>Total Liabilities</b>	<u>19,841,061</u>	<u>12,518,778</u>
Net assets:		
Investment in capital assets, net of related debt	35,384,115	31,957,486
Restricted for:		
Law enforcement	6,503	6,461
Transportation	94,319	789,269
Unrestricted	<u>13,729,932</u>	<u>12,504,418</u>
<b>Total Net Assets</b>	<u>\$ 49,214,869</u>	<u>\$ 45,257,634</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 \$3,957,235 during the current fiscal year. This increase is attributable to an increase in Fund Balance of \$4,927,614, an

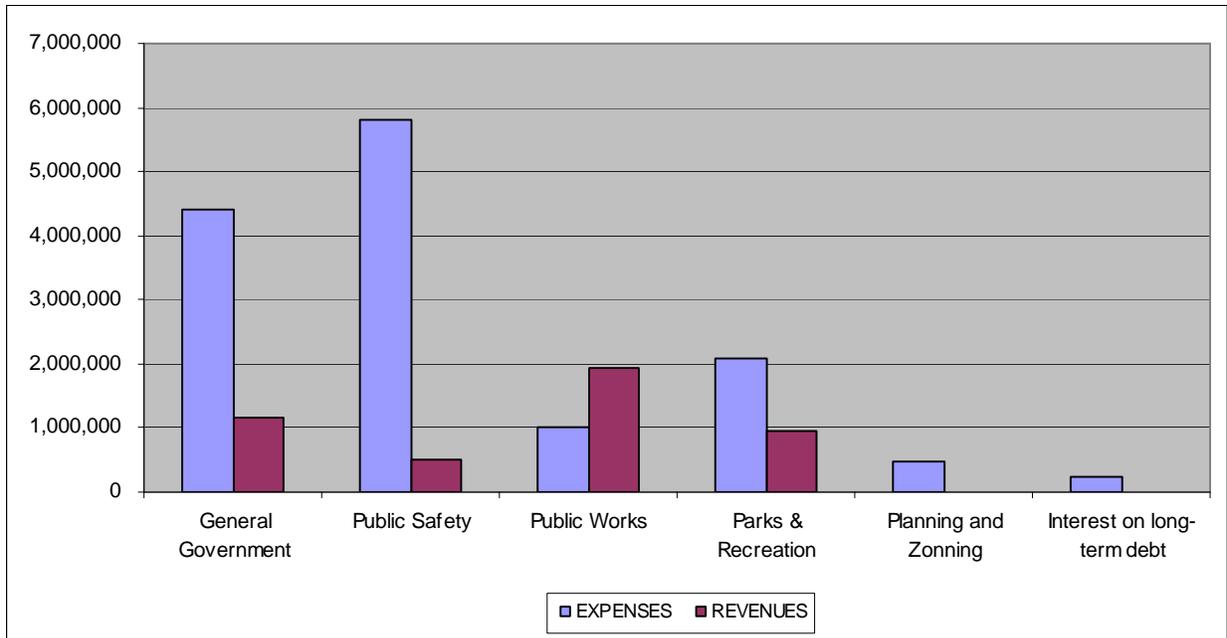
increase in Capital Assets net of depreciation of \$5,038,355, issuance of debt (\$5,964,143), and an increase in Compensated Absences of (\$44,592).

**Village of Palmetto Bay's Net Changes in Net Assets**

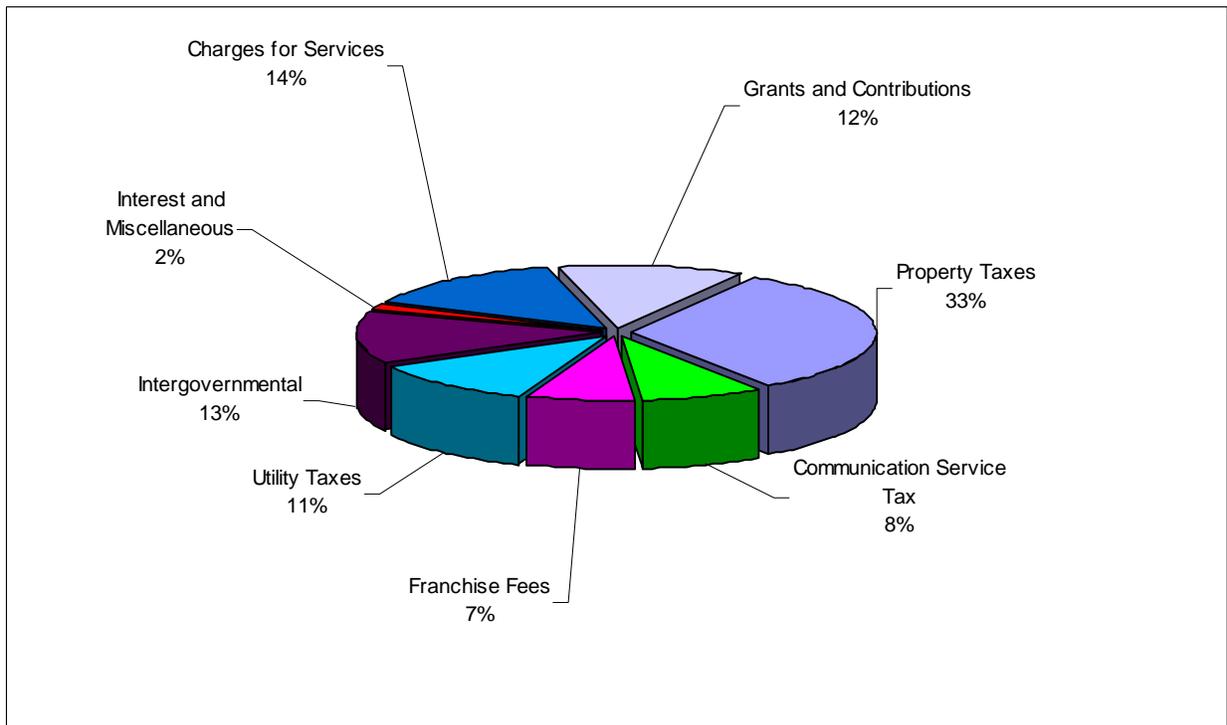
	Fiscal Year	
	2010	2009
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,605,617	\$ 2,142,039
Operating grants and contributions	283,986	15,321
Capital grants and contributions	1,663,377	2,159,722
General revenues:		
Property taxes	5,879,429	6,574,981
Communications service tax	1,469,338	1,250,495
Franchise fees	1,345,736	1,308,472
Utility taxes	2,058,896	1,903,636
Intergovernmental	2,367,925	2,438,119
Investment income and miscellaneous	303,726	336,973
<b>Total Revenues</b>	<b>17,978,030</b>	<b>18,129,758</b>
<b>Expenses</b>		
General government	4,135,442	3,367,301
Public safety	5,797,578	5,987,514
Public works	1,090,398	1,417,707
Parks and recreation	2,095,709	1,998,470
Planning and zoning	487,833	490,377
Interest on long-term debt	413,835	486,744
<b>Total Expenses</b>	<b>14,020,795</b>	<b>13,748,113</b>
Special item	--	4,631,723
<b>Change in Net Assets</b>	<b>\$ 3,957,235</b>	<b>\$ (250,078)</b>

1. Taxes of \$9,407,663 comprised 52% of total revenues in the current fiscal year. Most of this category is Property Taxes \$5,879,429. The Village reduced the millage rate to 2.447 per \$1,000 of assessed taxable value for fiscal year 2010, which was less than the roll back rate of 2.6857.
2. Operating Grants, Capital Grants and Contributions accounted for \$1,947,363 or 11% 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 \$18,312,753, an increase of \$4,927,614 in comparison with the prior year. Approximately 79% of this amount or \$14,493,934 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 \$9,803,976, of which \$9,642,106 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 82% percent of total general fund expenditures, while total fund balance represents 83% percent of that same amount. The fund balance of the Village's general fund increased \$1,938,205 during the current fiscal year. This increase is partly a result of refinancing two short term loans into a 30 year bond, and reduced expenditures in Public Safety and Public Works.

**The Grant Fund** is used to account for and track the expenditures of the approximately 25 grants and impact fees. The increase in fund balance of \$104,623 is mainly due to Art in Public Places (AIPP) fees collected and appropriated in the FY2011 budget for art pieces for the new municipal center and Thalatta Estates.

**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 of \$67,672 is a result of the Village's continued aggressive 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 increase in fund balance of \$2,768,171 is attributable to the issuance of \$5,500,000 in new debt to finance the completion of the new municipal center.

### General Fund Budgetary Highlights

The total operating surplus of \$3,502,630 resulted from surplus revenues of \$1,174,749 and expenditure savings of \$2,327,881. There was a transfer out of \$1,564,425 for capital expenditures. The net result is an increase in fund balance of \$1,938,205.

The most significant variances are:

#### REVENUES:

Communication Taxes – had a surplus of \$339,661, as a result of the audits the State has been conducting on the providers.

Utility Taxes – had a surplus of \$209,453, mainly from the electric utilities.

Licenses & Permits – had a surplus of \$335,930 as new construction is slowly increasing.

Fines & Forfeitures – had a surplus of \$254,692 from code compliance.

#### EXPENDITURES:

Manager/Clerk – Savings of \$121,997 were realized mainly from salaries and benefits, as some positions were not filled.

Village Attorney – Savings of \$273,343 as litigations were settled.

Other General Government – Savings of \$281,925 from refinancing of debt.

Public Safety – \$447,272, savings from better use of personnel to reduce overtime.

Parks & Recreation – \$444,406, savings were realized in personnel costs.

#### **Capital Assets and Debt Administration**

**Capital Assets.** The Village of Palmetto Bay's investment in capital assets as of September 30, 2010, amounted to \$48,640,123 (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 \$5,038,354 in the current fiscal year.

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

- Municipal Center construction - \$3,716,468.
- Infrastructure improvements - \$1,070,364
- Thalatta Estate renovation - \$1,281,214

**VILLAGE OF PALMETTO BAY**  
Capital Assets (Net of Depreciation)

	Balance September 30,	
	2010	2009
<b>Governmental Activities</b>		
Land	\$ 23,689,655	\$ 23,689,655
Construction in progress	4,827,581	1,255,436
Furniture and equipment	714,305	827,865
Building	5,854,822	4,786,690
Improvements other than buildings	8,905,265	9,292,548
Infrastructure	4,648,495	3,749,577
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 48,640,123</b>	<b>\$ 43,601,771</b>

Additional information on the Village's capital assets can be found in Note 5 on pages 27-28 of this report.

**Long-term Debt.** At the end of the current fiscal year, the Village of Palmetto Bay had total debt outstanding of \$18,134,575. 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**

	2010	2009
Promissory Notes	\$ 1,979,575	\$ 10,235,864
Revenue Bonds	16,155,000	1,405,000
<b>Total</b>	<b>\$ 18,134,575</b>	<b>\$ 11,640,864</b>

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 2007 (Street Signs) \$2,500,000 and Florida Municipal Loan Council Revenue Bond Series 2010B (Promissory Note 2006 and 2009 refinance and Municipal Center construction) \$14,780,000. Additional information on the Village of Palmetto Bay's long-term debt can be found in Note 6 pages 29-31.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Miami-Dade County in September 2010 was 12.6% percent, which represents a small increase of 1.3% percent from the previous year. This is comparable to the state's average unemployment rate of 11.8% percent and unfavorable to the national average rate of 9.6% percent in September 2010. 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 at .8% is less than the national average at 1.4% as of August 2010.
- In the third year of foreclosures and property value declines, the Village of Palmetto Bay saw a decrease in property values of 9.67% which was comparable to the County's average of 9.54%.

All of these factors were considered in preparing the Village's budget for the 2011 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$9,6. The Village of Palmetto Bay has appropriated \$150,000 of this amount for capital outlays in the 2011 fiscal year budget. The Village of Palmetto Bay used a millage rate of 2.447 for fiscal year 2011, which is 3.82% less than the roll back rate of 2.5442.

### **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, 9705 East Hibiscus Street, East Perrine, FL 33157.

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# **BASIC FINANCIAL STATEMENTS**

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# VILLAGE OF PALMETTO BAY, FLORIDA

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2010

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	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 17,325,517
Investments	125,045
Receivables, net	45,559
Due from other governments	2,529,816
Prepaid assets	18,735
Deferred charges	371,135
Capital assets not being depreciated	28,517,236
Capital assets being depreciated, net	<u>20,122,887</u>
<b>Total Assets</b>	<u>69,055,930</u>
<b>Liabilities</b>	
Accounts payable	1,633,954
Accrued liabilities	96,085
Due to other governments	1,881
Noncurrent liabilities:	
Due in one year	586,277
Due in more than one year	<u>17,522,864</u>
<b>Total Liabilities</b>	<u>19,841,061</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	35,384,115
Restricted for:	
Law enforcement	6,503
Transportation	94,319
Unrestricted	<u>13,729,932</u>
<b>Total Net Assets</b>	<u>\$ 49,214,869</u>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF PALMETTO BAY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 4,135,442	\$ 1,076,930	\$ 85,260	\$ --	\$ (2,973,252)
Public safety	5,797,578	482,152	18,183	--	(5,297,243)
Public works	1,090,398	519,126	180,543	1,240,985	850,256
Parks and recreation	2,095,709	527,409	--	422,392	(1,145,908)
Planning and zoning	487,833	--	--	--	(487,833)
Interest on long-term debt	413,835	--	--	--	(413,835)
<b>Total Governmental Activities</b>	<b>\$ 14,020,795</b>	<b>\$ 2,605,617</b>	<b>\$ 283,986</b>	<b>\$ 1,663,377</b>	<b>\$ (9,467,815)</b>
<b>General Revenues</b>					
					5,879,429
					1,469,338
					1,345,736
					2,058,896
					2,367,925
					157,272
					146,454
					<u>13,425,050</u>
Change in net assets					3,957,235
<b>Net Assets - Beginning</b>					<u>45,257,634</u>
<b>Net Assets - Ending</b>					<u>\$ 49,214,869</u>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF PALMETTO BAY, FLORIDA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2010**

	General	Grants Fund	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Totals Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 7,525,122	\$ 528,363	\$ 2,709,706	\$ 5,849,388	\$ 712,938	\$ 17,325,517
Investments	70,006	--	--	55,039	--	125,045
Accounts receivable	26,736	--	--	--	18,823	45,559
Due from other funds	1,673,671	14,122	--	439,085	96	2,126,974
Due from other governments	776,516	1,442,560	185,917	--	124,823	2,529,816
Prepaid items	18,375	--	--	360	--	18,735
<b>Total Assets</b>	<b>\$ 10,090,426</b>	<b>\$ 1,985,045</b>	<b>\$ 2,895,623</b>	<b>\$ 6,343,872</b>	<b>\$ 856,680</b>	<b>\$ 22,171,646</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 174,266	\$ 34,817	\$ 50,324	\$ 1,369,840	\$ 4,707	\$ 1,633,954
Accrued liabilities	96,085	--	--	--	--	96,084
Due to other governments	1,881	--	--	--	--	1,881
Due to other funds	14,218	1,421,117	451,619	124,815	115,205	2,126,974
<b>Total Liabilities</b>	<b>286,450</b>	<b>1,455,934</b>	<b>501,943</b>	<b>1,494,655</b>	<b>119,912</b>	<b>3,858,894</b>
<b>Fund Balances</b>						
Reserved:						
Prepays	18,375	--	--	--	--	18,375
Transportation	94,319	--	2,393,680	--	--	2,487,999
Asset replacement	40,000	--	--	--	--	40,000
Law enforcement	9,176	--	--	--	81,576	90,752
Impact fees	--	181,071	--	--	--	181,071
Capital projects	--	141,358	--	--	--	141,358
Art in public places	--	206,682	--	--	--	206,682
Stormwater	--	--	--	--	652,582	652,582
Unreserved, undesignated reported in:						
General fund	9,642,106	--	--	--	--	9,642,107
Special revenue funds	--	--	--	--	2,610	2,610
Capital projects fund	--	--	--	4,849,217	--	4,849,217
<b>Total Fund Balances</b>	<b>9,803,976</b>	<b>529,111</b>	<b>2,393,680</b>	<b>4,849,217</b>	<b>736,768</b>	<b>18,312,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,090,426</b>	<b>\$ 1,985,045</b>	<b>\$ 2,895,623</b>	<b>\$ 6,343,872</b>	<b>\$ 856,680</b>	
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.						48,640,123
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.						
The details of the difference are as follows:						
Long term debt						(17,965,247)
Compensated absences						(143,894)
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:						
Bond issue costs						371,135
<b>Net Assets of Governmental Activities</b>						<b>\$ 49,214,869</b>

*The accompanying notes are an integral part of these financial statements.*

**VILLAGE OF PALMETTO BAY, FLORIDA**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	General	Grants Fund	Transportation Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Real and personal property taxes	\$ 5,879,429	\$ --	\$ --	\$ --	\$ --	\$ 5,879,429
Utility taxes	2,058,896	--	--	--	--	2,058,896
Communication service tax	1,469,338	--	--	--	--	1,469,338
Franchise fees	1,345,736	--	--	--	--	1,345,736
Intergovernmental	2,367,925	1,089,301	858,062	--	--	4,315,288
Licenses and permits	1,076,930	--	--	--	--	1,076,930
Fines and forfeitures	401,157	--	--	--	--	401,157
Charges for services	527,409	--	--	--	600,121	1,127,530
Interest	86,783	2,341	17,752	50,396	--	157,272
Miscellaneous	86,913	60,000	--	--	10,436	157,349
<b>Total Revenues</b>	<u>15,300,516</u>	<u>1,151,642</u>	<u>875,814</u>	<u>50,396</u>	<u>610,557</u>	<u>17,988,925</u>
<b>Expenditures</b>						
Current:						
General government	3,176,642	36,129	--	--	62,851	3,275,622
Public safety	5,781,918	--	--	--	--	5,781,918
Public works	435,135	31,605	368,167	--	24,963	859,870
Parks and Recreation	1,317,030	--	--	--	--	1,317,030
Planning and zoning	487,833	--	--	--	--	487,833
Capital outlay	--	979,285	429,471	5,131,238	338,456	6,878,450
Debt service:						
Principal payments	267,053	--	180,250	--	--	447,303
Interest and fiscal charges	332,275	--	81,560	--	--	413,835
<b>Total Expenditures</b>	<u>11,797,886</u>	<u>1,047,019</u>	<u>1,059,448</u>	<u>5,131,238</u>	<u>426,270</u>	<u>19,461,861</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>3,502,630</u>	<u>104,623</u>	<u>(183,634)</u>	<u>(5,080,842)</u>	<u>184,287</u>	<u>(1,472,936)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers in	--	--	115,962	1,448,463	--	1,564,425
Transfers out	(1,564,425)	--	--	--	--	(1,564,425)
Payment to refunded bond escrow agent	--	--	--	(7,949,076)	--	(7,949,076)
Bond issue costs	--	--	--	(371,135)	--	(371,135)
Discount on debt issue	--	--	--	(59,239)	--	(59,239)
Refunding bonds issued	--	--	--	14,780,000	--	14,780,000
<b>Total Other Financing Sources (Uses)</b>	<u>(1,564,425)</u>	<u>--</u>	<u>115,962</u>	<u>7,849,013</u>	<u>--</u>	<u>6,400,550</u>
Net change in fund balances	1,938,205	104,623	(67,672)	2,768,171	184,287	4,927,614
<b>Fund Balances - Beginning</b>	<u>7,865,771</u>	<u>424,488</u>	<u>2,461,352</u>	<u>2,081,046</u>	<u>552,481</u>	<u>13,385,138</u>
<b>Fund Balances - Ending</b>	<u>\$ 9,803,976</u>	<u>\$ 529,111</u>	<u>\$ 2,393,680</u>	<u>\$ 4,849,217</u>	<u>\$ 736,768</u>	<u>\$ 18,312,752</u>

*The accompanying notes are an integral part of these 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**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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Amounts reported for governmental activities in the statement of activities (Page 13) are different because:

Net change in fund balances - total government funds (Page 15) \$ 4,927,614

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	\$ 6,207,820	
Depreciation expense	<u>(1,169,466)</u>	5,038,355

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Details of the difference are as follows:

Refunding bonds issued	(14,780,000)	
Discount on debt issued	59,239	
Payment to refunded bond escrow agent	7,949,076	
Debt issuance costs	371,135	
Principal payments on debt	447,303	
Other miscellaneous adjustment	<u>(10,895)</u>	(5,964,142)

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 compensated absences		<u>(44,592)</u>
--------------------------------	--	-----------------

**Change in Net Assets of Governmental Activities (Page 13) \$ 3,957,235**

*The accompanying notes are an integral part of these financial statements.*

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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#### 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 Governmental 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.

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

### FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***A. FINANCIAL REPORTING ENTITY (CONTINUED)***

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 and therefore, amounts presented for the Foundation are as of and for the year ended December 31, 2009. Revenues consist primarily of donations and investment income. The Foundation articles restrict the use of the funds to charitable, educational or scientific purposes.

##### ***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.

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)***

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. Revenue for expenditure driven grants are recognized when the qualifying expenditures are incurred. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

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

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

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

The Village also reports the following nonmajor governmental fund:

*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.

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)***

Private sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 Village's policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY***

##### **1. Deposits and Investments**

The Village's cash and cash equivalents include cash on hand, pooled cash, demand deposits, investments in money market funds.

All investments, except the Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund (LGIP) and Fund B, are reported at fair value. The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which is fair value. Fund B is a fluctuating NAV pool and is reported based on the fair value factor.

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.

Cash and cash equivalents include cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**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, furniture and equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), 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 projects are constructed.

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

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

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

##### **5. Capital Assets (continued)**

During the 2010 fiscal year, the Village implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. There was no effect on the Village's financial statements. Intangible assets consist of computer software, which was capitalized in a prior year, and rights of way and easements. The Village was not required to and did not retroactively report intangible assets.

##### **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 from the general fund.

##### **7. Other Post Employment Benefits (OPEB)**

During 2010, the Village implemented GASB Statement No. 45, *Other Post Employment Benefits*. There was no effect on the Village's financial statements.

##### **8. 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, deferred amount on refunding, 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 and deferred amount on refunding.

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

#### **8. Long-Term Obligations (continued)**

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

#### **9. 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. Undesignated fund balance indicates the portion of fund balance which is available for future use.

#### **10. Net Assets**

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

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

**VILLAGE OF PALMETTO BAY, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)*

**11. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 collectability 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.

**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, 2010 was 2.4470 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, 2010, there were no material delinquent taxes.

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### 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.

#### *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 Florida PRIME (formerly known as 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 operating procedures for the administration of the PRIME and Fund B. The Florida PRIME 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 Florida PRIME is equal to the value of the pool shares. The Fund B does not meet the requirements of a SEC 2a-7 like pool and therefore is accounted for as a fluctuating NAV pool. As of September 30, 2010, the fair value factor for Fund B was \$ .70706 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 Florida PRIME, 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 Florida PRIME. The investments in the Florida PRIME and Fund B are not insured by FDIC or any other governmental agency.

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*INVESTMENTS (CONTINUED)*

As of September 30, 2010, the Village had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Florida PRIME	\$ 97,475	52 days
Fund B	<u>125,045</u>	7.49 years
	<u>\$ 222,520</u>	

***INTEREST RATE RISK***

The Village does not have a formal investment policy that limits investment maturities as a means of managing its exposure to market value losses arising from increasing interest rates. To mitigate risk, the Village primarily invests in investments with maturities of 12 months or less.

***CREDIT RISK***

The Village does not have a formal investment policy that limits investments to the highest ratings by a nationally recognized statistical rating organization (NRSRO) (Standard and Poor's and Moody's investment services). In order to mitigate credit risk, the Village does limit investments to the highest ratings by a NRSRO. The Florida PRIME is rated AAAM by Standard and Poor's. The Fund B is not rated by an NRSO.

***CONCENTRATION OF CREDIT RISK***

The Village diversifies its portfolio in such a way to control the risk of loss resulting from concentration of assets to a specific maturity, instrument, issue, dealer, or bank through which these securities are bought and sold. As of September 30, 2010, the value of each position held in the Village's portfolio is less than 5% in any one issuer.

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

***INTERFUND RECEIVABLES AND PAYABLES***

Interfund receivable and payable balances at September 30, 2010 are as follows:

Receivable Fund	Payable Fund					Total
	General	Grants Fund	Transportation Fund	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ --	\$ 982,033	\$ 451,619	\$ 124,815	\$ 115,205	\$ 1,673,672
Capital Project	--	439,084	--	--	--	439,084
Grants Fund	14,122	--	--	--	--	14,122
Stormwater	96	--	--	--	--	96
	<u>\$ 14,218</u>	<u>\$ 1,421,117</u>	<u>\$ 451,619</u>	<u>\$ 124,815</u>	<u>\$ 115,205</u>	<u>\$ 2,126,974</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***

There were transfers totaling \$1,564,425 from the general fund to other funds. This is made up of transfers to the transportation fund in the amount of \$115,962 and capital projects fund in the amount of \$1,448,463 which were used to transfer unrestricted general fund revenues to finance various projects in accordance with budgetary authorizations.

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 23,689,655	\$ --	\$ --	\$ 23,689,655
Construction in progress	<u>1,255,438</u>	<u>3,716,468</u>	<u>144,325</u>	<u>4,827,581</u>
<b>Total Capital Assets not Being Depreciated</b>	<u>24,945,093</u>	<u>3,716,468</u>	<u>144,325</u>	<u>28,517,236</u>
<b>Capital Assets Being Depreciated:</b>				
Furniture and equipment	1,523,806	129,660	--	1,653,466
Buildings	5,111,249	1,281,214	--	6,392,463
Improvements other than buildings	10,388,609	154,439	--	10,543,048
Infrastructure	<u>4,099,178</u>	<u>1,070,364</u>	<u>--</u>	<u>5,169,542</u>
<b>Total Capital Assets Being Depreciated</b>	<u>21,122,842</u>	<u>2,635,677</u>	<u>--</u>	<u>23,758,519</u>
Less Accumulated Depreciation for:				
Furniture and equipment	695,941	243,220	--	939,161
Buildings	324,559	213,082	--	537,641
Improvements other than buildings	1,096,061	541,721	--	1,637,783
Infrastructure	<u>349,603</u>	<u>171,443</u>	<u>--</u>	<u>521,047</u>
<b>Total Accumulated Depreciation</b>	<u>2,466,164</u>	<u>1,169,466</u>	<u>--</u>	<u>3,635,632</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>18,656,678</u>	<u>1,466,211</u>	<u>--</u>	<u>20,122,887</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 43,601,771</u>	<u>\$ 5,182,679</u>	<u>\$ 144,325</u>	<u>\$ 48,640,123</u>

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

General Government	\$ 144,598
Public Safety	15,660
Public Works	232,686
Parks and Recreation	<u>776,522</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 1,169,466</u>

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 6 – LONG-TERM DEBT**

Long-term liability activity for the year ended September 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bond and loans payable:					
FMLC Bonds - Series 2005D	\$ 1,405,000	\$ --	\$ 30,000	\$ 1,375,000	\$ 30,000
FMLC Bonds - Series 2010B	--	14,780,000	--	14,780,000	225,000
Add deferred amounts:					
Issuance premium	3,591	--	3,591	--	--
Issuance discount	--	(59,239)	--	(59,239)	--
Deferred amount on refunding	--	(110,089)	--	(110,089)	--
<b>Total Bonds Payable</b>	<b>1,408,591</b>	<b>14,610,672</b>	<b>33,591</b>	<b>15,985,672</b>	<b>255,000</b>
Promissory note, 2006	5,676,654	--	5,676,654	--	--
Promissory note, 2007	2,159,825	--	180,249	1,979,575	187,383
Promissory note, 2009	2,399,385	--	2,399,385	--	--
<b>Total Bond and Notes Payable</b>	<b>10,235,865</b>	<b>--</b>	<b>8,256,289</b>	<b>1,979,575</b>	<b>187,383</b>
Other liabilities:					
Compensated absences	99,302	143,894	99,302	143,894	143,894
<b>Total Other Liabilities</b>	<b>99,302</b>	<b>143,894</b>	<b>99,302</b>	<b>143,894</b>	<b>143,894</b>
<b>Long-Term Liabilities</b>	<b>\$ 11,743,758</b>	<b>\$ 14,754,566</b>	<b>\$ 8,389,182</b>	<b>\$ 18,109,141</b>	<b>\$ 586,277</b>

***FLORIDA MUNICIPAL LOAN COUNCIL REVENUE BONDS SERIES 2005D***

During fiscal year 2005, the Village issued Florida Municipal Loan Council Revenue Bonds, Series 2005D in the principal amount of \$1,495,000. The proceeds were used for the purpose of constructing a library building and funding the interest on the bonds until April 1, 2006. The bonds are collateralized by a pledge of the Village's library rent revenue. The total principal and interest remaining on the bonds is \$2,352,911. Total pledged rent revenue over the life of the bonds is expected to be approximately \$3,000,000. For the current year, debt service and pledged revenues were \$91,708 and \$186,175, respectively. The library was completed in the prior year and began generating revenues in the current year. 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% and the final maturity date is October 1, 2035.

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

*FLORIDA MUNICIPAL LOAN COUNCIL REVENUE BONDS SERIES 2005D (CONTINUED)*

Debt service requirements to maturity are as follows:

For the Fiscal Year Ending September 30,	Principal	Interest	Total
2011	\$ 30,000	\$ 60,755	\$ 90,755
2012	35,000	59,802	94,802
2013	35,000	58,724	93,724
2014	35,000	57,539	92,539
2015	35,000	56,331	91,331
2016-2020	210,000	259,984	469,984
2021-2025	255,000	211,900	466,900
2026-2030	330,000	145,139	475,139
2031-2035	410,000	65,700	475,700
<b>Total</b>	<b>\$ 1,375,000</b>	<b>\$ 975,875</b>	<b>\$ 2,350,875</b>

*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 collateralized by a pledge of the Village's portion of the County's half cent transportation surtax. The total principal and interest remaining on the bonds is \$2,356,803. Total pledged revenue over the life of the note is expected to be approximately \$5,000,000. For the current year, debt service and pledged revenues were \$261,811 and \$703,184, respectively. The note is due in 12 years and requires quarterly principal and interest payments of \$66,467 through August 2019 at which time it will be paid in full. Payments include interest of 3.90%.

Debt service requirements to maturity are as follows:

For the Fiscal Year Ending September 30,	Principal	Interest	Total
2011	\$ 187,383	\$ 74,484	\$ 261,867
2012	194,798	67,069	261,867
2013	202,507	59,361	261,868
2014	210,521	51,364	261,885
2015-2019	1,184,366	124,949	1,309,315
<b>Total</b>	<b>\$ 1,979,575</b>	<b>\$ 377,227</b>	<b>\$ 2,356,802</b>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 6 – LONG-TERM DEBT (CONTINUED)

*PROMISSORY NOTE, SERIES 2010*

***Florida Municipal Loan Council Revenue Bonds Series 2010B***

In August 2010, the Village issued Florida Municipal Loan Council Revenue Bonds, Series 2010B in the principal amount of \$14,780,000. The proceeds were used to refund the 2006 and 2009 series promissory notes and for the construction of a new Village Hall. The refunding was an advance refunding; an irrevocable trust with an escrow agent was established to provide for future debt service payments until the bonds are called. The reacquisition price exceeded the net carrying amount of the old debt by \$110,089, which is deferred and amortized as a component of interest expense using the straight-line method through the year 2040. The bonds are secured by a pledge of the Village’s non-ad valorem revenues. The bonds are payable over 30 years with principal amounts ranging from \$225,000 to \$855,000 and interest payments ranging from 3% to 5% beginning on March 20, 2011. The final maturity date is September 20, 2040.

Debt service requirements to maturity are as follows:

For The Fiscal Year Ending September 30,	Principal	Interest	Total
2011	\$ 225,000	\$ 663,520	\$ 888,520
2012	290,000	596,450	886,450
2013	295,000	590,650	885,650
2014	305,000	581,800	886,800
2015-2019	1,660,000	2,771,638	4,431,638
2020-2024	1,990,000	2,457,063	4,447,063
2025-2029	2,410,000	2,044,031	4,454,031
2030-2034	3,000,000	1,470,063	4,470,063
2035-2039	3,750,000	756,450	4,506,450
2040	855,000	21,375	876,375
<b>Total</b>	<b>\$ 14,780,000</b>	<b>\$ 11,953,039</b>	<b>\$ 26,733,039</b>

# VILLAGE OF PALMETTO BAY, FLORIDA

## NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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### 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 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. Employees contributed \$95,120 and the Village contributed \$199,239 to the Plan for the year ended September 30, 2010.

### NOTE 8 – COMMITMENTS AND CONTINGENCIES

#### *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, 2010 was approximately \$191,000. 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.

#### *GRANTS*

Grant monies received and disbursed by the Village are for specific purposes and may be subject to audit by the grantor agencies. Such audits may result in requests for reimbursements due to disallowed expenditures or other actions by grantor agencies. Based upon prior experience, the Village does not believe that such disallowances or other actions taken by the grantor agencies, if any, would have a material effect on the financial position of the Village.

#### *LITIGATION*

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

**VILLAGE OF PALMETTO BAY, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***RISK MANAGEMENT***

The Village is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Village carries commercial insurance. There was no reduction in insurance coverage from coverage in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

***AGREEMENT WITH MIAMI-DADE COUNTY FOR LOCAL POLICE PATROL SERVICES***

On May 5, 2003, the Village executed an agreement with Miami-Dade County for local police patrol services. The Village makes regular monthly installments to the County. Payments are adjusted to accrue labor costs incurred and deducted from the gross revenues due the Village from Miami-Dade County. Payments for the services provided by the County are based on the level of staffing services requested by the Village utilizing the actual personnel costs of officers and equipment. The term of the agreement, which was renewed in 2009 expires July 1, 2014. Payments for patrol services totaled approximately \$5,865,000 during fiscal year ended September 30, 2010.

***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 \$14,714. 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:

For the Fiscal Year Ending September 30,	Amount
2011	\$ 176,573
2012	183,930
2013	194,230
2014	213,653
<b>Total</b>	<b>\$ 768,386</b>

**VILLAGE OF PALMETTO BAY, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*OPERATING LEASE (CONTINUED)*

Total rental expense for the fiscal year ended September 30, 2010 was approximately \$177,000.

*CONSTRUCTION COMMITMENTS*

The Village had construction commitments outstanding at September 30, 2010 in the amount of approximately \$70,000 for bridge renovations, \$56,000 for park renovations and \$1,567,000 for the Village Hall construction.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**VILLAGE OF PALMETTO BAY, FLORIDA**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Revenues</b>				
Real and personal property taxes	\$ 5,908,169	\$ 5,908,169	\$ 5,879,429	\$ (28,740)
Utility taxes	1,849,443	1,849,443	2,058,896	209,453
Communication service tax	1,129,677	1,129,677	1,469,338	339,661
Franchise fees	1,331,423	1,331,423	1,345,736	14,313
Intergovernmental	2,324,430	2,324,430	2,367,925	43,495
Licenses and permits	741,000	741,000	1,076,930	335,930
Fines and forfeitures	146,465	146,465	401,157	254,692
Charges for services	640,160	640,160	527,409	(112,751)
Interest	50,000	50,000	86,783	36,783
Other	5,000	5,000	86,913	81,913
<b>Total Revenues</b>	<u>14,125,767</u>	<u>14,125,767</u>	<u>15,300,516</u>	<u>1,174,749</u>
<b>Expenditures</b>				
Current:				
General government:				
Village council	195,142	195,142	175,182	19,960
Village manager/clerk	753,365	753,365	631,368	121,997
Finance department	487,559	487,559	389,706	97,853
Village Attorney	635,000	635,000	361,657	273,343
Other general government	1,195,500	1,195,500	913,575	281,925
Total general government	<u>3,266,566</u>	<u>3,266,566</u>	<u>2,471,488</u>	<u>795,078</u>
Public safety	6,229,190	6,229,190	5,781,918	447,272
Public works	506,835	506,835	435,135	71,700
Parks and Recreation	1,761,436	1,761,436	1,317,030	444,406
Community development (planning/zoning)	555,097	555,097	487,833	67,264
Building and permitting	747,507	747,507	705,154	42,353
Debt service:				
Principal	495,949	495,949	267,053	228,896
Interest	563,187	563,187	332,275	230,912
<b>Total Expenditures</b>	<u>14,125,767</u>	<u>14,125,767</u>	<u>11,797,886</u>	<u>2,327,881</u>
<b>Excess of Revenues Over Expenditures</b>	<u>--</u>	<u>--</u>	<u>3,502,630</u>	<u>3,502,630</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(1,564,425)	(1,564,425)	(1,564,425)	--
Total other financing uses	<u>(1,564,425)</u>	<u>(1,564,425)</u>	<u>(1,564,425)</u>	<u>--</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,564,425)</u>	<u>\$ (1,564,425)</u>	<u>\$ 1,938,205</u>	<u>\$ 3,502,630</u>

*See notes to budgetary comparison schedule.*

**VILLAGE OF PALMETTO BAY, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**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 of America. Special Revenue Funds do not have adopted budgets.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- (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 October 1st (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) Unencumbered appropriations lapse at year-end.

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**COMBINING FUND FINANCIAL STATEMENTS**

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**VILLAGE OF PALMETTO BAY, FLORIDA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2010**

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm	Stormwater Management	Total Nonmajor Governmental Funds
<b>Assets</b>					
Cash	\$ 2,610	\$ 6,503	\$ 94,529	\$ 609,296	\$ 712,938
Accounts receivable	--	--	--	18,823	18,823
Due from other governments	--	--	--	124,919	124,919
<b>Total Assets</b>	<u>\$ 2,610</u>	<u>\$ 6,503</u>	<u>\$ 94,529</u>	<u>\$ 753,038</u>	<u>\$ 856,680</u>
 <b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ --	\$ --	\$ 1,851	\$ 2,856	\$ 4,707
Due to other funds	--	--	17,605	97,600	115,205
<b>Total Liabilities</b>	<u>--</u>	<u>--</u>	<u>19,456</u>	<u>100,456</u>	<u>119,912</u>
<b>Fund Balances</b>					
Unreserved and undesignated	<u>2,610</u>	<u>6,503</u>	<u>75,073</u>	<u>652,582</u>	<u>736,768</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,610</u>	<u>\$ 6,503</u>	<u>\$ 94,529</u>	<u>\$ 753,038</u>	<u>\$ 856,680</u>

**VILLAGE OF PALMETTO BAY, FLORIDA**

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

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm	Stormwater Management	Total Nonmajor Governmental Funds
<b>Revenues</b>					
Charges for services	\$ --	\$ --	\$ 80,995	\$ 519,126	\$ 600,121
Miscellaneous	<u>2,002</u>	<u>42</u>	<u>1,123</u>	<u>7,269</u>	<u>10,436</u>
<b>Total Revenues</b>	<u>2,002</u>	<u>42</u>	<u>82,118</u>	<u>526,395</u>	<u>610,557</u>
<b>Expenditures</b>					
Current:					
General Government	2,000	--	60,851	--	62,851
Public safety	--	--	--	--	--
Public works	--	--	--	24,963	24,963
Capital outlay	<u>--</u>	<u>--</u>	<u>--</u>	<u>338,456</u>	<u>338,456</u>
<b>Total Expenditures</b>	<u>2,000</u>	<u>--</u>	<u>60,851</u>	<u>363,419</u>	<u>426,270</u>
<b>Net Change in Fund Balances</b>	2	42	21,267	162,976	184,287
<b>Fund Balances - Beginning</b>	<u>2,608</u>	<u>6,461</u>	<u>53,806</u>	<u>489,606</u>	<u>552,481</u>
<b>Fund Balances - Ending</b>	<u>\$ 2,610</u>	<u>\$ 6,503</u>	<u>\$ 75,073</u>	<u>\$ 652,582</u>	<u>\$ 736,768</u>

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## **STATISTICAL SECTION**

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# 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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>39-42</b>
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>43-46</b>
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	<b>47-49</b>
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.	
<b>Demographic and Economic Information</b>	<b>50-51</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Village financial activities take place.	
<b>Operating Information</b>	<b>52-55</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial reports relates to the services the Village provides and the activities it performs.	

**VILLAGE OF PALMETTO BAY**

**NET ASSETS BY COMPONENT**

**Last Eight Fiscal Years<sup>1</sup>**

*(Accrual Basis of Accounting)*

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>								
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	\$ 31,957,486	\$ 35,384,115
Restricted	--	--	1,298,518	1,836,148	1,120,250	916,679	795,730	100,822
Unrestricted	4,417,263	6,199,324	9,894,528	15,733,739	18,100,704	17,930,478	12,504,418	13,729,932
<b>Total Governmental Activities Net Asset</b>	<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>	<u>\$ 45,257,634</u>	<u>\$ 49,214,869</u>

NOTE: There are no Business-type activities

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

**VILLAGE OF PALMETTO BAY**

**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years<sup>1</sup>**  
*(Accrual Basis of Accounting)*

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>								
Governmental activities:								
General Government	\$ 3,025,208	\$ 3,156,184	\$ 3,929,899	\$ 3,734,061	\$ 2,385,824	\$ 2,884,327	\$ 3,367,301	\$ 4,135,442
Public safety	3,292,636	4,600,142	5,075,834	5,953,233	5,805,170	5,563,958	5,987,514	5,797,578
Public Works	190,219	607,009	799,823	1,027,352	1,791,109	1,291,657	1,417,707	1,090,398
Parks & Recreation	694,497	671,670	738,130	1,286,162	1,411,155	1,787,333	1,998,470	2,095,709
Planning and Zoning	65,918	909,235	1,164,167	1,273,108	1,184,014	1,322,591	490,377	487,833
Interest on long-term debt	--	--	19,150	453,676	356,479	427,126	486,744	413,835
<b>Total Governmental Activities Expenses</b>	<b>\$ 7,268,478</b>	<b>\$ 9,944,240</b>	<b>\$ 11,727,003</b>	<b>\$ 13,727,592</b>	<b>\$ 12,933,751</b>	<b>\$ 13,276,992</b>	<b>\$ 13,748,113</b>	<b>\$ 14,020,795</b>
<b>Program Revenue</b>								
Governmental activities:								
Charge for services:								
General Government	\$ 94,000	\$ 90,370	\$ 87,433	\$ 71,318	\$ 98,868	\$ 117,453	\$ 916,567	\$ 1,076,930
Public Safety	137,944	116,650	168,660	208,917	196,038	300,551	325,270	482,152
Planning & Zoning	60,828	586,450	807,796	989,290	816,283	830,970	--	--
Public Works	--	--	--	--	456,685	--	523,417	519,126
Park & Recreation	--	57,714	101,229	85,011	178,217	925,824	376,785	527,409
Operating Grants and Contributions	--	3,142	2,621,678	605,000	117,453	1,364	15,321	283,986
Capital Grants and Contributions	343,465	15,621,411	--	6,277,311	3,717,497	3,156,510	2,159,722	1,663,377
<b>Total Governmental Activities Programs Revenues</b>	<b>\$ 636,237</b>	<b>\$ 16,475,737</b>	<b>\$ 3,786,796</b>	<b>\$ 8,236,847</b>	<b>\$ 5,581,041</b>	<b>\$ 5,332,672</b>	<b>\$ 4,317,082</b>	<b>\$ 4,552,980</b>
<b>Net (Expense)/Revenue</b>								
Governmental activities	\$ (6,632,241)	\$ 6,531,497	\$ (7,940,207)	\$ (5,490,745)	\$ (7,352,710)	\$ (7,944,320)	\$ (9,431,031)	\$ (9,467,815)
<b>General Revenues and Other changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327	\$ 6,073,012	\$ 6,692,181	\$ 6,574,981	\$ 5,879,429
Communication Taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,255,103	1,250,495	1,469,338
Franchise taxes	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736
Utility Taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609	1,904,671	1,903,636	2,058,896
Unrestricted intergovernmental revenue	2,094,780	3,424,556	2,246,412	3,011,956	2,797,044	2,698,468	2,438,119	2,367,925
Unrestricted Investment earnings	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272
Miscellaneous	4,060	879	245,432	94,904	26,699	121,233	30,618	146,454
<b>Total Governmental Activities</b>	<b>\$ 11,085,678</b>	<b>\$ 11,187,337</b>	<b>\$ 11,145,631</b>	<b>\$ 12,583,609</b>	<b>\$ 13,787,498</b>	<b>\$ 14,569,867</b>	<b>\$ 13,812,676</b>	<b>\$ 13,425,050</b>
<b>Special Item</b>								
Mitigation Settlement	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (4,631,723)	\$ --
<b>Change in Net Asset</b>								
Governmental activities	\$ 4,453,437	\$ 17,718,834	\$ 3,205,424	\$ 7,092,864	\$ 6,434,788	\$ 6,625,547	\$ (250,078)	\$ 3,957,235
<b>Total Primary Government</b>	<b>\$ 4,453,437</b>	<b>\$ 17,718,834</b>	<b>\$ 3,205,424</b>	<b>\$ 7,092,864</b>	<b>\$ 6,434,788</b>	<b>\$ 6,625,547</b>	<b>\$ (250,078)</b>	<b>\$ 3,957,235</b>

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

**VILLAGE OF PALMETTO BAY**

**FUND BALANCES, GOVERNMENTAL FUNDS**

**Last Eight Fiscal Years<sup>1</sup>**

*(Modified Accrual Basis of Accounting)*

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>								
Reserved	\$ --	\$ --	\$ 100	\$ 100	\$ 2,753,204	\$ 2,753,041	\$ 172,222	\$ 161,870
Unreserved	<u>3,989,133</u>	<u>5,479,997</u>	<u>5,769,238</u>	<u>5,836,342</u>	<u>5,016,169</u>	<u>7,905,680</u>	<u>7,693,549</u>	<u>9,642,106</u>
<b>Total General Fund</b>	<u><u>\$ 3,989,133</u></u>	<u><u>\$ 5,479,997</u></u>	<u><u>\$ 5,769,338</u></u>	<u><u>\$ 5,836,442</u></u>	<u><u>\$ 7,769,373</u></u>	<u><u>\$ 10,658,721</u></u>	<u><u>\$ 7,865,771</u></u>	<u><u>\$ 9,803,976</u></u>
<b>All Other Governmental Funds</b>								
Reserved								
Special Revenue Funds	\$ 428,131	\$ 719,327	\$ 4,015,457	\$ 4,472,814	\$ 4,591,168	\$ 4,585,989	\$ 327,674	\$ 3,515,591
Capital Projects Funds	--	--	33,559	--	--	--	96,814	141,358
Unreserved								
Special Revenue Funds	--	--	--	--	--	--	1,247,431	2,610
Capital projects funds	<u>--</u>	<u>--</u>	<u>1,433,241</u>	<u>7,400,579</u>	<u>6,939,139</u>	<u>3,597,846</u>	<u>3,847,446</u>	<u>4,849,217</u>
<b>Total All Other Governmental Fund</b>	<u><u>\$ 428,131</u></u>	<u><u>\$ 719,327</u></u>	<u><u>\$ 5,482,257</u></u>	<u><u>\$ 11,873,393</u></u>	<u><u>\$ 11,530,307</u></u>	<u><u>\$ 8,183,835</u></u>	<u><u>\$ 5,519,365</u></u>	<u><u>\$ 8,508,776</u></u>

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

**VILLAGE OF PALMETTO BAY**

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

**Last Eight Fiscal Years<sup>1</sup>**

*(Modified Accrual Basis of Accounting)*

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>								
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327	\$ 6,073,012	\$ 6,692,181	\$ 6,574,981	\$ 5,879,429
Utility taxes	2,344,606	1,623,539	1,674,087	1,741,781	1,809,609	1,904,671	1,903,636	2,058,896
Communication taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,169,070	1,336,528	1,469,338
Franchise fees	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736
Intergovernmental	2,094,780	3,424,556	4,868,090	9,858,120	6,050,880	5,854,978	4,597,841	4,315,288
Licenses and permits	154,828	674,435	895,229	1,060,608	915,151	948,423	916,567	1,076,930
Impact fees	343,465	40,281	22,288	36,147	60,111	1,364	15,321	--
Fines and forfeitures	137,944	117,850	166,888	208,917	196,038	300,551	241,620	401,157
Charges for services	--	58,899	80,713	85,011	634,902	925,824	983,852	1,127,530
Interest	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272
Miscellaneous fees	4,060	4,018	245,432	94,904	326,699	141,594	30,618	157,349
<b>Total Revenues</b>	<b>\$ 11,721,915</b>	<b>\$ 12,081,941</b>	<b>\$ 14,932,427</b>	<b>\$ 20,820,456</b>	<b>\$ 19,147,536</b>	<b>\$ 19,836,867</b>	<b>\$ 18,215,791</b>	<b>\$ 17,988,925</b>
<b>Expenditures</b>								
General government	\$ 3,017,442	\$ 2,797,035	\$ 3,371,441	\$ 3,620,538	\$ 2,368,550	\$ 2,851,584	\$ 3,159,573	\$ 3,275,622
Public Safety	3,292,636	4,594,747	5,066,538	5,840,026	5,764,160	5,548,280	5,970,437	5,781,918
Public Works	190,219	576,370	788,776	851,623	1,403,025	1,121,576	986,779	859,870
Parks and Recreation	694,496	671,670	699,809	839,552	1,019,301	1,228,659	1,284,957	1,317,030
Planning & Zoning	65,918	909,235	1,163,352	1,268,789	1,178,705	1,313,025	484,737	487,833
Capital outlay	89,075	855,722	4,358,682	3,386,695	7,768,161	7,502,075	8,774,226	6,878,450
Debt service								
Principal Payments	5,196	36,655	942,992	2,739,270	153,496	295,308	407,840	447,303
Interest Expense	857	5,559	19,150	386,610	402,240	433,484	472,939	413,835
<b>Total Expenditures</b>	<b>\$ 7,355,839</b>	<b>\$ 10,446,993</b>	<b>\$ 16,410,740</b>	<b>\$ 18,933,103</b>	<b>\$ 20,057,638</b>	<b>\$ 20,293,991</b>	<b>\$ 21,541,488</b>	<b>\$ 19,461,861</b>
<b>Excess of Revenues Over (Under)Expenditures</b>	<b>\$ 4,366,076</b>	<b>\$ 1,634,948</b>	<b>\$ (1,478,313)</b>	<b>\$ 1,887,353</b>	<b>\$ (910,102)</b>	<b>\$ (457,124)</b>	<b>\$ (3,325,697)</b>	<b>\$ (1,472,936)</b>
<b>Other Financing Sources (Uses)</b>								
Transfer in	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,193,404	\$ 1,564,425
Transfer out	--	--	--	--	--	--	(1,193,404)	(1,564,425)
Refinanced debt	--	--	--	--	--	--	--	(7,949,076)
Bond issue costs	--	--	--	--	--	--	--	(371,135)
Discount on debt issue	--	--	--	--	--	--	--	(59,239)
Proceeds from issuance of debt	--	--	1,499,143	6,000,000	2,500,000	--	2,500,000	14,780,000
Proceeds from Capital Leases	51,188	147,110	3,600,000	--	--	--	--	--
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 51,188</b>	<b>\$ 147,110</b>	<b>\$ 5,099,143</b>	<b>\$ 6,000,000</b>	<b>\$ 2,500,000</b>	<b>\$ --</b>	<b>\$ 2,500,000</b>	<b>\$ 6,400,550</b>
<b>Special Items:</b>								
Mitigation Settlement	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (4,631,723)	\$ --
<b>Net Change in Fund Balances</b>	<b>\$ 4,417,264</b>	<b>\$ 1,782,058</b>	<b>\$ 3,620,830</b>	<b>\$ 7,887,353</b>	<b>\$ 1,589,898</b>	<b>\$ (457,124)</b>	<b>\$ (5,457,420)</b>	<b>\$ 4,927,614</b>
<b>Debt Services as a Percentage of Noncapital Expenditures</b>	0.0834%	0.4421%	8.6758%	25.1670%	4.7362%	6.0415%	7.4099%	7.3462%

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

## VILLAGE OF PALMETTO BAY

### ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

**Last Eight Fiscal Years<sup>5</sup>**

*(Dollars Expressed in Thousands)*

Fiscal Year	Real Property		Personal Property	less:	Total Taxable	Total <sup>3</sup>	Estimated <sup>1</sup>	Assessed
	Residential	Commercial		Tax-Exempt Property	Assessed Value	Direct Tax Rate	Actual Value	Value as a % of Actual Value
2003 <sup>2</sup>	\$ --	\$ --	\$ --	\$ --	\$ --	2.4470	Not Avail	Not Avail
2004 <sup>4</sup>	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	2,521,530	786,828	90,879	446,014	2,953,223	2.3736	5,011,457	67.83%
2009	2,553,179	867,054	90,731	699,788	2,811,176	2.4476	4,737,424	74.11%
2010	2,294,737	757,157	77,838	595,108	2,534,624	2.4470	3,735,438	83.78%

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

1: Includes tax-exempt property.

2: Property tax information not available.

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

4: Detail not available for real property.

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

## VILLAGE OF PALMETTO BAY

### PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS Last Eight Fiscal Years<sup>1</sup>

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	-	-	9.2520	0.7355	6.2790	3.1470	19.4135
2004	2.4470	2.4470	9.1000	0.7355	6.2540	3.6470	22.1835
2005	2.4470	2.4470	8.6870	0.7355	6.2200	3.5912	21.6807
2006	2.4470	2.4470	8.4380	0.7355	6.1200	3.5758	21.3163
2007	2.3736	2.3736	8.1050	0.7355	5.9000	3.5593	20.6734
2008	2.3736	2.3736	7.9480	0.6585	4.8646	3.0552	18.8999
2009	2.4476	2.4476	7.7970	0.6585	5.1229	3.0305	19.0565
2010	2.4470	2.4470	7.9950	0.6585	5.1229	3.1093	19.3327

Information Obtained from Miami-Dade County Department of Property Appraisal

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

## VILLAGE OF PALMETTO BAY

### PROPERTY TAX LEVIES AND COLLECTIONS

Last Eight Fiscal Years<sup>5</sup>

Fiscal Year	Total Tax Levy <sup>1</sup>	Current Tax Collections <sup>2</sup>	Percent of Current Taxes Collected	Delinquent Tax Collections <sup>2</sup>	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes <sup>3</sup>	Ratio of Delinquent Taxes to Total Tax Levy
2003 <sup>4</sup>	\$ --	\$ --	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%	19,740	0.3%
2009	6,874,631	6,548,147	95.3%	26,834	6,574,981	95.6%	22,732	0.3%
2010	6,208,598	5,827,371	93.9%	52,057	5,879,428	94.7%	25,000	0.4%

1: Information taken from Certification of Taxable Value.

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

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

4: Information not available.

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

## VILLAGE OF PALMETTO BAY

### PRINCIPAL PROPERTY TAX PAYERS

As of September 30, 2010

Taxpayer	Type of Business	2010			2005 <sup>1</sup>			
		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	1.50%	Retail Outlet	\$ 24,324,981	1	1.21%
17777 Old Cutler RD LLC	Office Building	34,700,000	2	1.41%	Office Building	17,159,234	3	0.85%
Metropolitan Life Insurance	Retail Outlet	23,932,327	3	0.97%	Retail Outlet	21,805,507	2	1.08%
Autonation USA Corp	Automotive	16,276,549	4	0.66%	Automotive	10,719,686	4	0.53%
GIR Florida LLC	Automotive	13,792,914	5	0.56%	Automotive	10,100,407	5	0.50%
Equity One Inc	Retail Outlet	13,710,571	6	0.38%	Retail Outlet	6,388,995	10	0.32%
South Motor Company of Dade Co	Retail Outlet	10,171,672	7	0.41%				
Florida Power & Light	Utility	10,058,844	8	0.41%	Utility	10,058,844	6	0.50%
Publix Supermarket	Retail Outlet	9,528,446	9	0.39%		--		0.00%
Gramercy Park Nursing Care Ctr	Health Care	9,436,440	10	0.41%	Health Care	7,638,511	8	0.38%
Royal Coast Apartments Assoc. Ltd.					Multifamily	8,511,985	7	0.42%
Coral Colony Associates					Multifamily	6,415,482	9	0.32%
<b>Total</b>		<u>\$ 178,579,052</u>		<u>7.10%</u>		<u>\$ 123,123,632</u>		<u>6.11%</u>
<b>Total Assessed Value</b>		\$ 2,459,422,184				\$ 2,014,317,979		

Source: Miami-Dade tax assessor's office.

1: The Village of Palmetto Bay was newly incorporated in September 2002, detailed property tax information only became available since Fiscal Year 2005.

## VILLAGE OF PALMETTO BAY

### RATIOS OF OUTSTANDING DEBT, BY TYPE Last Eight Fiscal Years<sup>1</sup>

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<u>Fiscal Year</u>	<u>Special Revenue Bonds</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Percentage of Taxable Property Value<sup>3</sup></u>	<u>Per Capita<sup>2</sup></u>
2003	\$ --	\$ 45,135	\$ 45,135	N/A	\$ --
2004	--	151,369	151,369	0.008%	--
2005	1,495,000	2,808,377	4,303,377	0.214%	174
2006	7,495,000	69,107	7,564,107	0.332%	301
2007	9,841,504	39,003	9,880,507	0.383%	393
2008	9,545,107	7,926	9,553,033	0.323%	380
2009	11,640,864	--	11,640,864	0.414%	462
2010	18,134,575	--	18,134,575	0.715%	722

Note: Details regarding the Village's outstanding debt can be found in Note 7 of the financial statements.

Note: The Village has no General Obligation Bonds.

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

2: See page 51 for Demographic and Economic Statistics.

3: See page 43 for Property tax information.

## VILLAGE OF PALMETTO BAY

### DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT As of September 30, 2010

	Bonded Debt Outstanding	Percentage Applicable to Village of Palmetto Bay <sup>1</sup>	Amount Applicable to Village of Palmetto Bay	Amount Per Capita Village of Palmetto Bay <sup>1</sup>
Miami-Dade County <sup>2</sup>	\$ 881,276,000	1.01%	\$ 8,900,888	\$ 353,631
School Board <sup>3</sup>	<u>348,100,000</u>	1.01%	<u>3,515,810</u>	<u>139,683</u>
Village Direct Debt	18,110,990	100.00%	18,110,990	720
<b>Total Direct and Overlapping Debt</b>	<u><u>\$ 1,247,486,990</u></u>		<u><u>\$ 30,527,688</u></u>	<u><u>\$ 494,034</u></u>

1: Based upon population as of April 2008 used for FY2010; Village of Palmetto Bay - 25,170 and Miami-Dade County - 2,477,289

2: Information obtained from Miami-Dade County Finance Department.

3: Information obtain from Miami-Dade School Board.

## VILLAGE OF PALMETTO BAY

### LEGAL DEBT MARGIN INFORMATION

Last Eight Fiscal Years<sup>1</sup>

*(dollars expressed in thousands)*

	Fiscal Year							
	2003 <sup>2</sup>	2004	2005	2006	2007	2008	2009	2010
Debt Limit <sup>3</sup>	\$ --	\$ 111,128	\$ 121,649	\$ 136,841	\$ 154,567	\$ 169,962	\$ 175,548	\$ 156,487
Total net debt applicable to limit	--	--	1,495	7,495	9,842	9,842	11,641	18,134
Legal debt margin	<u>\$ --</u>	<u>\$ 111,128</u>	<u>\$ 120,154</u>	<u>\$ 129,346</u>	<u>\$ 144,725</u>	<u>\$ 160,120</u>	<u>\$ 163,907</u>	<u>\$ 138,353</u>
<b>Total Net Debt Applicable to the Limit as a Percentage of Debt Limit</b>		0.00%	1.23%	5.48%	6.37%	5.79%	6.63%	11.59%
<b>Legal Debt Margin Calculation</b>								
Assessed Value	\$ --	\$ 1,899,285	\$ 2,014,318	\$ 2,277,959	\$ 2,581,660	\$2,953,223	\$ 2,811,176	\$ 2,534,624
Add Back: exempt property	--	323,274	418,663	458,857	509,675	446,014	699,788	595,108
<b>Total Assessed Value</b>	<u>\$ --</u>	<u>\$ 2,222,559</u>	<u>\$ 2,432,981</u>	<u>\$ 2,736,816</u>	<u>\$ 3,091,335</u>	<u>\$3,399,237</u>	<u>\$ 3,510,964</u>	<u>\$ 3,129,732</u>
Debt limit (5% of total assessed value)	--	111,128	121,649	136,841	154,567	169,962	175,548	156,487
Debt applicable to limit:								
Special revenue bonds	--	--	1,495	7,495	9,842	9,842	11,641	18,134
<b>Legal Debt Margin</b>	<u>\$ --</u>	<u>\$ 111,128</u>	<u>\$ 120,154</u>	<u>\$ 129,346</u>	<u>\$ 144,725</u>	<u>\$ 160,120</u>	<u>\$ 163,907</u>	<u>\$ 138,353</u>

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

2: Information not available for fiscal year 2003

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

## VILLAGE OF PALMETTO BAY

### PLEDGED-REVENUE COVERAGE Last Eight Fiscal Years<sup>1</sup>

Fiscal Year	Library Bonds					Special Revenue Bonds				
	Rent <sup>2</sup> Revenue	<u>Debt Service Requirements</u>			Coverage	Non-Advalorem Revenue	<u>Debt Service Requirements</u>			Coverage
Principal	Interest	Total	Principal	Interest		Total				
2003	\$ --	\$ --	\$ --	\$ --	0.00	\$ --	\$ --	\$ --	\$ --	0.00
2004	--	--	--	--	0.00	--	--	--	--	0.00
2005 <sup>3</sup>	--	--	--	--	0.00	--	--	--	--	0.00
2006	--	--	67,637	67,637	0.00	8,265,097	--	--	--	0.00
2007	--	30,000	65,934	95,934	0.00	8,487,982	123,496	202,174	325,670	26.06
2008	--	30,000	64,730	94,730	0.00	9,116,475	98,520	266,081	364,601	25.00
2009	--	30,000	64,136	94,136	0.00	8,774,444	204,452	315,361	519,813	16.88
2010	186,175	30,000	63,059	93,059	2.00	9,421,085	237,053	269,216	506,269	18.61

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

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

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

# VILLAGE OF PALMETTO BAY

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Eight Fiscal Years<sup>1</sup>

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Fiscal Year	Population <sup>2</sup>	Total Personal Income (In Millions)	Per Capita Income <sup>3</sup>	Public School Enrollment <sup>4</sup>	Unemployment Rate <sup>5</sup>
2003	N/A	\$ 67,003	\$ 28,480	3,975	5.9%
2004	24,789	71,916	30,201	3,933	5.4%
2005	24,903	77,374	32,058	3,968	4.3%
2006	24,795	85,192	34,934	3,947	4.0%
2007	25,142	86,779	35,368	3,937	4.1%
2008	25,156	88,954	35,887	3,915	5.8%
2009	25,170	N/A	N/A	3,884	11.3%
2010	25,133	N/A	N/A	3,799	13.1%

N/A Information not available for year indicated.

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

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

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

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

4: Enrollment numbers obtained from Miami-Dade Public Schools.

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

## VILLAGE OF PALMETTO BAY

### PRINCIPAL EMPLOYERS

As of September 30, 2010

Employer	2010			2005 <sup>2</sup>		
	Employees	Rank	Percentage of Total Village Population <sup>1</sup>	Employees	Rank	Percentage of Total Village Population <sup>1</sup>
Dade County Schools	369	1	1.47%	419	2	1.69%
South Motors	351	2	1.40%	592	1	2.39%
Publix Supermarket	221	3	0.88%	350	3	1.41%
Brandsmart	190	4	0.76%	200	4	0.81%
Royal Coast Apartments	164	5	0.65%	--		0.00%
Palmer Trinity Christian School	132	6	0.52%	120	7	0.48%
Quality Inn	90	7	0.36%	--	0	0.00%
Marshall's Department Store	84	8	0.33%	119	8	0.48%
World Ford Kendall/Gus Machado	71	9	0.28%	140	5	0.56%
Maroone Nissan of Kendall	65	10	0.26%	110	9	0.44%
Westminster Christian School	57		0.23%	135	6	0.54%
Dade Jeep Chrysler Plymouth	--		0.00%	100	10	0.40%
	1,368		5.44%	1,631		6.57%

1: Population information available on page 49 Demographic and Economic statistics.

2: Employee information is not available prior to 2005.

NOTE: Information obtained from Village business license data.

**VILLAGE OF PALMETTO BAY**

**VILLAGE EMPLOYEES BY FUNCTION/PROGRAMS  
Last Eight Fiscal Years<sup>1</sup>**

	Fiscal Year															
	2003		2004		2005		2006		2007		2008		2009		2010	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
Manager/Clerk	2	0	5	0	5	0	5	0	4	0	5	0	5	0	5	0
Village Clerk <sup>2</sup>	1	0	0	0	0	0	0	0	2	0	3	0	2	0	2	0
Human Resources	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Finance	0	0	1	1	1	1	2	0	2	1	2	0	3	0	3	0
Planning and Zoning <sup>3</sup>	0	0	2	1	2	1	1	2	4	1	2	0	6	0	6	0
Building and Permitting	0	0	0	0	0	0	0	0	0	0	2	0	7	1	7	1
Parks & Recreation	1	1	3	9	3	9	3	12	5	18	4	19	7	19	8	20
Public Work	2	0	4	0	4	0	5	0	5	0	5	0	5	0	5	1
<b>Total Employees</b>	<b>6</b>	<b>1</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>11</b>	<b>16</b>	<b>14</b>	<b>22</b>	<b>20</b>	<b>23</b>	<b>19</b>	<b>35</b>	<b>20</b>	<b>37</b>	<b>23</b>

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

2: Prior to FY2007 the Manager and Clerk was combined and

3: Prior to FY2008 Building and Permitting was combined with Planning and Zoning.

FT - Full Time

PT - Part Time

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

## VILLAGE OF PALMETTO BAY

### OPERATING INDICATORS BY FUNCTION/PROGRAM-STATISTICAL Last Eight Fiscal Years<sup>1</sup>

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>								
Arrests	N/A	798	493	701	377	331	270	511
Traffic violations	N/A	12,180	9,756	15,060	11,097	7,000	4,406	N/A
Targeted Crimes <sup>3</sup>	N/A	N/A	N/A	N/A	N/A	429	395	386
False Alarms <sup>2</sup>	N/A	N/A	N/A	N/A	N/A	2,145	1,632	1,562
<b>Culture and Recreation</b>								
Park rentals	--	98	141	237	182	319	404	599
Summer Camp Registrants	--	--	--	--	792	988	731	590
<b>Planning &amp; Zoning</b>								
Code Violation	N/A	23	209	235	345	695	940	658
Zoning Hearing	N/A	11	11	12	11	7	8	29
<b>Building Permits</b>								
Residential	N/A	2,981	4,542	5,648	3,973	3,744	2,895	1,486
Commercial	N/A	466	497	832	614	544	666	644
Inspections	N/A	5,368	7,470	10,392	8,646	7,310	5,955	6,507
<b>Manager/Clerk</b>								
Ordinances	15	25	13	15	35	23	28	127
Resolutions	111	106	109	130	126	125	99	14
<b>Public Works</b>								
Roads Resurfaced (miles)	0.00	5.20	4.07	8.44	6.00	12.88	2.17	8.16
<b>Finance</b>								
Deposits	--	357	403	480	510	902	1,089	1,604
Checks	--	1,159	1,369	1,821	1,866	1,775	2,130	2,142

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

2: False alarm program implemented as of fiscal year 2008.

3: Targeted Crimes: Homicide, Sex Offenses, Robbery, Larceny, Auto Theft, Burglary Commercial/Residential, Aggravated Assault/Battery

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

## VILLAGE OF PALMETTO BAY

### CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM-STATISTICAL Last Eight Fiscal Years<sup>1</sup>

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
<b>Police</b>								
Station	0	1	1	1	1	1	1	1
Patrol Units	42	42	42	42	42	45	45	45
<b>Public Works</b>								
Streets (miles)	118	118	118	118	118	118	118	118
Traffic signals	29	29	29	29	30	30	30	30
<b>Park and Recreation</b>								
Acreage	68	71	74.5	82	82	82	82	82
Parks	3	4	5	5	5	5	5	5
Playgrounds	2	2	2	2	2	2	2	2
Tennis court	8	8	8	6	8	8	8	8
Raquetball courts	8	8	8	8	4	4	4	4
Basketball courts	2	2	2	2	2	2	2	2
Football fields	2	2	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	5	5	5
Softball fields	0	0	0	0	6	6	6	6
Community centers	2	2	2	2	2	2	3	3
Skate parks	0	0	0	1	1	1	1	1

1: The 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**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida (the Village) as of and for the year ended September 30, 2010, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated April 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

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 deficiencies, 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.

## **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 noncompliance or 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.

*Marcum LLP*

Miami, FL  
April 28, 2011

**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, 2010, and have issued our report thereon dated April 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditors' Report 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 April 28, 2011, 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 auditors' 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. 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, there were no 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. The Village of Palmetto Bay includes the following component unit. The Palmetto Bay Foundation, the Village's blended component unit, was created on December 6, 2004 by the Village of Palmetto Bay.
- 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, 2010, 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, 2010. 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. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information 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.

*Marcum LLP*

Miami, FL  
April 28, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

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

**Compliance**

We have audited the Village of Palmetto Bay's (the Village) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the Village's major state projects for the year ended September 30, 2010. The Village's major State 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 projects is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 major State projects 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 projects for the fiscal year ended September 30, 2010.

## **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 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 State projects in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.550 Rules of the Auditor General, 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 deficiency in 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 and correct noncompliance with a type of compliance requirement of a State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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.

*Marcum LLP*

Miami, FL  
April 28, 2011

**VILLAGE OF PALMETTO BAY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Grantor Pass-Through Agency and Program Title	CSFA Number	Contract or Grant Number	Expenditures
<i>State of Florida Department of Environmental Protection</i>			
Florida Recreation Development Assistance Program			
Coral Reef Park Renovation Grant	37.017	A8046	\$ 22,450
Thalatta General Appropriation Grant	37.071	L0802	<u>149,798</u>
			<u>172,248</u>
Statewide Surface Water Restoration and Wastewater Projects			
Palmetto Bay Stormwater System Improvements	37.039	LP8965	<u>336,400</u>
Bureau of Solid and Hazardous Waste			
Recycling Grant	37.074	S0424	<u>10,891</u>
<i>Total State of Florida Department of Environmental Protection</i>			<u>519,539</u>
<b>Total Expenditures of State Financial Assistance</b>			<u><u>\$ 519,539</u></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**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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### **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**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**PRIOR YEAR COMMENTS AND STATUS**

***FINANCIAL STATEMENT FINDINGS***

There were no financial statement findings reported in the fiscal year ended September 30, 2009.

***STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS***

There were no state financial assistance findings and questioned costs reported in fiscal year ended September 30, 2009.

**VILLAGE OF PALMETTO BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**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?	___ Yes <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u>X</u> None reported
Noncompliance material to financial statements noted?	___ Yes <u>X</u> No

**State Financial Assistance Projects:**

Internal control over major programs:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	___ Yes <u>X</u> 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?	___ Yes <u>X</u> No
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Identification of major state financial assistance projects:	<u>CSFA No.</u>
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**State Projects**

DEP – Stormwater Grant	37.039
Dollar threshold used to distinguish between Type A and Type B programs:	\$155,862

**VILLAGE OF PALMETTO BAY, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

**SECTION III – STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

None

