

VILLAGE OF PALMETTO BAY

Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2012



Prepared by the Finance Department

VILLAGE OF PALMETTO BAY, FLORIDA

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal.....	i - iv
Elected and Appointed Officials.....	v
Organization Chart.....	vi
Certificate of Achievement for Excellence in Financial Reporting.....	vii

FINANCIAL SECTION

Report of Independent Auditor.....	1 - 2
Management's Discussion and Analysis (Required Supplementary Information).....	3 - 11
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Notes to Basic Financial Statements.....	17 - 32
Required Supplementary Information (Other than MD&A):	
Budgetary Comparison Schedule – General Fund.....	33
Notes to Budgetary Comparison Schedule.....	34
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	36

STATISTICAL SECTION

Net Assets by Component.....	37
Changes in Net Assets.....	38
Fund Balances, Governmental Funds.....	39
Changes in Fund Balances, Governmental Funds.....	40
Assessed Value and Actual Value of Taxable Property.....	41
Property Tax Rates, Direct and Overlapping Governments.....	42
Principal Property Tax Payers.....	43
Property Tax Levies and Collections.....	44
Ratios of Outstanding Debt, By Type.....	45
Direct and Overlapping Governmental Activities Debt.....	46
Legal Debt Service Margin Information.....	47
Pledged-Revenue Coverage.....	48
Demographic and Economic Statistics.....	49
Principal Employers.....	50
Employees by Function/Programs.....	51
Operating Indicators by Function/Program-Statistical.....	52
Capital Asset Statistics by Function/Program-Statistical.....	53

VILLAGE OF PALMETTO BAY, FLORIDA

TABLE OF CONTENTS

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54 - 55
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	56 - 57

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INTRODUCTORY SECTION



March 27, 2013

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 nine months 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 of America (GAAP) and audited in accordance auditing standards with generally accepted in the United States of America 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, 2012.

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. 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 Cherry Bekaert 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, 2012, 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, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the Government

The Village of Palmetto Bay is the 33rd incorporated municipality in Miami-Dade County. Its borders are SW 136th street to the north, US 1 to the west, Biscayne Bay to the east, and SW 184th street to the south. The Village is approximately eight square miles, comprised primarily of residential properties, and its business district is 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. As of November 2012, the length of service was extended one term, but no person may serve as a combination of Mayor, Vice-Mayor and Council member for more than three consecutive terms. 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 with Council approval, 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 23,000 citizens. The majority of the Village's ad-valorem taxes are derived from its residential properties with an average taxable value of \$235,251, which was a 4% increase from prior year. The average County residential taxable value is \$151,155. Total property values for the Village increased by 2.39%. 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. The latest US Census classifies the Village residents as middle to upper-middle class. The Village residents support the local businesses which results in a stable local economy.

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 that was completed in 2012, this will assist in attracting developers to the area. The newly renovated Thalatta Estates has won rave reviews from party planners and was the site winner for the filming of TLC's popular show the Four Weddings. The completion of the platinum LEED Village municipal center in the middle of the above mentioned redevelopment area has spawned what will become downtown Palmetto Bay. The Village is considering a study of the commercial districts north on the Franjo Triangle to determine the potential for commercial growth along the U.S. 1 corridor.

Financial Policies

The Village of Palmetto Bay has adopted and enacted financial policies when taken as a whole serves the purpose of timely informing management and the citizens of the financial position of the Village, while safeguarding Village assets and appropriating resources to provide the high level of services the citizens expect.

The Village has adopted Florida Statutes 218.415 for its investment policy. The Village Charter mandates the budget and debt policy. Council enacted the procurement policy. Village Administration implemented the revenue and capitalization policies.

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 CAFR for the fiscal year ended September 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 Cherry Bekaert 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, 2012

VILLAGE COUNCIL

Mayor	Shelley Stanczyk
Vice Mayor	John Dubios
Council Member	Patrick Fiore
Council Member	Tim Schaffer
Council Member	Joan Lindsay

VILLAGE MANAGER

Ron E. Williams

VILLAGE ATTORNEY

Figueredo & Boutsis, P.A.

VILLAGE CLERK

Meighan Alexander

FINANCE DIRECTOR

Desmond Chin, CPA

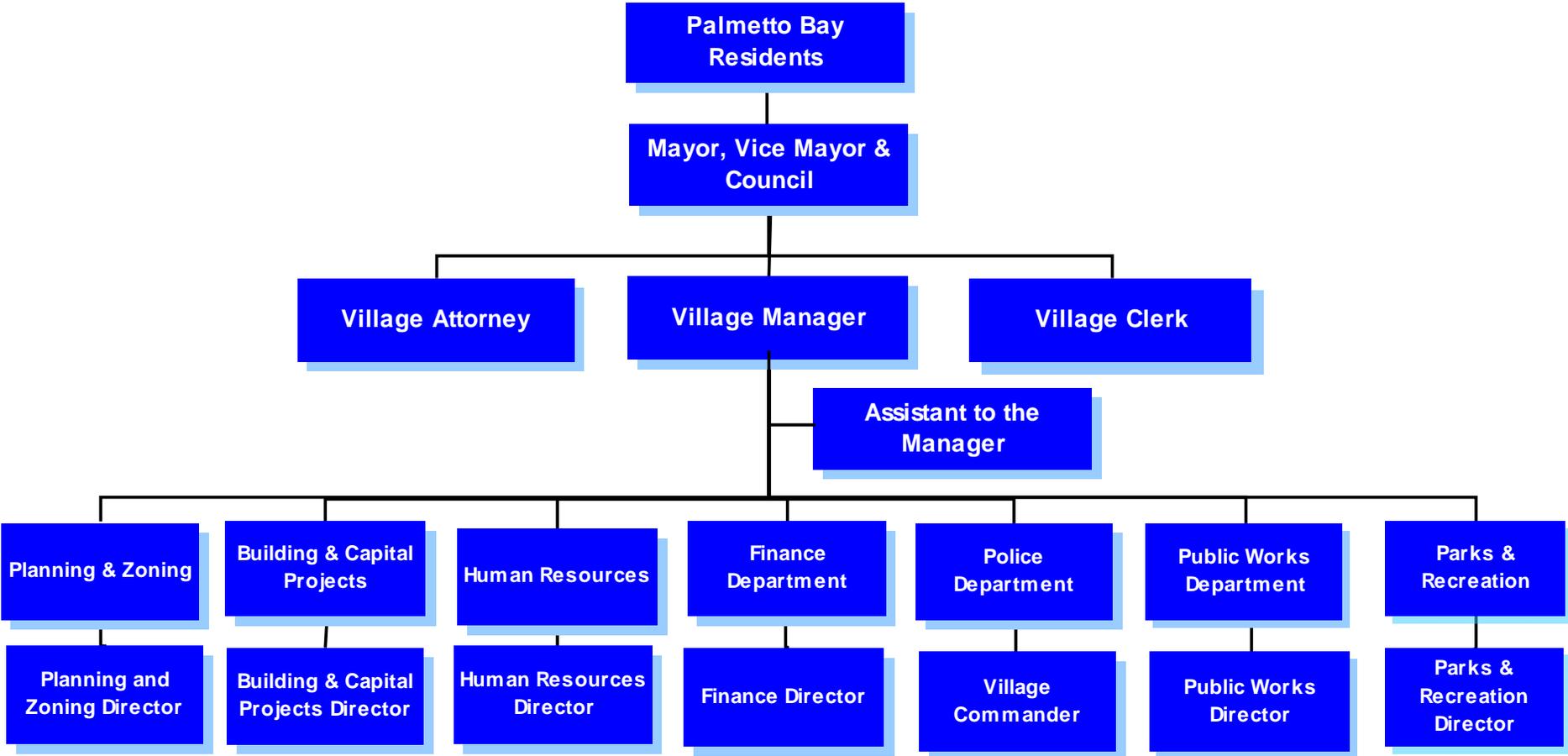
VILLAGE AUDITORS

Cherry Bekaert LLP
Certified Public Accountants & Consultants

Village of Palmetto Bay, Florida

ORGANIZATION CHART

SEPTEMBER 30, 2012



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, 2011

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.



Christopher P. Morill

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITOR

Report of Independent Auditor

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, 2012, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 Village of Palmetto Bay, Florida as of September 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the Village restated its beginning net assets and long-term liabilities to correct previously omitted long-term liabilities due to Miami-Dade County.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013, on our consideration of the Village internal control over financial reporting and on our tests of its 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 and the Budgetary Comparison Schedule – General Fund on pages 33 to 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's financial statements as a whole. The introductory section, combining fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cherry Bekaert LLP

Coral Gables, Florida
March 27, 2013

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

Management's Discussion and Analysis

As management of the Village of Palmetto Bay (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended September 30, 2012.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$49,683,065 (net assets). Of this amount, \$10,501,886 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$39,181,179 is comprised of capital assets net of related debt \$34,403,772 and restricted assets \$4,777,407.
- The Village's total net assets increased by \$1,711,340. This increase is attributable to changes in the Village's Governmental funds. Detailed changes are explained later under Governmental Activities.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$18,881,626, an increase of \$1,778,632 in comparison with the prior year. Approximately 65% of ending fund balance or \$12,235,109 is available for spending at the Village's discretion (*unassigned fund balance*).
- At the end of the reporting period, unassigned fund balance for the General Fund was \$12,235,109, or 103% of total General Fund expenditures.

Overview of the Financial Statements

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

The *statement of net assets* presents information on all of the Village'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 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 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 include general government, public safety, public works, parks & recreation, and building, planning & zoning. The Village has a blended component unit described in Note 1 and no business-type activities. The government-wide financial statements includes, the Village itself (known as the *primary government*) and the Palmetto Bay Foundation (a component unit of the Village), 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village 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 statements 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 maintains four governmental fund types: a General Fund, Special Revenue Funds, a Debt Service 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 Special Revenue Funds consist of three major funds which are presented separately in the balance sheet and statements of revenues and expenditures and changes in fund balances of governmental funds, and six non-major funds which are combined under Nonmajor Governmental Funds. The six non-major funds are the Palmetto Bay Foundation (the "Foundation"), Law Enforcement Trust Fund, False Alarm, Building, Tree Mitigation and Art in Public Places. A description of the Foundation is found in the notes to the financial statements on page 17, and the combining statements can be found on pages 35 and 36.

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 33.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 to 32 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 \$49,683,065 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$34,403,772 or 69%, reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The Village reports its investment in capital assets net of related debt in the amount of \$17,018,601, 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 net assets \$15,279,293 may be used to meet the government's ongoing obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

	September 30,	
	2012	2011 Restated
Current Assets	\$ 19,832,544	\$ 18,663,806
Capital Assets	50,852,643	51,577,510
Total Assets	<u>70,685,187</u>	<u>70,241,316</u>
Long-Term Liabilities Outstanding	20,400,583	21,070,636
Other Liabilities	601,539	1,198,955
Total Liabilities	<u>21,002,122</u>	<u>22,269,591</u>
Net Assets:		
Investment in Capital Assets, net of related debt	34,403,772	36,667,463
Restricted for:		
Capital Projects	751,222	895,079
Culture & Recreation	68,029	131,601
Building Inspections	176,375	-
Public Safety	29,655	30,179
General Government	52,201	55,867
Transportation	2,796,196	2,480,569
Debt Service	901,092	900,320
Charitable & Educational Projects	2,637	2,636
Unrestricted	10,501,886	6,808,011
Total Net Assets	<u>\$ 49,683,065</u>	<u>\$ 47,971,725</u>

At the end of the current fiscal year, the Village 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 Governmental Fund net assets increased by a total of \$1,711,340 during the current fiscal year. Current Assets increased by \$1,168,738 mainly from increases in cash and cash equivalents, as a result of surpluses from operations. Capital assets decreased by \$724,867 as a result of depreciation expense net of increases in capital assets. Liabilities decreased \$1,267,469 due to payments on debt and a decrease in account payables.

Village of Palmetto Bay's Net Changes in Net Assets

	Fiscal Year	
	2012	2011 Restated
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,849,105	\$ 2,463,630
Operating Grants and Contributions	1,522,549	300,712
Capital Grants and Contributions	192,604	1,788,147
General Revenues:		
Property Taxes	5,446,837	5,559,345
Communications Service Tax	1,375,239	1,515,934
Franchise Fees	1,101,516	960,331
Utility Taxes	2,093,849	2,052,017
Unrestricted Intergovernmental Revenues	1,975,588	2,722,512
Unrestricted Interest Earnings	149,253	114,921
Miscellaneous	191,226	93,700
Total Revenues	16,897,766	17,571,249
Expenses:		
General Government	4,941,661	3,982,970
Public Safety	5,964,055	6,900,767
Public Works	949,063	1,211,458
Parks & Recreation	2,574,210	2,355,165
Interest on long-term debt	757,437	845,619
Total Expenses	15,186,426	15,295,979
Change in Net Assets	\$ 1,711,340	\$ 2,275,270

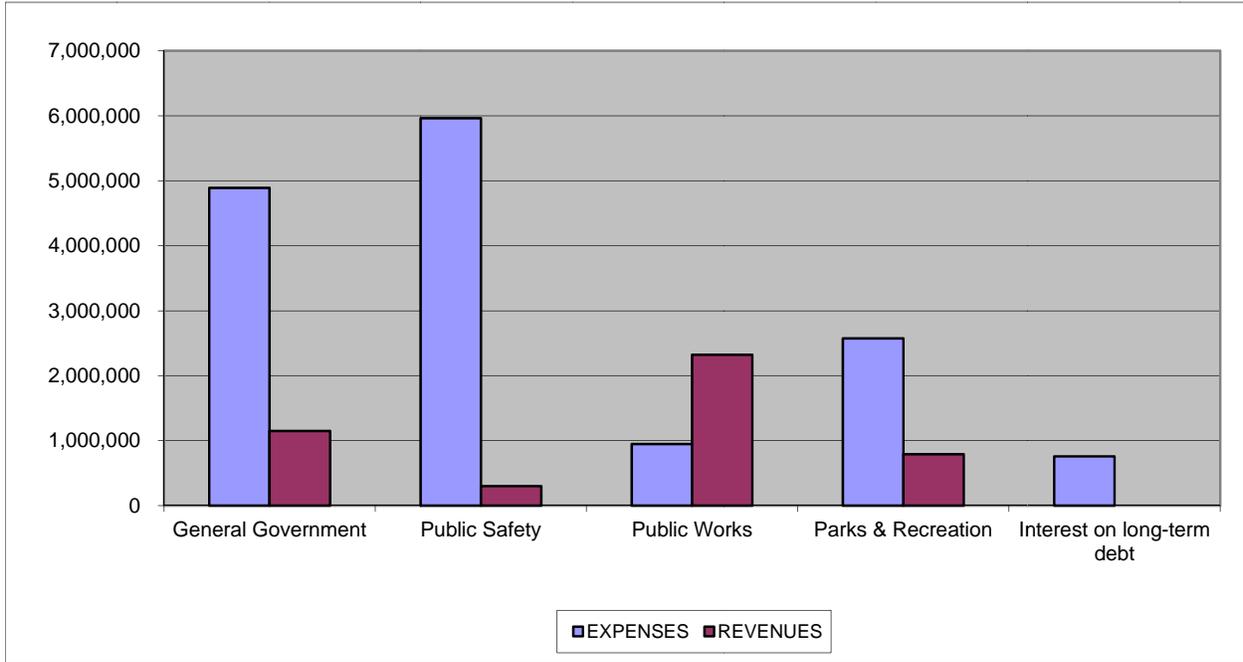
Revenues:

- Taxes of \$8,915,925 comprised 53% of total revenues in the current fiscal year. Most of this category is property taxes of \$5,446,837. The Village held the millage rate at 2.447 per \$1,000 of assessed taxable value for fiscal year 2012.
- Operating grants, capital grants and contributions accounted for \$1,715,153 or 10% of total revenues.
- Property taxes decreased due to a 1.28% decrease in property values.
- Franchise fees increased \$141,185 due to a one time reimbursement that Florida Power & Light was required to make in fiscal year 2011.
- Intergovernmental revenues decreased mainly due to the reclassification of Local Option Fuel Tax, the Fuel Tax portion of Revenue Sharing and Fuel Tax refunds from General Fund to Special Revenue Fund.

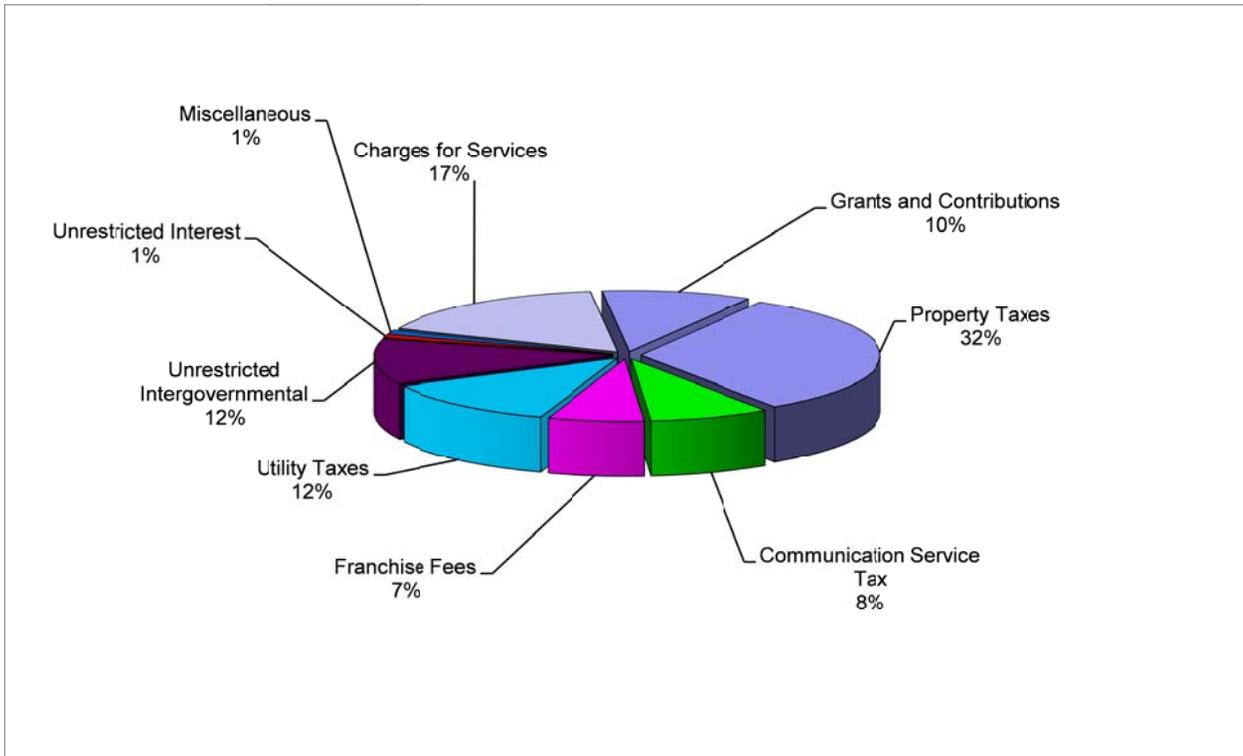
Expenditures:

- General government increased and Public Works decreased due to the reclassification of Facilities Maintenance duties from Public Works to General Government.
- Public safety decreased due to contractual commitments with Miami-Dade County for law enforcement services.
- Parks & recreation increased due to the expansion of services to include the running of the tennis program.
- Debt services decreased due to the fluctuations in the amortization schedule.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Village'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, *unassigned 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's governmental funds reported combined ending fund balances of \$18,881,626, an increase of \$1,778,632 in comparison with the prior year. Approximately 65% of the ending fund balance or \$12,235,109 constitutes *unassigned fund balance*, which is available for spending at the Village's discretion.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year fund balance of the general fund was \$12,445,431, of which \$12,235,109 was unassigned. 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. Unassigned fund balance represents 103% of total general fund expenditures, while total fund balance represents 105% of that same amount. The fund balance of the Village's general fund increased \$954,318 during the current fiscal year.

Special Revenue Funds are used to account for monies received for a specific purpose.

Major Special Revenue Funds:

The Transportation Fund is used to account for the various fuel and transportation taxes that are restricted to the maintenance and improvement of the Village's roadways. The increase in the ending fund balance of \$315,627 is mainly due to a transfer of \$220,326 from the General Fund.

The Grants Fund is used to account for and track the expenditures of the approximately 25 grants and impact fees. The decrease in fund balance of \$67,759 is mainly due expenditures from Park Impact fees.

The Stormwater Management Fund is used to account for assessments related to stormwater mitigation. The assessment revenue is committed for drainage projects in accordance with Village ordinance. The Stormwater fund balance increased \$6,164, due to an audit that helped identify unbilled properties.

Non-Major Special Revenue Funds is the combination of six Special Revenue funds for Palmetto Bay Foundation, Law Enforcement Trust Fund, False Alarm, Building, Tree Mitigation and Art In Public Places. In total Non-Major fund balance increased \$182,669. The more significant funds are discussed below:

The Building Fund is used to account for permit receipts and expenditures according to Florida Statute 553.80. As of fiscal year 2012 it has been reclassified to the Special Revenue fund and had an ending fund balance of \$176,375.

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 \$386,841 is attributable to a transfer from General Fund of \$450,000 for new projects not yet completed.

The Debt Service Fund is used to account for resources set aside to meet debt service requirements on general long-term debt. The 2010 bond issue required a debt reserve which has a balance of \$901,092 as of September 30, 2012.

General Fund Budgetary Highlights

The total operating budget surplus of \$2,072,443 resulted from surplus revenues of \$595,414 and expenditure savings of \$1,477,029. There was a transfer out totaling \$678,908 for Special Revenues in the amount of \$228,908 and Capital Projects in the amount of \$450,000. The budget had an appropriation of \$443,000 from fund balance, but the actual net result is an increase in fund balance of \$954,318. The most significant variances are:

REVENUES:

Utility Taxes – increased \$267,089 mainly from increased receipts from electric utilities.

Franchise Fees – increased \$197,107 due to estimates based upon fiscal year 2011 receipts. Fiscal year 2011 receipts reflected a reimbursement that Florida Power & Light was required to make.

Intergovernmental – had a surplus of \$231,385, mainly from sales tax receipts.

Licenses and Permits – decreased \$690,750 due to the reclassification of Building Permits to the Special Revenue Fund.

Charges for Services – had a surplus of \$497,020 mainly from the addition of tennis court rentals and lessons.

EXPENDITURES:

Manager/Clerk – Savings of \$105,110 were realized mainly from salaries and benefits, as some positions were not filled.

Other General Government – Savings of \$283,749 mainly from over estimating operating expenditures of the Municipal Center.

Building & Permitting – Building and Permitting has a positive variance of \$708,056 because it was reclassified to Special Revenue.

Parks & Recreation – \$151,540 in savings were realized from reduced park operating expenditures, and unfilled personnel positions.

Capital Assets and Debt Administration

Capital Assets. The Village's investment in capital assets as of September 30, 2012, amounted to \$50,852,643 (net of accumulated depreciation). This investment in capital assets includes land, buildings, street and sidewalk improvements, furniture and equipment. The Village's net investment in capital assets decreased by \$724,867 in the current fiscal year.

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

- Stormwater Improvements - \$515,301

Village of Palmetto Bay
Capital Assets (Net of Depreciation)

	September 30,	
	2012	2011
Governmental activities:		
Land	\$ 23,689,655	\$ 23,689,655
Construction in progress	487,497	640,650
Furniture and Equipment	598,350	850,357
Building	12,532,348	12,995,849
Improvements Other than Buildings	8,126,271	8,578,565
Infrastructure	5,418,522	4,822,434
	<u>\$ 50,852,643</u>	<u>\$ 51,577,510</u>
Governmental activities Capital Assets, net	<u>\$ 50,852,643</u>	<u>\$ 51,577,510</u>

Additional information on the Village's capital assets can be found in Note 5 on page 26.

Long-term Debt. At the end of the current fiscal year, the Village had total debt outstanding of \$17,018,601 and liabilities to Miami-Dade County in the amount of \$3,206,356. The total debt is backed by the full faith and credit of the Village for which the Village is liable in the unlikely event of default.

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

	September 30,	
	2012	2011 Restated
Promissory Note	\$ 1,597,394	\$ 1,792,192
Revenue Bond	15,421,207	15,739,199
Liabilities to Miami-Dade County	3,206,356	3,365,669
Total	<u>\$ 20,224,957</u>	<u>\$ 20,897,060</u>

There were three debt issues outstanding at the end of the fiscal year. Florida Municipal Loan Council Revenue Bond Series 2005D issued for the Village Library in the amount of \$1,495,000, Promissory Note Series 2007 issued for Street Signs in the amount of \$2,500,000, and Florida Municipal Loan Council Revenue Bond Series 2010B issued in the amount of \$14,780,000. Additional information on the Village's long-term debt can be found in Note 6, pages 27-30. The Village has contractual liabilities to Miami-Dade County as part of the Village's incorporation from the County.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2012 was 8.8%, which represents a decrease of 2% from the previous year. This is comparable to the state's average unemployment rate of 8.7% and slightly more than the national average rate of 7.8% in September 2012. The unemployment rate of the Village is generally lower than the County. (Source: US Census).
- Inflationary trends in the County at 1.4% are comparable to the national average at 1.7% for 2012.
- Most municipalities are starting to show property value increases, the Village saw an increase in property values of 2.39% which is more than the County's average of 1.98%.

All of these factors were considered in preparing the Village's budget for the 2013 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$12,445,431. The Village has appropriated \$1,147,000 of this amount for capital outlays and \$1,127,350 to fund an expansion in services in the 2013 fiscal year budget. The Village used a millage rate of 2.447 for fiscal year 2013, which is 4.85% greater than the roll back rate of 2.3339.

Requests for information

This financial report is designed to provide a general overview of the Village'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 E Hibiscus Street, Palmetto Bay, Florida 33157.

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BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2012

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,220,917
Investments	61,411
Receivables	22,340
Due from other governments	1,769,254
Prepaid assets	106,594
Restricted assets:	
Cash and cash equivalents	5,233,058
Investments	48,281
Receivables	20,660
Due from other governments	650
Deferred charges	349,379
Capital assets not being depreciated	24,177,152
Capital assets being depreciated, net	26,675,491
Total Assets	70,685,187
Liabilities	
Accounts payable	428,392
Accrued liabilities	147,497
Due to other governments	14,300
Park deposits	11,350
Noncurrent liabilities:	
Due in one year	874,460
Due in more than one year	19,526,123
Total Liabilities	21,002,122
Net Assets	
Invested in capital assets, net of related debt	34,403,772
Restricted for:	
Capital projects	751,222
Culture and recreation	68,029
Building Inspections	176,375
Public safety	29,655
General government	52,201
Public transportation operations and maintenance	2,796,196
Debt service reserve	901,092
Charitable and educational projects	2,637
Unrestricted	10,501,886
Total Net Assets	\$ 49,683,065

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

VILLAGE OF PALMETTO BAY, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
General government	\$ 4,941,661	\$ 1,090,789	\$ -	\$ 58,720	\$ (3,792,152)
Public safety	5,964,055	269,662	32,859	-	(5,661,534)
Public works	949,063	715,634	1,489,690	114,590	1,370,851
Parks and recreation	2,574,210	773,020	-	19,294	(1,781,896)
Interest on long-term debt	757,437	-	-	-	(757,437)
Total Governmental Activities	\$ 15,186,426	\$ 2,849,105	\$ 1,522,549	\$ 192,604	(10,622,168)
General Revenues					
					5,446,837
					1,375,239
					1,101,516
					2,093,849
					1,975,588
					149,253
					191,226
					<u>12,333,508</u>
					1,711,340
					<u>47,971,725</u>
					<u>\$ 49,683,065</u>

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

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Special Revenue Funds							Total Governmental Funds
	General	Transportation Fund	Grants Fund	Stormwater Management	Nonmajor Governmental Funds	Debt Service Fund	Capital Projects Fund	
Assets								
Cash and cash equivalents	\$ 11,183,397	\$ 2,560,831	\$ 120,769	\$ 668,664	\$ 476,863	\$ 901,092	\$ 1,542,359	\$ 17,453,975
Investments	61,411	-	-	-	-	-	48,281	109,692
Accounts receivable	22,340	-	-	20,660	-	-	-	43,000
Due from other funds	513,364	180	-	1,938	14,600	-	-	530,082
Due from other governments	871,842	269,909	476,187	151,316	650	-	-	1,769,904
Prepaid items	106,594	-	-	-	-	-	-	106,594
Total Assets	\$ 12,758,948	\$ 2,830,920	\$ 596,956	\$ 842,578	\$ 492,113	\$ 901,092	\$ 1,590,640	\$ 20,013,247
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 144,699	\$ 15,811	\$ 2,202	\$ 112,384	\$ 2,501	\$ -	\$ 150,795	\$ 428,392
Accrued liabilities	126,450	8,515	-	1,502	11,030	-	-	147,497
Due to other funds	16,718	10,398	444,869	1,632	21,380	-	35,085	530,082
Due to other governments	14,300	-	-	-	-	-	-	14,300
Park deposits	11,350	-	-	-	-	-	-	11,350
Total Liabilities	313,517	34,724	447,071	115,518	34,911	-	185,880	1,131,621
Fund Balances								
Nonspendable:								
Prepaid items	106,594	-	-	-	-	-	-	106,594
Restricted for:								
Capital projects	-	-	-	-	14,831	-	1,306,121	1,320,952
Culture and recreation	-	-	68,029	-	-	-	-	68,029
Public safety	-	-	29,655	-	-	-	-	29,655
Building inspections	-	-	-	-	176,375	-	-	176,375
General government	-	-	52,201	-	-	-	-	52,201
Public transportation operations and maintenance	-	2,796,196	-	-	-	-	-	2,796,196
Debt service reserve	-	-	-	-	-	901,092	-	901,092
Charitable and educational projects	-	-	-	-	2,637	-	-	2,637
Committed:								
Culture and recreation	-	-	-	-	201,259	-	-	201,259
Other capital projects	-	-	-	-	-	-	98,639	98,639
False alarm projects	-	-	-	-	49,073	-	-	49,073
Tree projects	-	-	-	-	13,027	-	-	13,027
Drainage projects	-	-	-	727,060	-	-	-	727,060
Assigned:								
Drug Abuse Resistance Education	3,728	-	-	-	-	-	-	3,728
Asset replacement	100,000	-	-	-	-	-	-	100,000
Unassigned	12,235,109	-	-	-	-	-	-	12,235,109
Total Fund Balances	12,445,431	2,796,196	149,885	727,060	457,202	901,092	1,404,760	18,881,626
Total Liabilities and Fund Balances	\$ 12,758,948	\$ 2,830,920	\$ 596,956	\$ 842,578	\$ 492,113	\$ 901,092	\$ 1,590,640	

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.

50,852,643

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

(17,018,601)

Liabilities due to Miami-Dade County

(3,206,356)

Compensated absences

(175,626)

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:

Unamortized bond issue costs

349,379

Net Assets of Governmental Activities

\$49,683,065

VILLAGE OF PALMETTO BAY, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds							Total Governmental Funds
	General	Transportatio Fund	Grants Fund	Stormwater Management	Nonmajor Governmental Funds	Debt Service Fund	Capital Projects Fund	
Revenues								
Real and personal property taxes	\$ 5,446,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,446,837
Utility taxes	2,093,849	-	-	-	-	-	-	2,093,849
Communication service tax	1,375,239	-	-	-	-	-	-	1,375,239
Franchise fees	1,101,516	-	-	-	-	-	-	1,101,516
Intergovernmental	1,928,858	1,489,690	225,463	-	46,730	-	-	3,690,741
Licenses and permits	231,515	-	-	-	797,179	-	-	1,028,694
Fines and forfeitures	269,662	-	-	-	-	-	-	269,662
Charges for services	773,020	210	-	715,634	61,885	-	-	1,550,749
Interest	120,104	10,260	612	2,026	647	772	14,832	149,253
Miscellaneous	155,236	854	14,658	459	20,019	-	-	191,226
Total Revenues	13,495,836	1,501,014	240,733	718,119	926,460	772	14,832	16,897,766
Expenditures								
Current:								
General government	2,981,918	713,092	33,859	220,248	752,373	-	-	4,701,490
Public safety	5,960,192	-	-	-	-	-	-	5,960,192
Public works	205,690	431,803	-	38,921	-	-	-	676,414
Parks and recreation	1,721,369	-	-	-	-	-	-	1,721,369
Capital outlay	-	293	270,850	452,786	-	-	77,991	801,920
Debt service:								
Principal payments	325,000	194,798	-	-	-	-	-	519,798
Interest and fiscal charges	672,224	65,727	-	-	-	-	-	737,951
Total Expenditures	11,866,393	1,405,713	304,709	711,955	752,373	-	77,991	15,119,134
Excess (Deficiency) of Revenues Over Expenditures	1,629,443	95,301	(63,976)	6,164	174,087	772	(63,159)	1,778,632
Other Financing Sources (Uses)								
Transfers in	3,783	220,326	-	-	8,582	-	450,000	682,691
Transfers out	(678,908)	-	(3,783)	-	-	-	-	(682,691)
Total Other Financing Sources (Uses)	(675,125)	220,326	(3,783)	-	8,582	-	450,000	-
Net change in fund balances	954,318	315,627	(67,759)	6,164	182,669	772	386,841	1,778,632
Fund Balances - Beginning	11,491,113	2,480,569	217,644	720,896	274,533	900,320	1,017,919	17,102,994
Fund Balances - Ending	\$ 12,445,431	\$ 2,796,196	\$ 149,885	\$ 727,060	\$ 457,202	\$ 901,092	\$ 1,404,760	\$ 18,881,626

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

VILLAGE OF PALMETTO BAY, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2012

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

Net change in fund balances - total government funds \$ 1,778,632

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	\$ 801,920	
Depreciation expense	<u>(1,526,787)</u>	
		(724,867)

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 affect 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 differences are as follows:

Amortization of discount on bonds issued	(12,478)	
Amortization of debt issuance costs	(7,008)	
Principal payments on debt	519,798	
Payments to Miami-Dade County	<u>159,313</u>	
		659,625

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 is as follows:

Change in compensated absences	<u>(2,050)</u>	
--------------------------------	----------------	--

Change in Net Assets of Governmental Activities

\$ 1,711,340

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NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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 of America (“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 financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board and Interpretations issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Village’s accounting policies are described below:

Financial Reporting Entity - 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 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 Palmetto Bay Foundation, Inc. (the “Foundation”) are the same individuals as the Village Council.

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, 2011. Revenues consist primarily of donations and investment income. The Foundation articles restrict the use of the funds to charitable, educational or scientific purposes.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 1 – Summary of significant accounting policies (continued)

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 as a whole. 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 is 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.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available when they are collected within 90 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, as such, 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 1 – Summary of significant accounting policies (continued)

The Village reports the following major governmental funds:

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

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

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

The **Stormwater Management Fund** accounts for the revenues received from stormwater assessments.

The **Debt Service Fund** accounts for all financial resources that are being accumulated for principal and interest payments of long-term debt that matures in future years.

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

Additionally, the Village reports non-major funds within the government fund type:

The **Special Revenue Funds** account for monies received which are to be used in accordance with the funds' stated purposes.

Assets, Liabilities, and Net Assets or Equity

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

The Florida PRIME is recorded at the value of the pool shares (2a-7 like pool), which approximates 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 and include highly liquid investments with original maturities of three months or less.

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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 1 – Summary of significant accounting policies (continued)

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. Management has considered outstanding receivables and has deemed them to be fully collectible. As such, an allowance for doubtful accounts was not considered necessary.

Prepaid Assets - 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. These costs are expensed when used.

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 expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The Village maintains a \$750,000 threshold for capitalizing intangible assets.

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

Compensated Absences - The Village's policy is to permit employees to accumulate paid time off ("PTO") benefits. Based on their length of service to the Village, employees may carry over a maximum of 80 unused hours each calendar year. Any unused hours in excess of the maximum is paid out. All PTO is accrued when incurred in the government-wide fund financial statements based on current rates of pay. Compensated absences are expected to be used in the following year. 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.

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 FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 1 – Summary of significant accounting policies (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts. 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.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village Council. These amounts cannot be used for any other purpose unless the Village Council removes or changes the specified use by taking the same type of action or motion that was employed when the funds were initially committed. Ordinances are required to establish, modify, or rescind fund balance commitments. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Village Council or their designee. Management of the Village has been designated by the Village Council as authorized to assign fund balances.

Unassigned - This classification includes the residual fund balance for the General Fund and the amount established for minimum funding which represents the portion of the General Fund balance. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The Village would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 1 – Summary of significant accounting policies (continued)

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.

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.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Village has evaluated subsequent events through March 27, 2013, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

Accounting Pronouncements Issued but not yet Effective - The GASB has issued several statements not yet implemented by the Village. The statements that may have an effect on the Village are as follows:

GASB Statement No. 61, *The Financial Reporting Entity Omnibus—an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010 and is effective for the Village in fiscal year 2013. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. The Village is evaluating the effect of this statement in relation the presentation of the Foundation but does not believe the adoption of GASB Statement No. 61 will have an impact on its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011 and is effective for the Village in fiscal year 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirements in GASB Statement No. 34 and other pronouncements by incorporating deferred inflows and outflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement will change the presentation of the Village's statement of net assets.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012 and is effective for the Village in fiscal year 2014. This statement establishes accounting and financial reporting standards that reclassify, as deferred inflows or outflows of resources certain items that were previously reported as assets and liabilities and recognizes, as inflows or outflows of resources, certain items that were previously reported as assets and liabilities. This statement will change the presentation of the Village's statement of net assets and recognition of items previously classified as assets and liabilities.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 2 – Deposits and investments

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued June 2012 and is effective for the Village in fiscal year 2014. This statement replaces the requirements of GASB Statement No. 27, as well as the requirements of Statement No. 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expenses/expenditures and details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. The Village has not completed its assessment of this statement.

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 “SBA”). 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 SBA administers the Florida 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.

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, 2012, the fair value factor for Fund B was .94896811per share. 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 FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 2 – Deposits and investments (continued)

As of September 30, 2012, the Village had the following cash equivalents and investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Cash Equivalent:		
Florida PRIME	\$ 159,488	39 days
Investments:		
Fund B	\$ 109,692	4.08 years

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 twelve 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. Fund B is not rated by an NRSO.

The SBA issues a separate financial report. A copy of this financial report can be found on the SBA website at www.sbafla.com or a hard copy may be obtained by sending an email to flaudgen@aud.state.fl.us, by telephone at (850) 487-9024, or by mail at G74 Claude Pepper Building, III West Madison Street, Tallahassee, Florida 32399-1450.

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 though which these securities are bought and sold.

Note 3 – Property taxes

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Village is certified by the Property Appraiser and the Village levies a tax millage rate upon the taxable value, which provides revenue required for the fiscal year beginning October 1. The millage rate assessed by the Village for the year ended September 30, 2012 was 2.447 mills.

Property taxes levied each November 1, by the Village and all other taxing authorities within Miami-Dade County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of its 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, 2012, there were no material delinquent taxes.

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 4 – Interfund receivables, payables and transfers

Interfund Receivables and Payables - Interfund receivable and payable balances at September 30, 2012 were as follows:

Receivable Fund	Payable Fund				Total
	General Fund	Transportation Fund	Capital Projects Fund	Non-major Governmental Funds	
General Fund	\$ -	\$ 10,398	\$ 35,085	\$ 21,380	\$ 66,863
Transportation Fund	180	-	-	-	180
Nonmajor Governmental Funds	14,600	-	-	-	14,600
	<u>\$ 14,780</u>	<u>\$ 10,398</u>	<u>\$ 35,085</u>	<u>\$ 21,380</u>	<u>\$ 81,643</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 \$220,326 from the general fund to the transportation fund. These transfers were used to transfer unrestricted general fund revenues to finance various projects in accordance with budgetary authorizations.

There were transfers of \$450,000 from the general fund to the capital projects fund. These transfers were used to fund capital projects related to road paving and infrastructure.

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 5 – Capital assets

Capital asset activity for the year ended September 30, 2012 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 23,689,655	\$ -	\$ -	\$ 23,689,655
Construction in progress	640,650	430,964	584,117	487,497
Total capital assets not being depreciated	<u>24,330,305</u>	<u>430,964</u>	<u>584,117</u>	<u>24,177,152</u>
Capital assets being depreciated:				
Furniture and equipment	2,074,864	20,175	4,480	2,090,559
Buildings	14,000,162	3,280	-	14,003,442
Improvements other than buildings	10,776,011	125,264	-	10,901,275
Infrastructure	5,526,868	806,354	-	6,333,222
Total capital assets being depreciated	<u>32,377,905</u>	<u>955,073</u>	<u>4,480</u>	<u>33,328,498</u>
Less accumulated depreciation for:				
Furniture and equipment	1,224,507	272,182	4,480	1,492,209
Buildings	1,004,313	466,781	-	1,471,094
Improvements other than buildings	2,197,446	577,558	-	2,775,004
Infrastructure	704,434	210,266	-	914,700
Total accumulated depreciation	<u>5,130,700</u>	<u>1,526,787</u>	<u>4,480</u>	<u>6,653,007</u>
Total capital assets, being depreciated net	<u>27,247,205</u>	<u>(571,714)</u>	<u>-</u>	<u>26,675,491</u>
Governmental activities capital assets, net	<u>\$ 51,577,510</u>	<u>\$ (140,750)</u>	<u>\$ 584,117</u>	<u>\$ 50,852,643</u>

Depreciation expense charged to the functions or programs of the Village for the year ended September 30, 2012 was as follows:

General government	\$ 397,434
Public safety	3,863
Transportation	272,649
Culture and recreation	852,841
Total depreciation expense - governmental activities	<u>\$ 1,526,787</u>

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 6 – Long-term liabilities

Long-term liabilities activity for the year ended September 30, 2012 was as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and loans payable:					
Bonds payable:					
FMLC Bonds - Series 2005D	\$ 1,345,000	\$ -	\$ (35,000)	\$ 1,310,000	\$ 35,000
FMLC Bonds - Series 2010B	14,555,000	-	(290,000)	14,265,000	295,000
Less deferred amounts:					
Issuance discount	(58,252)	-	1,975	(56,277)	-
Deferred amount on refunding	(102,549)	-	5,033	(97,516)	-
Total Bonds Payable	<u>15,739,199</u>	<u>-</u>	<u>(317,992)</u>	<u>15,421,207</u>	<u>330,000</u>
Loans payable:					
Promissory Note 2007	1,792,192	-	(194,798)	1,597,394	202,507
Total Loans Payable	<u>1,792,192</u>	<u>-</u>	<u>(194,798)</u>	<u>1,597,394</u>	<u>202,507</u>
Liabilities to Miami-Dade County:					
QNIP	1,807,412	-	(102,502)	1,704,910	107,341
Stormwater	1,558,257	-	(56,811)	1,501,446	58,986
Total Liabilities to Miami-Dade County	<u>3,365,669</u>	<u>-</u>	<u>(159,313)</u>	<u>3,206,356</u>	<u>166,327</u>
Compensated absences	<u>173,576</u>	<u>175,626</u>	<u>(173,576)</u>	<u>175,626</u>	<u>175,626</u>
Long-Term Liabilities	<u>\$ 21,070,636</u>	<u>\$ 175,626</u>	<u>\$ (845,679)</u>	<u>\$ 20,400,583</u>	<u>\$ 874,460</u>

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 non-ad valorem taxes. Total pledged amounts over the life of the bonds is expected to be approximately \$3,000,000. For the current year, debt service and pledged revenues were approximately \$94,000 and \$117,000, respectively. The total principal and interest remaining on the bonds is \$2,137,697. The library was completed in the 2009 fiscal year and began generating revenues in fiscal year 2010. The bonds are payable over 30 years with principal amounts ranging from \$30,000 to \$90,000 and interest payments ranging from 3% to 5%. The final maturity date of the bonds is October 1, 2035.

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 6 – Long-term liabilities (continued)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 35,000	\$ 58,134	\$ 93,134
2014	35,000	56,944	91,944
2015	35,000	55,719	90,719
2016	40,000	54,450	94,450
2017	40,000	52,850	92,850
2018-2022	225,000	238,600	463,600
2023-2027	285,000	180,050	465,050
2028-2032	360,000	107,550	467,550
2033-2035	255,000	23,400	278,400
Total	<u>\$ 1,310,000</u>	<u>\$ 827,697</u>	<u>\$ 2,137,697</u>

Promissory Note, Series 2007 - During fiscal year 2007, the Village issued a Promissory Note for the principal amount of \$2,500,000. The proceeds were 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 Miami-Dade County's Citizens' Independent Transportation Trust (CITT) One-Half Cent Transportation Surtax. The Village has committed to budget and apply on an annual basis all amounts required to pay principal and interest required for the repayment of the note from the CITT surtax. 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 \$262,000 and \$794,000, respectively. The total principal and interest remaining on the bonds is \$1,833,072. The note requires quarterly principal and interest payments of \$66,467 through August 2019, at which time it will be paid in full. Payments include interest at 3.90% per annum.

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 202,507	\$ 59,361	\$ 261,868
2014	210,521	51,346	261,867
2015	218,852	43,016	261,868
2016	227,514	34,354	261,868
2017	236,517	25,351	261,868
2018-2019	501,483	22,250	523,733
Total	<u>\$ 1,597,394</u>	<u>\$ 235,678</u>	<u>\$ 1,833,072</u>

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 6 – Long-term liabilities (continued)

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 two previously issued promissory notes in 2006 and 2009, and for the construction of the 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 was deferred and is being amortized as a component of interest expense over the term of the bonds. The bonds are secured by a pledge of the Village's non-ad valorem revenues. Total principal and interest remaining on the bonds is \$24,958,066. 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%. The final maturity date of the bonds is September 20, 2040. On January 17, 2013, Moody's Investors Service ("Moody's") downgraded the rating assigned to Assured Guaranty Municipal Corp. ("Assured") from "Aa3" to "A2" with a stable outlook. Assured is the bond insurer for the Florida Municipal Loan Council Revenue Bonds, Series 2010 ("Bonds"). Moody's downgrade of Assured has caused the insured rating assigned to the Bonds to likewise be downgraded to "A2".

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 295,000	\$ 590,650	\$ 885,650
2014	305,000	581,800	886,800
2015	310,000	574,938	884,938
2016	320,000	567,963	887,963
2017	330,000	555,163	885,163
2018-2022	1,855,000	2,591,460	4,446,460
2023-2027	2,220,000	2,226,692	4,446,692
2028-2032	2,745,000	1,716,500	4,461,500
2033-2037	3,430,000	1,050,750	4,480,750
2038-2040	2,455,000	237,150	2,692,150
Total	<u>\$ 14,265,000</u>	<u>\$ 10,693,066</u>	<u>\$ 24,958,066</u>

Quality Neighborhood Improvement Program (QNIP) - The Village is required to pay Miami-Dade County its allocated share of principal and interest of the Miami-Dade County Public Service Tax Revenue Bonds, Series 1999, that were issued prior to the Village's incorporation. The Village agreed to become liable for its pro rata share of these bonds upon its incorporation in 2002. The Village's pro rata share of the County's bonds is approximately 3.6% and is payable annually through 2024. The principal and interest payment for the period ended September 30, 2012 was approximately \$173,000. Payments include interest at approximately 3.9% per annum.

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 6 – Long-term liabilities (continued)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 107,341	\$ 66,692	\$ 174,033
2014	112,538	62,831	175,369
2015	117,914	57,633	175,547
2016	123,648	52,212	175,860
2017	129,741	47,144	176,885
2018-2022	754,791	150,277	905,068
2023-2024	358,937	14,541	373,478
Total	<u>\$ 1,704,910</u>	<u>\$ 451,330</u>	<u>\$ 2,156,240</u>

Stormwater - The Village is required to pay Miami-Dade County its pro rata share of principal and interest of the Miami-Dade County Stormwater Utility Revenue Bonds, Series 1999 and 2004 issued and outstanding since the exemption date of the Village from the Miami-Dade County Stormwater Utility. The Villages pro-rata share of the bonds is approximately 1.7% and is payable annually through 2029. The principal and interest payment for the period ended September 30, 2012 was approximately \$130,000. Payments include interest at approximately 4.9% per annum.

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 58,986	\$ 73,588	\$ 132,574
2014	61,422	71,211	132,633
2015	64,119	68,458	132,577
2016	67,164	65,371	132,535
2017	70,557	62,013	132,570
2018-2022	409,422	253,475	662,897
2023-2027	522,435	140,370	662,805
2028-2029	247,341	17,751	265,092
Total	<u>\$ 1,501,446</u>	<u>\$ 752,237</u>	<u>\$ 2,253,683</u>

Note 7 – Defined contribution plan

The Village provides retirement benefits for full time employees through a money purchase plan (a defined contribution plan). The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of the employees are tax deferred until the time of withdrawal. The Plan is administered by ICMA Retirement Corporation. 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 7 – Defined contribution plan (continued)

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 \$110,236 and the Village contributed \$250,876 to the Plan for the year ended September 30, 2012.

Note 8 – Commitments and contingencies

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.

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 payments to Miami-Dade County. Payments are adjusted to accrue for labor costs incurred and deducted from the gross revenues due to the Village from Miami-Dade County. Payments for the services provided by Miami-Dade County are based on the level of staffing services requested by the Village utilizing the actual personnel costs of officers and equipment. The current agreement became effective July 2009 and will expire in July 2014. Payments for patrol services totaled approximately \$5,960,000 during fiscal year ended September 30, 2012.

Construction Commitments - The Village had construction commitments outstanding at September 30, 2012 in the amount of approximately \$165,000 for drainage renovations and \$22,000 for other projects.

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

Note 9 – Restatement

Net assets as of September 30, 2011 have been restated to properly reflect the correction of previously issued financial statements that did not properly reflect long-term liabilities due to Miami-Dade County. The Village has recorded a prior period adjustment as of September 30, 2011. The adjustment had the following effect on the ending balances for the fiscal year ended September 30, 2011:

	Liabilities to Miami-Dade County	Total Net Assets
Ending balances, as previously reported, September 30, 2011	\$ -	\$ 51,337,394
Adjustment for liabilities to Miami-Dade County	<u>3,365,669</u>	<u>(3,365,669)</u>
Ending balances, as restated, September 30, 2011	<u>\$ 3,365,669</u>	<u>\$ 47,971,725</u>

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Real and personal property taxes	\$ 5,493,096	\$ 5,493,096	\$ 5,446,837	\$ (46,259)
Utility taxes	3,201,999	3,201,999	3,469,088	267,089
Franchise fees	904,409	904,409	1,101,516	197,107
Intergovernmental	1,697,473	1,697,473	1,928,858	231,385
Licenses and permits	922,265	922,265	231,515	(690,750)
Fines and forfeitures	204,000	204,000	269,662	65,662
Charges for services	276,000	276,000	773,020	497,020
Interest	55,000	55,000	120,104	65,104
Miscellaneous	146,180	146,180	155,236	9,056
Total Revenues	12,900,422	12,900,422	13,495,836	595,414
Expenditures				
Current:				
General government:				
Village council	186,500	186,500	168,818	17,682
Village manager/clerk	725,981	725,981	620,871	105,110
Finance department	515,918	515,918	474,675	41,243
Village attorney	473,800	473,800	390,327	83,473
Other general government	1,816,666	1,816,666	1,532,917	283,749
Total general government	3,718,865	3,718,865	3,187,608	531,257
Police services	6,049,012	6,049,012	5,960,192	88,820
Building and permitting	708,056	708,056	-	708,056
Parks and recreation	1,872,909	1,872,909	1,721,369	151,540
Debt service:				
Principal	320,000	320,000	325,000	(5,000)
Interest	674,580	674,580	672,224	2,356
Total Expenditures	13,343,422	13,343,422	11,866,393	1,477,029
Excess of Revenues Over Expenditures	(443,000)	(443,000)	1,629,443	2,072,443
Other Financing Uses				
Transfers in	-	-	3,783	3,783
Transfers out	-	-	(678,908)	(678,908)
Total other financing uses	-	-	(675,125)	(675,125)
Net Change in Fund Balance	(443,000)	(443,000)	954,318	1,397,318
Fund Balances - Beginning	11,491,113	11,491,113	11,491,113	-
Fund Balances - Ending	\$ 11,048,113	\$ 11,048,113	\$ 12,445,431	\$ 1,397,318

VILLAGE OF PALMETTO BAY, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2012

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

VILLAGE OF PALMETTO BAY, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm Fund	Building Fund	Tree Mitigation Fund	Art in Public Places Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,637	\$ 14,181	\$ 56,644	\$ 189,828	\$ 13,027	\$ 200,546	\$ 476,863
Due from other funds	-	-	973	12,914	-	713	14,600
Due from other governments	-	650	-	-	-	-	650
Total Assets	\$ 2,637	\$ 14,831	\$ 57,617	\$ 202,742	\$ 13,027	\$ 201,259	\$ 492,113
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 120	\$ 2,381	\$ -	\$ -	\$ 2,501
Accrued liabilities	-	-	1,528	9,502	-	-	11,030
Due to other funds	-	-	6,896	14,484	-	-	21,380
Total Liabilities	-	-	8,544	26,367	-	-	34,911
Fund Balances							
Restricted	2,637	14,831	-	176,375	-	-	193,843
Committed	-	-	49,073	-	13,027	201,259	263,359
Total Fund Balances	2,637	14,831	49,073	176,375	13,027	201,259	457,202
Total Liabilities and Fund Balances	\$ 2,637	\$ 14,831	\$ 57,617	\$ 202,742	\$ 13,027	\$ 201,259	\$ 492,113

VILLAGE OF PALMETTO BAY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2012

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm Fund	Building Fund	Tree Mitigation Fund	Art in Public Places Fund	Total Nonmajor Governmental Funds
Revenues							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,730	\$ 46,730
Licenses and Permits	-	-	-	797,179	-	-	797,179
Charges for services	-	-	61,885	-	-	-	61,885
Interest	1	32	212	192	18	192	647
Miscellaneous	-	4,273	2,737	-	13,009	-	20,019
Total Revenues	1	4,305	64,834	797,371	13,027	46,922	926,460
Expenditures							
Current:							
General Government	-	4,577	98,503	620,996	-	28,297	752,373
Total Expenditures	-	4,577	98,503	620,996	-	28,297	752,373
Excess (Deficiency) of Revenues Over Expenditures	1	(272)	(33,669)	176,375	13,027	18,625	174,087
Other Financing Sources (Uses)							
Transfers in	-	8,582	-	-	-	-	8,582
Total Other Financing Sources (Uses)	-	8,582	-	-	-	-	8,582
Net Change in Fund Balances	1	8,310	(33,669)	176,375	13,027	18,625	182,669
Fund Balances - Beginning	2,636	6,521	82,742	-	-	182,634	274,533
Fund Balances - Ending	\$ 2,637	\$ 14,831	\$ 49,073	\$ 176,375	\$ 13,027	\$ 201,259	\$ 457,202

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STATISTICAL SECTION

Statistical Section

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

<u>Contents</u>	Page
Financial Trends	37 - 39
These schedules contain trend information to help the reader understand how the Village's financial performance and well-being have changed over time.	
Revenue Capacity	40 - 44
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	
Debt Capacity	45 - 48
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.	
Demographic and Economic Information	49
This schedule offers demographic and economic indicators to help the reader understand the environment within which the Village financial activities take place.	
Operating Information	50 - 53
These schedules contain service and infrastructure data to help the reader understand how the information in the Village's financial reports relates to the services the Village provides and the activities it performs.	

VILLAGE OF PALMETTO BAY
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ¹	2012
Governmental activities										
Investment in capital assets, net of related debt	\$ 36,174	\$ 15,972,947	\$ 14,184,649	\$ 14,877,490	\$ 19,661,211	\$ 26,660,555	\$ 31,957,486	\$ 35,384,115	\$ 36,667,463	\$ 34,403,772
Restricted	-	-	1,298,518	1,836,148	1,120,250	916,679	795,730	100,822	4,496,251	4,777,407
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	6,808,011	10,501,886
Total governmental activities net asset	<u>\$ 4,453,437</u>	<u>\$ 22,172,271</u>	<u>\$ 25,377,695</u>	<u>\$ 32,447,377</u>	<u>\$ 38,882,165</u>	<u>\$ 45,507,712</u>	<u>\$ 45,257,634</u>	<u>\$ 49,214,869</u>	<u>\$ 47,971,725</u>	<u>\$ 49,683,065</u>

NOTE: There are no Business-type activities

1. 2011 net assets were restated to record long-term liabilities due to Miami-Dade County in the amount of \$3,365,669.

VILLAGE OF PALMETTO BAY
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011 ²	2012
Expenses										
Governmental activities:										
General Government	\$ 3,091,126	\$ 4,065,419	\$ 5,094,066	\$ 5,007,169	\$ 3,569,838	\$ 4,206,918	\$ 3,857,678	\$ 4,623,275	\$ 3,982,970	\$ 4,941,661
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	6,900,767	5,964,055
Public Works	190,219	607,009	799,823	1,027,352	1,791,109	1,291,657	1,417,707	1,090,398	1,211,458	949,063
Parks & Recreation	694,497	671,670	738,130	1,286,162	1,411,155	1,787,333	1,998,470	2,095,709	2,355,165	2,574,210
Interest on long-term debt	-	-	19,150	453,676	356,479	427,126	486,744	413,835	845,619	757,437
Total governmental activities expenses	\$ 7,268,478	\$ 9,944,240	\$ 11,727,003	\$ 13,727,592	\$ 12,933,751	\$ 13,276,992	\$ 13,748,113	\$ 14,020,795	\$ 15,295,979	\$ 15,186,426
Program Revenue										
Governmental activities:										
Charge for services:										
General Government	\$ 94,000	\$ 90,370	\$ 87,433	\$ 71,318	\$ 98,868	\$ 117,453	\$ 916,567	\$ 1,076,930	\$ 992,107	\$ 1,090,789
Public Safety	137,944	116,650	168,660	208,917	196,038	300,551	325,270	482,152	397,137	269,662
Building & Permitting/Planning & Zoning ¹	60,828	586,450	807,796	989,290	816,283	830,970	-	-	-	-
Public Works	-	-	-	-	456,685	-	523,417	519,126	519,786	715,634
Park & Recreation	-	57,714	101,229	85,011	178,217	925,824	376,785	527,409	554,600	773,020
Operating Grants and Contributions	-	3,142	2,621,678	605,000	117,453	1,364	15,321	283,986	300,712	1,522,549
Capital Grants and Contributions	343,465	15,621,411	-	6,277,311	3,717,497	3,156,510	2,159,722	1,663,377	1,788,147	192,604
Total governmental activities program revenues	\$ 636,237	\$ 16,475,737	\$ 3,786,796	\$ 8,236,847	\$ 5,581,041	\$ 5,332,672	\$ 4,317,082	\$ 4,552,980	\$ 4,552,489	\$ 4,564,258
Net (Expense)/Revenue										
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)	\$ (10,743,490)	\$ (10,622,168)
General Revenues and Other changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 4,224,785	\$ 4,465,261	\$ 4,883,257	\$ 5,455,327	\$ 6,073,012	\$ 6,692,181	\$ 6,574,981	\$ 5,879,429	\$ 5,559,345	\$ 5,446,837
Communication Taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,255,103	1,250,495	1,469,338	1,515,934	1,375,239
Franchise taxes	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736	960,331	1,101,516
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	2,052,017	2,093,849
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	2,722,512	1,975,588
Unrestricted investment earnings	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272	114,921	149,253
Miscellaneous	4,060	879	245,432	94,904	26,899	121,233	30,618	146,454	93,700	191,226
Total governmental activities	\$ 11,085,678	\$ 11,187,337	\$ 11,145,631	\$ 12,583,609	\$ 13,787,498	\$ 14,569,867	\$ 13,812,676	\$ 13,425,050	\$ 13,018,760	\$ 12,333,508
Special Item										
Mitigation Settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,631,723)	\$ -	\$ -	\$ -
Change in Net Asset										
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	\$ 2,275,270	\$ 1,711,340
Total Primary Government	\$ 4,453,437	\$ 17,718,834	\$ 3,205,424	\$ 7,092,864	\$ 6,434,788	\$ 6,625,547	\$ (250,078)	\$ 3,957,235	\$ 2,275,270	\$ 1,711,340

1: As of 2009 Building & Permitting and Planning & Zoning were divided into separate departments and are respectively included in the Public Safety and General Government functions.

2: 2011 General Government expenses were restated to remove payments to Miami-Dade County in the amount of \$152,745 as these should have reduced long-term liabilities due to Miami-Dade county

VILLAGE OF PALMETTO BAY
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Non-Spendable	\$ -	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 95,418	\$ 106,594
Restricted	-	-	-	-	2,753,204	2,753,041	172,222	161,870	98,783	-
Assigned	-	-	-	-	-	-	20,000	40,000	62,189	103,728
Unassigned	3,989,133	5,479,997	5,769,238	5,836,342	5,016,169	7,905,680	7,673,549	9,602,106	11,234,723	12,235,109
Total General Fund	<u>\$ 3,989,133</u>	<u>\$ 5,479,997</u>	<u>\$ 5,769,338</u>	<u>\$ 5,836,442</u>	<u>\$ 7,769,373</u>	<u>\$ 10,658,721</u>	<u>\$ 7,865,771</u>	<u>\$ 9,803,976</u>	<u>\$ 11,491,113</u>	<u>\$ 12,445,431</u>
All Other Governmental Funds										
Restricted:										
Special Revenue Funds	\$ 428,131	\$ 719,327	\$ 4,015,457	\$ 4,472,814	\$ 4,591,168	\$ 4,585,989	\$ 327,674	\$ 3,515,591	\$ 2,707,373	\$ 3,139,924
Debt Service Fund	-	-	-	-	-	-	-	-	900,320	901,092
Capital Projects Fund	-	-	33,559	-	-	-	96,814	141,358	789,775	1,306,121
Committed:										
Special Revenue Funds	-	-	-	-	-	-	1,247,431	2,610	986,269	990,419
Capital Projects Fund	-	-	1,433,241	7,400,579	6,939,139	3,597,846	3,847,446	4,849,217	228,144	98,639
Total All Other Governmental Funds	<u>\$ 428,131</u>	<u>\$ 719,327</u>	<u>\$ 5,482,257</u>	<u>\$ 11,873,393</u>	<u>\$ 11,530,307</u>	<u>\$ 8,183,835</u>	<u>\$ 5,519,365</u>	<u>\$ 8,508,776</u>	<u>\$ 5,611,881</u>	<u>\$ 6,436,195</u>
Total All Funds	<u>\$ 4,417,264</u>	<u>\$ 6,199,324</u>	<u>\$ 11,251,595</u>	<u>\$ 17,709,835</u>	<u>\$ 19,299,680</u>	<u>\$ 18,842,556</u>	<u>\$ 13,385,136</u>	<u>\$ 18,312,752</u>	<u>\$ 17,102,994</u>	<u>\$ 18,881,626</u>

VILLAGE OF PALMETTO BAY
CHANGE IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
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	\$ 5,559,345	\$ 5,446,837
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	2,052,017	2,093,849
Communication Taxes	1,470,541	795,085	1,059,858	910,766	932,032	1,169,070	1,336,528	1,469,338	1,515,934	1,375,239
Franchise Fees	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736	960,331	1,101,516
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	4,811,371	3,690,741
Licenses and permits	154,828	674,435	895,229	1,060,608	915,151	948,423	916,567	1,076,930	992,107	1,028,694
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	328,385	269,662
Charges for services	-	58,899	80,713	85,011	634,902	925,824	983,852	1,127,530	1,143,138	1,550,749
Interest	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272	114,921	149,253
Miscellaneous fees	4,060	4,018	245,432	94,904	326,699	141,594	30,618	157,349	93,700	191,226
Total revenues	<u>\$ 11,721,915</u>	<u>\$ 12,081,941</u>	<u>\$ 14,932,427</u>	<u>\$ 20,820,456</u>	<u>\$ 19,147,536</u>	<u>\$ 19,836,867</u>	<u>\$ 18,215,791</u>	<u>\$ 17,988,925</u>	<u>\$ 17,571,249</u>	<u>\$ 16,897,766</u>
Expenditures:										
General Government ¹	\$ 3,083,360	\$ 3,706,270	\$ 4,534,793	\$ 4,889,327	\$ 3,547,255	\$ 4,164,609	\$ 2,911,097	\$ 3,429,396	\$ 3,700,958	\$ 4,701,490
Public Safety	3,292,636	4,594,747	5,066,538	5,840,026	5,764,160	5,548,280	6,703,650	6,487,112	6,888,043	5,960,192
Public works	190,219	576,370	788,776	851,623	1,403,025	1,121,576	986,779	859,870	964,662	676,414
Parks & Recreation	694,496	671,670	699,809	839,552	1,019,301	1,228,659	1,284,957	1,317,030	1,524,692	1,721,369
Capital outlay	89,075	855,722	4,358,682	3,386,695	7,768,161	7,502,075	8,774,226	6,878,450	4,432,455	801,920
Debt service										
Principal Payments	5,196	36,655	942,992	2,739,270	153,496	295,308	407,840	627,552	442,383	519,798
Interest Expense	857	5,559	19,150	386,610	402,240	433,484	472,939	233,586	827,814	737,951
Total Expenditures	<u>\$ 7,355,839</u>	<u>\$ 10,446,993</u>	<u>\$ 16,410,740</u>	<u>\$ 18,933,103</u>	<u>\$ 20,057,638</u>	<u>\$ 20,293,991</u>	<u>\$ 21,541,488</u>	<u>\$ 19,832,996</u>	<u>\$ 18,781,007</u>	<u>\$ 15,119,134</u>
Excess of revenues over (under)expenditures	<u>\$ 4,366,076</u>	<u>\$ 1,634,948</u>	<u>\$ (1,478,313)</u>	<u>\$ 1,887,353</u>	<u>\$ (910,102)</u>	<u>\$ (457,124)</u>	<u>\$ (3,325,697)</u>	<u>\$ (1,844,071)</u>	<u>\$ (1,209,758)</u>	<u>\$ 1,778,632</u>
Other Financing Sources (Uses):										
Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,193,404	\$ 1,564,425	\$ 1,099,677	\$ 682,691
Transfer Out	-	-	-	-	-	-	(1,193,404)	(1,564,425)	(1,099,677)	(682,691)
Refinanced Debt	-	-	-	-	-	-	-	(7,949,076)	-	-
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	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>\$51,188</u>	<u>\$147,110</u>	<u>\$5,099,143</u>	<u>\$6,000,000</u>	<u>\$2,500,000</u>	<u>\$0</u>	<u>\$2,500,000</u>	<u>\$ 6,771,685</u>	<u>\$ -</u>	<u>\$ -</u>
Special Items:										
Mitigation Settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,631,723)	\$ -	\$ -	\$ -
Net change in fund balances	<u>\$ 4,417,264</u>	<u>\$ 1,782,058</u>	<u>\$ 3,620,830</u>	<u>\$ 7,887,353</u>	<u>\$ 1,589,898</u>	<u>\$ (457,124)</u>	<u>\$ (5,457,420)</u>	<u>\$ 4,927,614</u>	<u>\$ (1,209,758)</u>	<u>\$ 1,778,632</u>
Debt services as a percentage of noncapital expenditures	0.0833%	0.4401%	7.9832%	20.1068%	4.5220%	5.6973%	6.8987%	6.6474%	8.8524%	8.7849%

1: As of FY 2009, the Building and Permitting department was established under Public Safety function when the Village moved from contractual to Village employees.

VILLAGE OF PALMETTO BAY
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(DOLLARS EXPRESSED IN THOUSANDS)

Fiscal Year	Real Property		Personal Property	less: Tax-Exempt Property	Total Taxable Assessed Value	Total³ Direct Tax Rate	Estimated¹ Actual Value	Assessed Value as a % of Actual Value
	Residential	Commercial						
2003 ²	\$ -	\$ -	\$ -	\$ -	\$ -	2.4470	N/A	N/A
2004 ⁴	2,151,379		71,180	323,274	1,899,285	2.4470	N/A	N/A
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%
2011	2,374,161	521,157	110,699	597,386	2,408,631	2.4470	3,356,542	89.56%
2012	2,260,655	606,148	90,003	599,316	2,357,490	2.4470	3,312,269	89.27%

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.

N/A - Information not available

VILLAGE OF PALMETTO BAY
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Village of Palmetto Bay Direct Rates</u>		<u>Overlapping Rates</u>				<u>Total Millage</u>
	<u>Basic Rate</u>	<u>Total Direct</u>	<u>School District</u>	<u>State Rates</u>	<u>Miami Dade County</u>	<u>Special District Millages</u>	
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
2011	2.4470	2.4470	8.2490	0.6585	5.8725	3.3793	20.6063
2012	2.4470	2.4470	8.0050	0.4708	5.0900	3.1422	19.1550

Information Obtained from Miami-Dade County Department of Property Appraisal

VILLAGE OF PALMETTO BAY
PRINCIPAL PROPERTY TAX PAYERS
AS OF SEPTEMBER 30, 2012

<u>Taxpayer</u>	<u>2012</u>				<u>2005¹</u>			
	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Value</u>
17777 Old Cutler RD LLC	Office Building	\$ 28,257,436	1	1.20%	Office Building	\$ 17,159,234	3	0.85%
Brandsmart USA	Retail Outlet	27,800,000	2	1.18%	Retail Outlet	24,324,981	1	1.21%
Metropolitan Life Insurance	Retail Outlet	19,100,000	3	0.81%	Retail Outlet	21,805,507	2	1.08%
AutoNation USA Corp	Automotive	13,800,000	4	0.59%	Automotive	10,719,686	4	0.53%
Equity One Inc.	Retail Outlet	13,100,000	5	0.56%	Retail Outlet	6,388,995	10	0.32%
Fla Power & Light	Utility	10,058,844	7	0.43%	Utility	10,058,844	6	0.50%
Publix Supermarket	Retail Outlet	9,414,375	9	0.40%				
South Motor Company of Dade Co	Retail Outlet	9,300,000	8	0.39%				
Gus Machado Kendall LLC	Automotive	8,400,363	6	0.36%	Automotive	10,100,407	5	0.50%
Gramercy Park Nursing Care Ctr	Health Care	8,258,232	10	0.35%	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%
Total		<u>\$ 147,489,250</u>		<u>6.27%</u>		<u>\$ 123,123,632</u>		<u>6.11%</u>
Total Assessed Value		\$ 2,357,490,060				\$ 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
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy¹	Current Tax Collections²	Percent of Current Taxes Collected	Delinquent Tax Collections²	Total Tax Collections	Ratio of Total Tax Collection to Total Tax Levy	Outstanding Delinquent Taxes³	Ratio of Delinquent Taxes to Total Tax Levy
2003 ⁴	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%	\$ -	0.0%
2004	4,647,551	4,464,141	96.1%	1,120	4,465,261	96.1%	4,303	0.1%
2005	5,105,943	4,871,212	95.4%	12,045	4,883,257	95.6%	2,197	0.0%
2006	5,764,103	5,443,645	94.4%	2,272	5,445,917	94.5%	2,084	0.0%
2007	6,524,460	6,047,853	92.7%	12,252	6,060,105	92.9%	31,997	0.5%
2008	6,987,852	6,667,982	95.4%	12,131	6,680,113	95.6%	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%
2011	5,846,304	5,512,579	94.3%	45,537	5,558,116	95.1%	19,457	0.3%
2012	5,768,778	5,390,428	93.4%	55,584	5,446,012	94.4%	13,066	0.2%

- 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.

VILLAGE OF PALMETTO BAY
RATIOS OF OUTSTANDING DEBT, BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Special Revenue Bonds	Capital Leases	Liabilities to Miami-Dade ¹	Total	Percentage of Personal Income ³	Per Capita ²
2003	\$ -	\$ 45,135	\$ 2,485,146	\$ 2,530,281	N/A	\$ -
2004	-	151,369	2,412,212	\$ 2,563,581	N/A	-
2005	1,495,000	2,808,377	2,336,410	\$ 6,639,787	N/A	268
2006	7,495,000	69,107	2,257,383	\$ 9,821,490	N/A	394
2007	9,841,504	39,003	3,948,533	\$ 13,829,040	1.47%	558
2008	9,548,705	7,926	3,811,535	\$ 13,368,166	1.23%	532
2009	11,640,864	-	3,668,947	\$ 15,309,811	1.64%	609
2010	18,134,575	-	3,520,502	\$ 21,655,077	2.30%	860
2011	17,692,192	-	3,365,669	\$ 21,057,861	2.20%	838
2012	17,172,394	-	3,206,356	\$ 20,378,750	N/A	871

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

Note: The Village has no General Obligation Bonds.

1: The Village of Palmetto Bay was allocated a portion of Miami-Dade's Stormwater (as of 2007) and Quality Neighborhood Improvement (as of 2003) bonds as part of incorporation.

2: See the page 46 for Demographic and Economic Statistics.

3: See page 46 for Personal Income

N/A - Information not available

VILLAGE OF PALMETTO BAY
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2012

	Bonded Debt Outstanding	Percentage Applicable to Village of Palmetto Bay¹	Amount Applicable to Village of Palmetto Bay	Amount Per Capita Village of Palmetto Bay¹
Overlapping				
Miami-Dade County ²	\$ 1,043,496,000	0.94%	\$ 9,808,862	\$ 419
School Board ³	222,945,000	0.94%	2,095,683	90
	<u>\$ 1,266,441,000</u>		<u>\$ 11,904,545</u>	<u>\$ 509</u>
Direct				
Village Direct Debt	<u>\$ 17,172,394</u>	100.00%	<u>\$ 17,172,394</u>	<u>\$ 682</u>
Total direct and Overlapping Debt	<u>\$ 1,283,613,394</u>		<u>\$ 29,076,939</u>	<u>\$ 1,191</u>

- 1: Population for Village of Palmetto Bay obtained from Bureau of Economic and Business Research, as of April 2010 used for FY2012; Village of Palmetto Bay - 23,410 and Miami-Dade County - 2,426,436
2: Information obtained from Miami-Dade County Finance Department.
3: Information obtain from Miami-Dade School Board.

VILLAGE OF PALMETTO BAY
LEGAL DEBT SERVICE MARGIN INFORMATION
LAST NINE FISCAL YEARS

	2003	2004 ¹	2005	2006	2007	2008	2009	2010	2011	2012
Legal Debt Service Margin Calculation										
Total General Fund Revenues ³	N/A	\$ 12,081,941	\$ 14,932,427	\$ 20,820,456	\$ 19,147,536	\$ 19,836,867	\$ 18,215,791	\$ 17,988,925	\$ 17,571,249	\$ 16,897,766
Debt Service Limit (20% of General Fund Revenues) ²	N/A	2,416,388	2,701,437	3,575,288	3,996,799	3,898,440	3,805,266	3,620,472	3,556,017	3,446,902
Debt Service applicable to limit		-	96,933	461,534	723,402	728,792	880,779	861,138	1,270,197	1,257,749
Legal debt service margin	\$ -	\$ 2,416,388	\$ 2,604,504	\$ 3,113,754	\$ 3,273,397	\$ 3,169,648	\$ 2,924,487	\$ 2,759,334	\$ 2,285,820	\$ 2,189,153
Total debt service applicable to the limit as a percentage of debt service limit	0.00%	0.00%	3.59%	12.91%	18.10%	18.69%	23.15%	23.79%	35.72%	36.49%

1: Information not available prior to FY2004

2: The Village of Palmetto Bay is required by debt covenants not to exceed 20% of General Fund Revenues

3: General Fund Revenues is defined as revenues from General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Village's audited financial statements (average of actual receipts of the prior two years).

N/A Information not available

VILLAGE OF PALMETTO BAY
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Library Bonds					Special Revenue Bonds				
	Rent ¹ Revenue	Debt Service Requirements			Coverage	Non-Ad Valorem Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total			Principal	Interest	Total	
2003	\$ -	\$ -	\$ -	\$ -	0.00	\$ -	\$ -	\$ -	\$ -	0.00
2004	-	-	-	-	0.00	-	-	-	-	0.00
2005 ²	-	-	-	-	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
2011	108,981	30,000	62,232	92,232	1.18	9,300,338	225,000	679,463	904,463	10.28
2012	108,981	35,000	61,410	96,410	1.13	8,048,999	290,000	610,814	900,814	8.94

1: The Village has a contract with the County to rent the facility for the life of the debt.
2: Even though the Village had debt there were no debt service requirements for 2005.

VILLAGE OF PALMETTO BAY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population¹	Personal Income²	Per Capita Income²	Median Age²	Public School Enrollment³	Unemployment Rate²
2003	N/A	N/A	N/A	N/A	3,975	N/A
2004	N/A	N/A	N/A	N/A	3,933	N/A
2005	24,789	N/A	N/A	N/A	3,968	N/A
2006	24,903	N/A	N/A	N/A	3,947	N/A
2007	24,795	940,499,145	37,931	38.5	3,937	3.2%
2008	25,142	1,084,374,460	43,130	40.1	3,915	2.9%
2009	25,156	935,954,136	37,206	39.9	3,884	6.4%
2010	25,170	943,497,450	37,485	41.9	3,799	7.2%
2011	25,133	959,175,812	38,164	40.6	3,728	10.0%
2012	23,410	N/A	N/A	N/A	3,617	N/A

N/A Information not available for year indicated.

- 1: Population for Village of Palmetto Bay obtained from Bureau of Economic and Business Research, University of Florida.
- 2: Amounts obtained from the U.S. Census Bureau.
- 3: Enrollment numbers obtained from Miami-Dade Public Schools.

VILLAGE OF PALMETTO BAY
PRINCIPAL EMPLOYERS
AS OF SEPTEMBER 30, 2012

Employer	2012			2005²		
	Employees	Rank	Percentage of Total Village Population¹	Employees	Rank	Percentage of Total Village Population¹
South Motors	418	1	1.66%	592	1	2.39%
Dade County Schools	339	2	1.35%	419	2	1.69%
Walgreen	291	3	1.16%	-		0.00%
Marshall's Department Store	256	4	1.02%	119	8	0.48%
Maroone Nissan of Kendall	248	5	0.99%	110	9	0.44%
Brandsmart	200	6	0.80%	200	4	0.81%
Variety Children Hospital	185	7	0.74%	-		0.00%
Publix Supermarket	152	8	0.60%	350	3	1.41%
Palmer Trinity Christian School	132	9	0.52%	120	7	0.48%
World Ford Kendall/Gus Machado	78	10	0.31%	140	5	0.56%
Westminster Christian School	57		0.23%	135	6	0.54%
Dade Jeep Chrysler Plymouth	-		0.00%	100	10	0.40%
	<u>2,356</u>		<u>9.38%</u>	<u>2,285</u>		<u>9.20%</u>

1: Population information available on page 46 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
EMPLOYEES BY FUNCTION/PROGRAMS
LAST TEN FISCAL YEARS

	2003		2004		2005		2006		2007		2008		2009		2010		2011		2012	
	FT	PT	FT	PT	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	6	0	5	1
Village Clerk ¹	1	0	0	0	0	0	0	0	2	0	3	0	2	0	2	0	2	0	2	0
Human Resources	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	2	0
Finance	0	0	1	1	1	1	2	0	2	1	2	0	3	0	3	0	4	0	4	0
Planning and Zoning ²	0	0	2	1	2	1	1	2	4	1	2	0	6	0	6	0	6	0	7	0
Building and Permitting	0	0	0	0	0	0	0	0	0	0	2	0	7	1	7	1	7	1	7	0
Parks & Recreation	1	1	3	9	3	9	3	12	5	18	4	19	7	19	8	20	9	23	9	22
Public Work	2	0	4	0	4	0	5	0	5	0	5	0	5	0	5	1	8	2	9	2
Total Employees	6	1	15	11	15	11	16	14	22	20	23	19	35	20	37	23	43	27	45	25

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

2: 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 TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Arrests	N/A	798	493	701	377	331	270	511	335	324
Targeted Crimes ²	N/A	N/A	N/A	N/A	N/A	429	395	386	432	431
False Alarms ¹	N/A	N/A	N/A	N/A	N/A	2,244	1,826	1,713	1,748	1,756
Culture and Recreation										
Park rentals	N/A	98	141	237	182	319	404	599	844	496
Summer Camp Registrants	0	0	0	0	792	988	731	590	665	1,070
Planning & Zoning										
Code Violation	N/A	23	209	235	345	695	940	658	637	599
Zoning Hearing	N/A	11	11	12	11	7	8	29	7	7
Building Permits										
Residential	N/A	2,981	4,542	5,648	3,973	3,744	2,895	1,486	2,652	2,237
Commercial	N/A	466	497	832	614	544	666	644	687	487
Inspections	N/A	5,368	7,470	10,392	8,646	7,310	5,955	6,507	8,387	8,810
Manager/Clerk										
Ordinances	15	25	13	15	35	23	28	14	12	29
Resolutions	111	106	109	130	126	125	99	127	83	96
Public Works										
Roads Resurfaced (miles)	N/A	5.20	4.07	8.44	6.00	12.88	2.17	8.16	4.66	3.04
Finance										
Journal Entries	N/A	143	131	591	435	566	678	966	784	572
Deposits	N/A	357	403	480	510	902	1,089	1,604	1,282	1,299
Checks	N/A	1,159	1,369	1,821	1,866	1,775	2,130	2,142	2,152	2,196

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

2: 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 TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Municipal Center	0	0	0	0	0	0	0	0	1	1
Police										
Station	0	1	1	1	1	1	1	1	1	1
Patrol Units	42	42	42	42	42	45	45	45	43	43
Public Works										
Streets (miles)	118	118	118	118	118	118	118	118	122	122
Traffic signals	29	29	29	29	30	30	30	30	29	29
Traffic Circles	0	0	0	0	0	0	1	1	2	2
Park and Recreation										
Acreage	68	71	74.5	82	82	82	82	82	82	82
Parks	3	4	5	5	5	5	5	5	5	5
Playgrounds	2	2	2	2	2	2	2	2	2	2
Tennis court	8	8	8	6	8	8	8	8	8	8
Racquetball courts	8	8	8	8	4	4	4	4	4	4
Basketball courts	2	2	2	2	2	2	2	2	2	2
Football fields	2	2	2	2	2	2	2	2	2	2
Baseball fields	5	5	5	5	5	5	5	5	5	5
Softball fields	0	0	0	0	6	6	6	6	6	6
Community centers	2	2	2	2	2	2	3	3	3	3
Skate parks	0	0	0	1	1	1	1	1	1	1

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

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COMPLIANCE SECTION

**Report of Independent Auditor 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 Village of Palmetto Bay, Florida (the "Village"), as of and for the year ended September 30, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 27, 2013. 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.

Internal Control over Financial Reporting

Management of the Village is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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, noncompliance 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*.

We noted a certain matter that we reported to management of the Village in a separate letter dated March 27, 2013.

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

Cherry Bekaert LLP

Coral Gables, Florida
March 27, 2013

**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 Village of Palmetto Bay, Florida (the "Village"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated March 27, 2013.

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; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 27, 2013, should be considered in conjunction with this management letter.

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

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 findings and recommendations made in the preceding annual financial audit report. The Village has taken corrective action for Finding 2011-1.

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, nothing came to our attention that would cause us to believe that the Village was not in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.

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 provisions of contracts or grant agreements, fraud, illegal acts, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, 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, we have reported such matters to management of the Village in a separate letter dated March 27, 2013.

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. Such disclosure is included in the notes to the financial statements.

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, nothing came to our attention that would cause us to believe that the Village met any of the conditions described in Section 218.503(1), Florida Statute.

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, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied 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 management.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry Bekaert LLP

Coral Gables, Florida
March 27, 2013