

VILLAGE OF PALMETTO BAY

Prepared by the Finance Department



**Comprehensive Annual Financial Report
for the Fiscal Year Ended September 30, 2011**

VILLAGE OF PALMETTO BAY, FLORIDA

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VILLAGE OF PALMETTO BAY, FLORIDA

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INTRODUCTORY SECTION



March 30, 2012

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, 2011.

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 & Holland L.L.P, 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, 2011, 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, 2011 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. The Village Council is responsible for enacting laws (resolutions, ordinances and regulations) governing the Village, as well as appointing the members of various advisory committees, and hiring the Village Manager, Village Clerk and Village Attorney. The Village Manager is responsible for enforcement of all laws, provisions of the Charter and directives of the Council, appointment of department heads, and oversight of the operations of the Village.

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

The Mayor and Council Members are also the Board of Directors for the Palmetto Bay Foundation, Inc. The purpose of the Foundation is to raise the educational and quality of life concerns of the residents of the Village of Palmetto Bay, and to foster and promote community wide interest and concern for the history and preservation of the Village of Palmetto Bay. The Foundation is presented as a blended component unit in the financial statements.

The annual budget serves as the foundation for the Village of Palmetto Bay's financial planning and control. All departments of the Village are required to submit proposed budgets to the Village Manager, who then makes any necessary revisions. The Village Manager then presents to the Village Council for their review, a budget estimate of the revenues and expenditures of all the Village's departments. Two public hearings are conducted to inform the taxpayers of the proposed budget and to receive their comments. A majority affirmative vote of the quorum is needed to adopt the budget, which is legally enacted prior to October 1 by the passage of an ordinance. The Village's budget is approved at the department level. The Village Manager may amend the adopted budget for adjustments within a department administratively, but the Village Council must approve all budget adjustments between departments. Supplemental appropriations of revenues in excess of the adopted budget may be appropriated by the Council by way of an ordinance.

Budget-to-actual comparisons are provided in this report for the general fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

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

Local Economy

The Village of Palmetto Bay is a medium-sized municipality serving approximately 25,000 citizens. The majority of the Village's ad-valorem taxes are derived from its residential properties with an average taxable value of \$226,315, which was a .2% increase from prior year. The average County residential taxable value is \$146,615. Total property values for the Village decreased by 1.28%. 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 slated for completion in 2011, which 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. To create the traffic necessary for a lively downtown, the Village is doing feasibility studies for a garage and retail center.

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, 2010. 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 & Holland 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, 2011

VILLAGE COUNCIL

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

VILLAGE MANAGER

Ron E. Williams

VILLAGE ATTORNEY

Figueredo & Boutsis, P.A.

VILLAGE CLERK

Meighan Alexander

FINANCE DIRECTOR

Desmond Chin, CPA

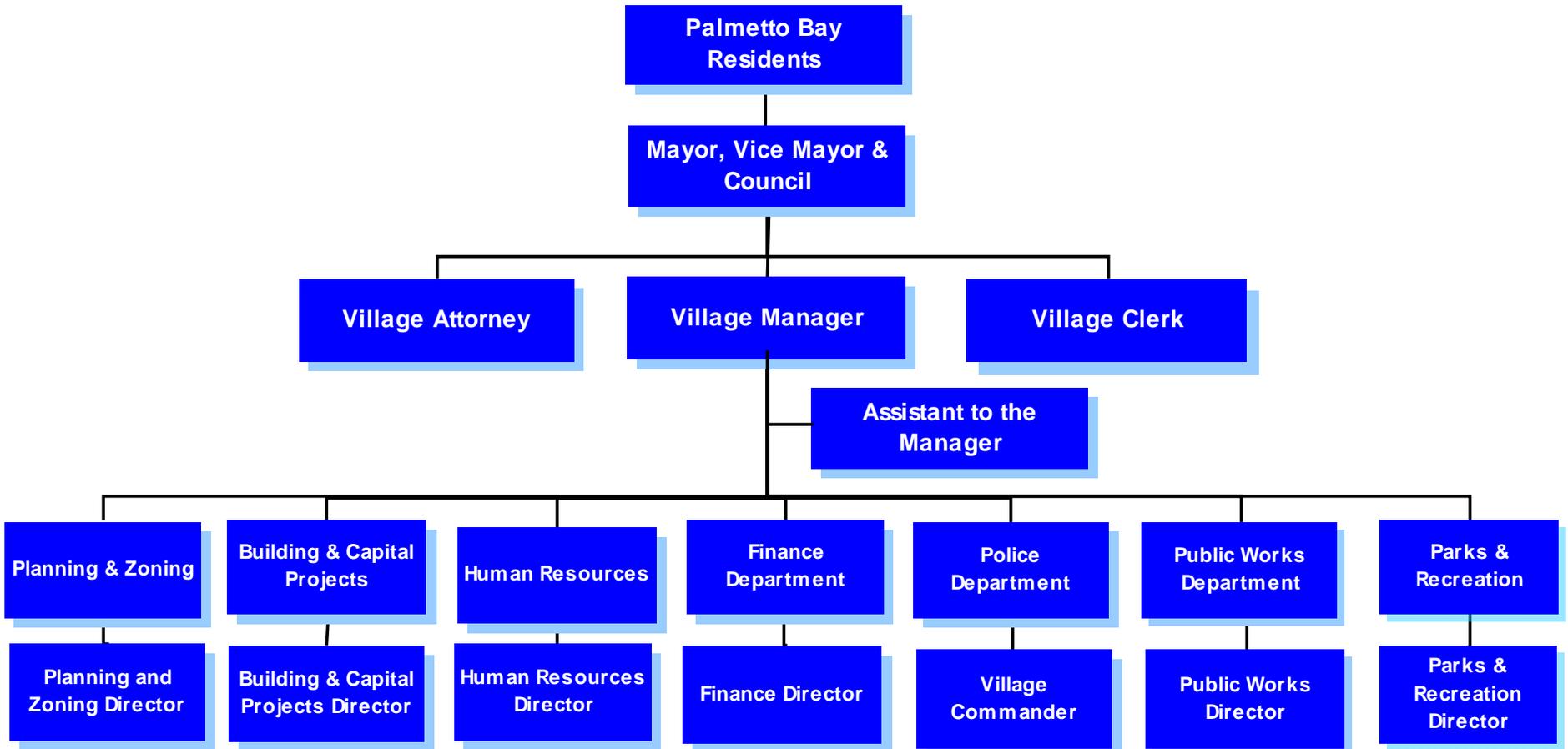
VILLAGE AUDITORS

Cherry, Bekaert & Holland LLP
Certified Public Accountants & Consultants

Village of Palmetto Bay, Florida

ORGANIZATION CHART

SEPTEMBER 30, 2011



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, 2010

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.



Linda C. Davison

President

Jeffrey R. Enos

Executive Director

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FINANCIAL SECTION

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**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS**



Report of Independent Certified Public Accountants

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Palmetto Bay, Florida (the "Village"), as of and for the year ended September 30, 2011, 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, 2011, 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 discussed in Note 1 to the financial statements, the Village adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2012, 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 10 and the Budgetary Comparison Schedule – General Fund on pages 30 to 31 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards 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, Behaert & Holland, L.L.P.

Coral Gables, Florida
March 30, 2012

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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, 2011.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$51,337,394 (net assets). Of this amount, \$10,173,680 (*unrestricted net assets*) may be used to meet the Village's ongoing obligations to citizens and creditors. The balance, \$41,163,714 is comprised of capital assets net of related debt \$36,667,463 and restricted assets \$4,496,251.
- The Village's total net assets increased by \$2,122,525. This increase is attributable to changes in the Village's only fund, the Governmental Fund. 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 \$17,102,994, a decrease of \$1,209,758 in comparison with the prior year. Approximately 66% of ending fund balance or \$11,234,723 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 \$11,234,723, or 87% 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 no business-type activities.

The government-wide financial statements include only the Village itself (known as the *primary government*) and can be found on pages 11 and 12 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 major 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 three non-major funds which are combined under Nonmajor Governmental Funds. The three non-major funds are the Palmetto Bay Foundation (the "Foundation"), Law Enforcement Trust Fund, and False Alarm. A description of the Foundation is found in the notes to the financial statements on page 16, and the combining statements can be found on pages 32 and 33.

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 30.

The basic governmental fund financial statements can be found on pages 13 to 15 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 16 to 29 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 \$51,337,394 at the close of the most recent fiscal year.

The largest portion of the Village's net assets, \$36,667,463 or 71%, 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. Although the Village reports its investment in capital assets net of related debt (\$17,531,391), 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 \$14,669,931 may be used to meet the government's ongoing obligations to citizen's and creditors.

Village of Palmetto Bay's Net Assets

	September 30,	
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 18,663,806	\$ 20,415,807
Capital Assets	51,577,510	48,640,123
Total Assets	<u>70,241,316</u>	<u>69,055,930</u>
Long-Term Liabilities Outstanding	17,704,967	18,109,142
Other Liabilities	1,198,955	1,731,920
Total Liabilities	<u>18,903,922</u>	<u>19,841,062</u>
Net Assets:		
Investment in Capital Assets, net of related debt	36,667,463	35,384,115
Restricted for:		
Capital Projects	895,079	141,358
Culture & Recreation	131,601	-
Public Safety	30,179	-
General Government	55,867	161,870
Transportation	2,480,569	3,515,591
Debt Service	900,320	-
Charitable & Educational Projects	2,636	-
Unrestricted	10,173,680	10,011,935
Total Net Assets	<u>\$ 51,337,394</u>	<u>\$ 49,214,869</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 \$2,122,525 during the current fiscal year. Current assets decreased by \$1,752,001 mainly from the use of Capital Project fund resources to complete the Municipal Center. Conversely, capital assets increased by \$2,937,387 with the addition of the Municipal Center. Liabilities decreased \$937,140 as the Village continues to meet its debt service requirements.

Village of Palmetto Bay's Net Changes in Net Assets

	Fiscal Year	
	2011	2010
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,463,630	\$ 2,605,617
Operating Grants and Contributions	300,712	283,986
Capital Grants and Contributions	1,788,147	1,663,377
General Revenues:		
Property Taxes	5,559,345	5,879,429
Communications Service Tax	1,515,934	1,469,338
Franchise Fees	960,331	1,345,736
Utility Taxes	2,052,017	2,058,896
Intergovernmental	2,722,512	2,367,925
Investment Income and Miscellaneous	208,621	303,726
Total Revenues	17,571,249	17,978,030
Expenses:		
General Government	4,135,715	3,918,081
Public Safety	6,900,767	6,502,772
Public Works	1,211,458	1,090,398
Parks & Recreation	2,355,165	2,095,709
Interest on long-term debt	845,619	413,835
Total Expenses	15,448,724	14,020,795
Change in Net Assets	\$ 2,122,525	\$ 3,957,235

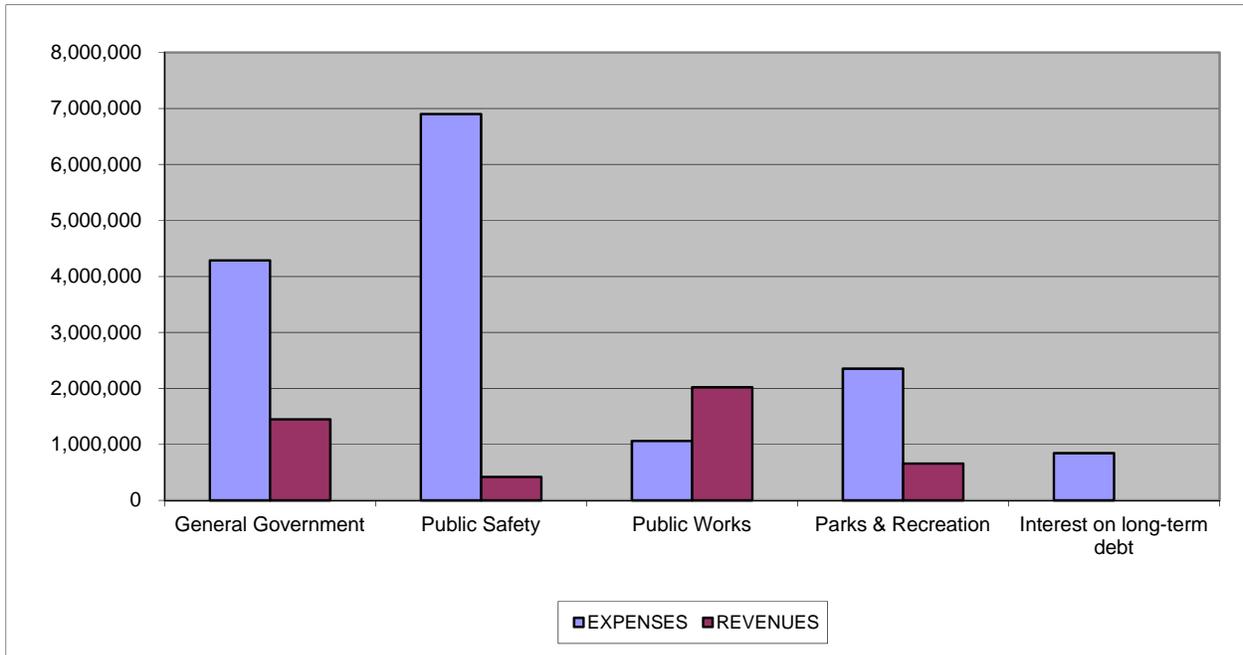
Revenues:

- Taxes of \$9,127,296 comprised 52% of total revenues in the current fiscal year. Most of this category is property taxes of \$5,559,345. The Village held the millage rate at 2.447 per \$1,000 of assessed taxable value for fiscal year 2011, which was less than the roll back rate of 2.5442.
- Operating grants, capital grants and contributions accounted for \$2,088,859 or 12% of total revenues.
- Property taxes decreased due to a 5.8% decrease in property values.
- Franchise fees decreased due to a reimbursement that Florida Power & Light was required to make which in turn reduced the electric franchise fees.
- Intergovernmental revenues increased mainly from sales taxes.

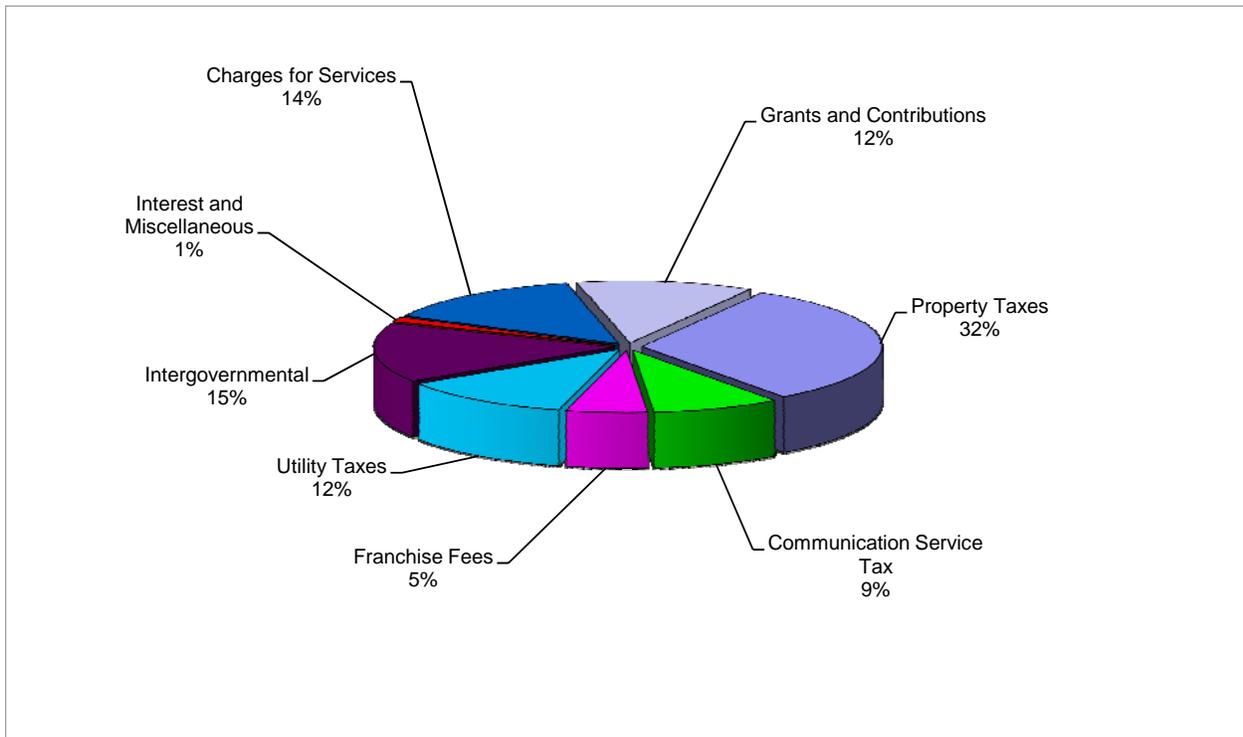
Expenditures:

- General government increased due to the opening of the new Village Municipal Center.
- Public safety increased due to contractual commitments with Miami-Dade County for law enforcement services.
- Parks & recreation increased due to the re-opening of Thalatta Estates after renovations to add an area to accommodate catering services.
- Debt services increased due to the new bond for the municipal center.

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 \$17,102,994, a decrease of \$1,209,758 in comparison with the prior year. Approximately 66% of the ending fund balance or \$11,234,723 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 \$11,491,113, of which \$11,234,723 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 87% of total general fund expenditures, while total fund balance represents 89% of that same amount. The fund balance of the Village's general fund increased \$1,687,137 during the current fiscal year.

Special Revenue Funds are used to account for monies received for a specific purpose. The Village has the following Major Special Revenue Funds:

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 \$128,833 is mainly due to liquidating of funds for the completion of the municipal center.

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 \$86,889 is a result of the transfer of funds from the General Fund.

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 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 decrease in fund balance of \$3,831,298 is attributable to the completion of the new municipal center.

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 \$900,320 as of September 30, 2011.

General Fund Budgetary Highlights

The total operating surplus of \$2,037,137 resulted from surplus revenues of \$315,611 and expenditure savings of \$1,721,526. There was a transfer out of \$200,000 of restricted funds to the Special Revenue Funds. The net result is an increase in fund balance of \$1,687,137.

The most significant variances are:

REVENUES:

Franchise Fees – decrease of \$371,888 due to a reimbursement that Florida Power & Light was required to make which in turn reduced the electric franchise fees.

Intergovernmental – had a surplus of \$288,766, mainly from sales tax receipts.

Charges for Services – had a surplus of \$278,950 from increased activity from park rentals.

EXPENDITURES:

Manager/Clerk – Savings of \$146,608 were realized mainly from salaries and benefits, as some positions were not filled.

Village Attorney – Savings of \$187,177 as litigations were delayed or settled.

Other General Government – Savings of \$641,010 mainly from over estimating operation expenditures of the Municipal Center.

Parks & Recreation – \$405,724 in savings were realized from reduced park operating expenditures, without a reduction in service, and some personnel costs savings from lower summer camp registrations.

Capital Assets and Debt Administration

Capital Assets. The Village’s investment in capital assets as of September 30, 2011, amounted to \$51,577,510 (net of accumulated depreciation). This investment in capital assets includes land, buildings, street and sidewalk improvements, machinery, furniture and equipment. The Village’s net investment in capital assets increased by \$2,937,387 in the current fiscal year.

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

- Municipal Center construction - \$2,306,348

Village of Palmetto Bay
Capital Assets (Net of Depreciation)

	September 30,	
	<u>2011</u>	<u>2010</u>
Governmental activities:		
Land	\$ 23,689,655	\$ 23,689,655
Construction in progress	640,650	4,827,579
Furniture and Equipment	850,357	714,305
Building	12,995,849	5,854,821
Improvements Other than Buildings	8,578,565	8,905,266
Infrastructure	4,822,434	4,648,496
	<hr/>	<hr/>
Governmental activities Capital Assets, net	\$ 51,577,510	\$ 48,640,122

Additional information on the Village’s capital assets can be found in Note 5 on pages 25 of this report.

Long-term Debt. At the end of the current fiscal year, the Village had total debt outstanding of \$17,531,391. 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,	
		2011	2010
	Promissory Note	\$ 1,792,192	\$ 1,979,575
	Revenue Bond	15,739,199	15,985,672
	Total	\$ 17,531,391	\$ 17,965,247

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 26-28.

Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for Miami-Dade County in September 2011 was 11.3% percent, which represents a small decrease of 1.3% percent from the previous year. This is comparable to the state’s average unemployment rate of 10.5% percent and unfavorable to the national average rate of 8.9% percent in September 2011. The unemployment rate of the Village is generally lower than the County. (Source: US Census).
- Inflationary trends in the County at 3.5% are comparable to the national average at 3.2%.
- For the fourth year property value have declined, the Village saw a decrease in property values of 1.28% which is less than the County’s average of 2.76%. The residential sector of the Village did show an increase of .2%.

All of these factors were considered in preparing the Village’s budget for the 2012 fiscal year. During the current fiscal year, unreserved fund balance in the general fund increased to \$11,234,723. The Village has appropriated \$1,011,000 of this amount for capital outlays in the 2012 fiscal year budget. The Village used a millage rate of 2.447 for fiscal year 2012, which is 0.27% greater than the roll back rate of 2.4403.

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, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 12,372,899
Investments	106,302
Receivables	53,399
Due from other governments	2,270,172
Prepaid assets	95,418
Restricted cash and cash equivalents	3,403,759
Deferred charges	361,857
Capital assets not being depreciated	24,330,305
Capital assets being depreciated, net	27,247,205
Total Assets	70,241,316
Liabilities	
Accounts payable	870,594
Accrued liabilities	125,851
Due to other governments	202,510
Noncurrent liabilities:	
Due in one year	693,374
Due in more than one year	17,011,593
Total Liabilities	18,903,922
Net Assets	
Invested in capital assets, net of related debt	36,667,463
Restricted for:	
Capital projects	895,079
Culture and recreation	131,601
Public safety	30,179
General government	55,867
Public transportation operations and maintenance	2,480,569
Debt service reserve	900,320
Charitable and educational projects	2,636
Unrestricted	10,173,680
Total Net Assets	\$ 51,337,394

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

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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	\$ 4,135,715	\$ 992,107	\$ 85,236	\$ 372,000	\$ (2,686,372)
Public safety	6,900,767	397,137	24,058	-	(6,479,572)
Public works	1,211,458	519,786	191,418	1,311,267	811,013
Parks and recreation	2,355,165	554,600	-	104,880	(1,695,685)
Interest on long-term debt	845,619	-	-	-	(845,619)
Total Governmental Activities	\$ 15,448,724	\$ 2,463,630	\$ 300,712	\$ 1,788,147	(10,896,235)
General Revenues					
					5,559,345
					1,515,934
					960,331
					2,052,017
					2,722,512
					114,921
					93,700
					<u>13,018,760</u>
					2,122,525
					<u>49,214,869</u>
					<u>\$ 51,337,394</u>

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

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue Funds							Total Governmental Funds
	General	Grants Fund	Transportation Fund	Stormwater Management	Nonmajor Governmental Funds	Debt Service Fund	Capital Projects Fund	
Assets								
Cash and cash equivalents	\$ 9,543,060	\$ 421,436	\$ 2,410,406	\$ 916,650	\$ 100,767	\$ 900,320	\$ 1,484,019	\$15,776,658
Investments	59,513	-	-	-	-	-	46,789	106,302
Accounts receivable	32,426	-	-	20,973	-	-	-	53,399
Due from other funds	1,292,530	780	-	55,170	5,027	-	-	1,353,507
Due from other governments	1,029,603	941,641	208,552	90,376	-	-	-	2,270,172
Prepaid items	95,418	-	-	-	-	-	-	95,418
Total Assets	\$12,052,550	\$1,363,857	\$ 2,618,958	\$ 1,083,169	\$ 105,794	\$ 900,320	\$ 1,530,808	\$19,655,456
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 174,191	\$ 142,733	\$ 32,912	\$ 256,321	\$ 6	\$ -	\$ 264,431	\$ 870,594
Accrued liabilities	123,759	-	1,167	-	925	-	-	125,851
Due to other funds	60,977	820,846	104,310	105,952	12,964	-	248,458	1,353,507
Due to other governments	202,510	-	-	-	-	-	-	202,510
Total Liabilities	561,437	963,579	138,389	362,273	13,895	-	512,889	2,552,462
Fund Balances								
Nonspendable:								
Prepaid items	95,418	-	-	-	-	-	-	95,418
Restricted for:								
Capital projects	98,783	-	-	-	6,521	-	789,775	895,079
Culture and recreation	-	131,601	-	-	-	-	-	131,601
Public safety	-	30,179	-	-	-	-	-	30,179
General government	-	55,867	-	-	-	-	-	55,867
Public transportation operations and maintenance	-	-	2,480,569	-	-	-	-	2,480,569
Debt service reserve	-	-	-	-	-	900,320	-	900,320
Charitable and educational projects	-	-	-	-	2,636	-	-	2,636
Committed:								
Culture and recreation	-	182,631	-	-	-	-	-	182,631
Other capital projects	-	-	-	-	-	-	228,144	228,144
False alarm projects	-	-	-	-	82,742	-	-	82,742
Drainage projects	-	-	-	720,896	-	-	-	720,896
Assigned:								
Drug Abuse Resistance Education	2,189	-	-	-	-	-	-	2,189
Asset replacement	60,000	-	-	-	-	-	-	60,000
Unassigned	11,234,723	-	-	-	-	-	-	11,234,723
Total Fund Balances	11,491,113	400,278	2,480,569	720,896	91,899	900,320	1,017,919	17,102,994
Total Liabilities and Fund Balances	\$12,052,550	\$1,363,857	\$ 2,618,958	\$ 1,083,169	\$ 105,794	\$ 900,320	\$ 1,530,808	
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.								51,577,510
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								(17,531,391)
Compensated absences								(173,576)
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								361,857
Net Assets of Governmental Activities								\$51,337,394

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

VILLAGE OF PALMETTO BAY, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds							Total Governmental Funds
	General	Grants Fund	Transportation Fund	Stormwater Management	Nonmajor Governmental Funds	Debt Service Fund	Capital Projects Fund	
Revenues								
Real and personal property taxes	\$ 5,559,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,559,345
Utility taxes	2,052,017	-	-	-	-	-	-	2,052,017
Communication service tax	1,515,934	-	-	-	-	-	-	1,515,934
Franchise fees	960,331	-	-	-	-	-	-	960,331
Intergovernmental	2,722,512	1,159,742	929,117	-	-	-	-	4,811,371
Licenses and permits	992,107	-	-	-	-	-	-	992,107
Fines and forfeitures	328,385	-	-	-	-	-	-	328,385
Charges for services	554,600	-	-	519,786	68,752	-	-	1,143,138
Interest	92,605	886	6,017	1,873	481	643	12,416	114,921
Miscellaneous	81,847	5,332	1,410	1,290	2,050	-	1,771	93,700
Total Revenues	14,859,683	1,165,960	936,544	522,949	71,283	643	14,187	17,571,249
Expenditures								
Current:								
General government	3,003,835	289,024	202,891	984	63,570	-	140,654	3,700,958
Public safety	6,888,043	-	-	-	-	-	-	6,888,043
Public works	528,386	14,519	355,850	26,864	-	-	39,043	964,662
Parks and recreation	1,524,692	-	-	-	-	-	-	1,524,692
Capital outlay	30,895	991,250	217,412	426,787	-	-	2,766,111	4,432,455
Debt service:								
Principal payments	255,000	-	187,383	-	-	-	-	442,383
Interest and fiscal charges	741,695	-	86,119	-	-	-	-	827,814
Total Expenditures	12,972,546	1,294,793	1,049,655	454,635	63,570	-	2,945,808	18,781,007
Excess (Deficiency) of Revenues Over Expenditures	1,887,137	(128,833)	(113,111)	68,314	7,713	643	(2,931,621)	(1,209,758)
Other Financing Sources (Uses)								
Transfers in	-	-	200,000	-	-	899,677	-	1,099,677
Transfers out	(200,000)	-	-	-	-	-	(899,677)	(1,099,677)
Total Other Financing Sources (Uses)	(200,000)	-	200,000	-	-	899,677	(899,677)	-
Net change in fund balances	1,687,137	(128,833)	86,889	68,314	7,713	900,320	(3,831,298)	(1,209,758)
Fund Balances - Beginning	9,803,976	529,111	2,393,680	652,582	84,186	-	4,849,217	18,312,752
Fund Balances - Ending	\$ 11,491,113	\$ 400,278	\$ 2,480,569	\$ 720,896	\$ 91,899	\$ 900,320	\$ 1,017,919	\$ 17,102,994

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**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities (Page 12) are different because:

Net change in fund balances - total government funds	\$ (1,209,758)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital outlay exceeds depreciation in the current period:

Details of the difference are as follows:

Cost of assets	\$ 4,432,455	
Depreciation expense	(1,495,068)	
		2,937,387

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 difference are as follows:

Amortization of discount on bonds issued	(9,278)	
Amortization of debt issuance costs	(8,527)	
Principal payments on debt	442,383	
		424,578

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

Details of the difference are as follows:

Change in compensated absences	(29,682)
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Change in Net Assets of Governmental Activities	<u><u>\$ 2,122,525</u></u>
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The accompanying notes are an integral part of these financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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, 2010. 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, 2011

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, 2011

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

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

The **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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

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 – Beginning with fiscal year 2011, the Village implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund Balance Classification (Continued) –

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.

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 30, 2012, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 2 – Deposits and Investments

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

Investments – The Village is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (the “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, 2011, the fair value factor for Fund B was .7568386 per 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.

As of September 30, 2011, the Village had the following cash equivalents and investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Florida PRIME	\$ 134,173	38 days
Fund B	\$ 106,302	4.82 years

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 2 – Deposits and Investments (Continued)

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. The 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 through 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, 2011 was 2.4470 mills.

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of 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, 2011, there were no material delinquent taxes.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 4 – Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables - Interfund receivable and payable balances at September 30, 2011 are as follows:

Receivable Fund	Payable Fund						Total
	General	Grants Fund	Transportation Fund	Capital Projects Fund	Stormwater Management Fund	False Alarm Fund	
General Fund	\$ -	\$ 820,846	\$ 104,310	\$ 248,458	\$ 105,952	\$ 12,964	\$ 1,292,530
Grants Fund	780	-	-	-	-	-	780
Stormwater Management Fund	55,170	-	-	-	-	-	55,170
False Alarm Fund	5,027	-	-	-	-	-	5,027
	<u>\$ 60,977</u>	<u>\$ 820,846</u>	<u>\$ 104,310</u>	<u>\$ 248,458</u>	<u>\$ 105,952</u>	<u>\$ 12,964</u>	<u>\$ 1,353,507</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 \$200,000 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 also transfers of \$899,677 from the capital projects fund to the debt service fund. These transfers were used to accumulate funds for principal and interest payments of long-term debt that matures in future years.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2011 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	4,827,581	640,650	4,827,581	640,650
Total capital assets not being depreciated	<u>28,517,236</u>	<u>640,650</u>	<u>4,827,581</u>	<u>24,330,305</u>
Capital assets being depreciated:				
Furniture and equipment	1,653,466	421,398	-	2,074,864
Buildings	6,392,463	7,607,699	-	14,000,162
Improvements other than buildings	10,543,048	232,963	-	10,776,011
Infrastructure	5,169,542	357,326	-	5,526,868
Total capital assets being depreciated	<u>23,758,519</u>	<u>8,619,386</u>	<u>-</u>	<u>32,377,905</u>
Less accumulated depreciation for:				
Furniture and equipment	939,161	285,346	-	1,224,507
Buildings	537,641	466,672	-	1,004,313
Improvements other than buildings	1,637,783	559,663	-	2,197,446
Infrastructure	521,047	183,387	-	704,434
Total accumulated depreciation	<u>3,635,632</u>	<u>1,495,068</u>	<u>-</u>	<u>5,130,700</u>
Total capital assets, being depreciated net	<u>20,122,887</u>	<u>7,124,318</u>	<u>-</u>	<u>27,247,205</u>
Governmental activities capital assets, net	<u>\$ 48,640,123</u>	<u>\$ 7,764,968</u>	<u>\$ 4,827,581</u>	<u>\$ 51,577,510</u>

Depreciation expense charged to the functions or programs of the Village for the year ended September 30, 2011 was as follows:

General government	\$ 405,075
Public safety	12,724
Transportation	246,796
Culture and recreation	830,473
Total depreciation expense - governmental activities	<u>\$ 1,495,068</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 6 – Long-Term Debt

Long-term debt activity for the year ended September 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds and loans payable:					
Bonds payable:					
FMLC Bonds - Series 2005D	\$ 1,375,000	\$ -	\$ (30,000)	\$ 1,345,000	\$ 35,000
FMLC Bonds - Series 2010B	14,780,000	-	(225,000)	14,555,000	290,000
Less deferred amounts:					
Issuance discount	(59,239)	-	987	(58,252)	-
Deferred amount on refunding	(110,089)	-	7,540	(102,549)	-
Total Bonds Payable	<u>15,985,672</u>	<u>-</u>	<u>(246,473)</u>	<u>15,739,199</u>	<u>325,000</u>
Loans payable:					
Promissory Note 2007	1,979,575	-	(187,383)	1,792,192	194,798
Total Loans Payable	<u>1,979,575</u>	<u>-</u>	<u>(187,383)</u>	<u>1,792,192</u>	<u>194,798</u>
Compensated absences	<u>143,894</u>	<u>173,576</u>	<u>(143,894)</u>	<u>173,576</u>	<u>173,576</u>
Long Term Liabilities	<u>\$ 18,109,141</u>	<u>\$ 173,576</u>	<u>\$ (577,750)</u>	<u>\$ 17,704,967</u>	<u>\$ 693,374</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 \$91,000 and \$175,000, respectively. The total principal and interest remaining on the bonds is \$2,260,119. 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, 2011

Note 6 – Long-Term Debt (Continued)

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ 35,000	\$ 59,315	\$ 94,315
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
2017-2021	215,000	247,650	462,650
2022-2026	270,000	193,250	463,250
2027-2031	345,000	123,075	468,075
2032-2035	335,000	38,475	373,475
Total	<u>\$ 1,345,000</u>	<u>\$ 887,012</u>	<u>\$ 2,232,012</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 \$750,000, respectively. The total principal and interest remaining on the bonds is \$2,094,939. 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
2012	\$ 194,798	\$ 67,069	\$ 261,867
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
2017-2019	738,000	47,601	785,601
Total	<u>\$ 1,792,192</u>	<u>\$ 302,747</u>	<u>\$ 2,094,939</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

Note 6 – Long-Term Debt (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 \$25,944,520. 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 November 30, 2011, Standard & Poor’s Rating Service (S&P) downgraded the rating assigned to Assured Guaranty Limited (“Assured”) from “AA+” to “AA-“ with a stable look. Assured is the bond insurer for the Florida Municipal Loan Council Revenue Bonds, Series 2010 (“Bonds”). S&P downgrade of Assured has caused the insured rating assigned to the Bonds to likewise be downgraded to “AA-“.

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ 290,000	\$ 596,450	\$ 886,450
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
2017-2021	1,785,000	2,655,862	4,440,862
2022-2026	2,140,000	2,307,263	4,447,263
2027-2031	2,625,000	1,831,340	4,456,340
2032-2036	3,280,000	1,197,600	4,477,600
2037-2040	3,205,000	385,650	3,590,650
Total	<u>\$ 14,555,000</u>	<u>\$ 11,289,516</u>	<u>\$ 25,844,516</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, 2011

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 \$101,151 and the Village contributed \$231,058 to the Plan for the year ended September 30, 2011.

Note 8 – Commitments and Contingencies

Quality Neighborhood Improvement Program (QNIP) - The Village is required to pay Miami-Dade County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 issued prior to the Village's incorporation. The payment for the period ended September 30, 2011 was approximately \$191,000. Subsequent to September 30, 2011, Miami-Dade County refinanced its 1999 bond and received a lower interest rate, thereby reducing the Village's remaining annual payments to \$130,000 until the debt is liquidated in fiscal year 2023-2024.

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

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

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 \$6,224,000 during fiscal year ended September 30, 2011.

Construction Commitments - The Village had construction commitments outstanding at September 30, 2011 in the amount of approximately \$88,844 for traffic circle projects, and \$211,811 for drainage renovations.

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO BAY, FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues				
Real and personal property taxes	\$ 5,573,989	\$ 5,573,989	\$ 5,559,345	\$ (14,644)
Utility taxes	1,885,249	1,885,249	2,052,017	166,768
Communication service tax	1,564,134	1,564,134	1,515,934	(48,200)
Franchise fees	1,332,219	1,332,219	960,331	(371,888)
Intergovernmental	2,433,746	2,433,746	2,722,512	288,766
Licenses and permits	1,000,405	1,000,405	992,107	(8,298)
Fines and forfeitures	232,500	232,500	328,385	95,885
Charges for services	275,650	275,650	554,600	278,950
Interest	50,000	50,000	92,605	42,605
Miscellaneous	196,180	196,180	81,847	(114,333)
Total Revenues	14,544,072	14,544,072	14,859,683	315,611
Expenditures				
Current:				
General government:				
Village council	242,237	242,237	171,877	70,360
Village manager/clerk	823,774	823,774	677,166	146,608
Finance department	550,587	550,587	446,629	103,958
Village Attorney	518,000	518,000	330,823	187,177
Other general government	2,049,245	2,049,245	1,408,235	641,010
Total general government	4,183,843	4,183,843	3,034,730	1,149,113
Public safety	6,921,152	6,921,152	6,888,043	33,109
Public works	661,966	661,966	528,386	133,580
Parks and Recreation	1,930,416	1,930,416	1,524,692	405,724
Debt service:				
Principal	255,000	255,000	255,000	-
Interest	741,695	741,695	741,695	-
Total Expenditures	14,694,072	14,694,072	12,972,546	1,721,526
Excess of Revenues Over Expenditures	(150,000)	(150,000)	1,887,137	2,037,137
Other Financing Uses				
Transfers out	(200,000)	(200,000)	(200,000)	-
Total other financing uses	(200,000)	(200,000)	(200,000)	-
Net Change in Fund Balance	\$ (350,000)	\$ (350,000)	\$ 1,687,137	\$ 2,037,137

See notes to budgetary comparison schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

SEPTEMBER 30, 2011

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, 2011

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,636	\$ 6,521	\$ 91,610	\$ 100,767
Accounts receivable	-	-	-	-
Due from other funds	-	-	5,027	5,027
Due from other governments	-	-	-	-
Total Assets	<u>\$ 2,636</u>	<u>\$ 6,521</u>	<u>\$ 96,637</u>	<u>\$ 105,794</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 6	\$ 6
Accrued liabilities	-	-	925	925
Due to other funds	-	-	12,964	12,964
Total Liabilities	<u>-</u>	<u>-</u>	<u>13,895</u>	<u>13,895</u>
Fund Balances				
Restricted	2,636	6,521	-	9,157
Committed	-	-	82,742	82,742
Total Fund Balances	<u>2,636</u>	<u>6,521</u>	<u>82,742</u>	<u>91,899</u>
Total Liabilities and Fund Balances	<u>\$ 2,636</u>	<u>\$ 6,521</u>	<u>\$ 96,637</u>	<u>\$ 105,794</u>

VILLAGE OF PALMETTO BAY, FLORIDA

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Palmetto Bay Foundation	Law Enforcement Trust Fund	False Alarm	Total Nonmajor Governmental Funds
Revenues				
Charges for services	\$ -	\$ -	\$ 68,752	\$ 68,752
Interest	26	18	437	481
Miscellaneous	-	-	2,050	2,050
Total Revenues	<u>26</u>	<u>18</u>	<u>71,239</u>	<u>71,283</u>
Expenditures				
Current:				
General Government	-	-	63,570	63,570
Public works	-	-	-	--
Capital outlay	-	-	-	--
Total Expenditures	<u>-</u>	<u>-</u>	<u>63,570</u>	<u>63,570</u>
Net Change in Fund Balances	26	18	7,669	7,713
Fund Balances - Beginning	<u>2,610</u>	<u>6,503</u>	<u>75,073</u>	<u>84,186</u>
Fund Balances - Ending	<u>\$ 2,636</u>	<u>\$ 6,521</u>	<u>\$ 82,742</u>	<u>\$ 91,899</u>

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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	34 - 37
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	38 - 41
These schedules contain information to help the reader understand and assess the Village's most significant local revenue source, the property tax.	
Debt Capacity	42 - 45
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	46
This schedule offers demographic and economic indicators to help the reader understand the environment within which the Village financial activities take place.	
Operating Information	47 - 50
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 Nine Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Investment in capital assests, 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
Restricted	-	-	1,298,518	1,836,148	1,120,250	916,679	795,730	100,822	4,496,251
Unrestricted	<u>4,417,263</u>	<u>6,199,324</u>	<u>9,894,528</u>	<u>15,733,739</u>	<u>18,100,704</u>	<u>17,930,478</u>	<u>12,504,418</u>	<u>13,729,932</u>	<u>10,173,680</u>
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>\$ 51,337,394</u>

NOTE: There are no Business-type activities

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

VILLAGE OF PALMETTO BAY
Changes in Net Assets
Last Nine Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	\$ 4,135,715
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
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
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
Interest on long-term debt	-	-	19,150	453,676	356,479	427,126	486,744	413,835	845,619
Total governmental activities expenses	<u>\$ 7,268,478</u>	<u>\$ 9,944,240</u>	<u>\$ 11,727,003</u>	<u>\$ 13,727,592</u>	<u>\$ 12,933,751</u>	<u>\$ 13,276,992</u>	<u>\$ 13,748,113</u>	<u>\$ 14,020,795</u>	<u>\$ 15,448,724</u>
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
Public Safety	137,944	116,650	168,660	208,917	196,038	300,551	325,270	482,152	397,137
Building & Permitting/Planning & Zoning ²	60,828	586,450	807,796	989,290	816,283	830,970	-	-	-
Public Works	-	-	-	-	456,685	-	523,417	519,126	519,786
Park & Recreation	-	57,714	101,229	85,011	178,217	925,824	376,785	527,409	554,600
Operating Grants and Contributions	-	3,142	2,621,678	605,000	117,453	1,364	15,321	283,986	300,712
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
Total governmental activities programs revenues	<u>\$ 636,237</u>	<u>\$ 16,475,737</u>	<u>\$ 3,786,796</u>	<u>\$ 8,236,847</u>	<u>\$ 5,581,041</u>	<u>\$ 5,332,672</u>	<u>\$ 4,317,082</u>	<u>\$ 4,552,980</u>	<u>\$ 4,552,489</u>
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)	\$ (10,896,235)
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
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
Franchise taxes	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736	960,331
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
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
Unrestricted investment earnings	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272	114,921
Miscellaneous	4,060	879	245,432	94,904	26,699	121,233	30,618	146,454	93,700
Total governmental activities	<u>\$ 11,085,678</u>	<u>\$ 11,187,337</u>	<u>\$ 11,145,631</u>	<u>\$ 12,583,609</u>	<u>\$ 13,787,498</u>	<u>\$ 14,569,867</u>	<u>\$ 13,812,676</u>	<u>\$ 13,425,050</u>	<u>\$ 13,018,760</u>
Special Item									
Mitigation Settlement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,631,723)	\$ -	\$ -
Change in Net Asset									
Governmental activities	<u>\$ 4,453,437</u>	<u>\$ 17,718,834</u>	<u>\$ 3,205,424</u>	<u>\$ 7,092,864</u>	<u>\$ 6,434,788</u>	<u>\$ 6,625,547</u>	<u>\$ (250,078)</u>	<u>\$ 3,957,235</u>	<u>\$ 2,122,525</u>
Total Primary Government	<u>\$ 4,453,437</u>	<u>\$ 17,718,834</u>	<u>\$ 3,205,424</u>	<u>\$ 7,092,864</u>	<u>\$ 6,434,788</u>	<u>\$ 6,625,547</u>	<u>\$ (250,078)</u>	<u>\$ 3,957,235</u>	<u>\$ 2,122,525</u>

1: The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being Fiscal Year 2003.
2: 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.

VILLAGE OF PALMETTO BAY
Fund Balances, Governmental Fund:
Last Nine Fiscal Years¹
(modified accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund									
Non-Spendable	\$ -	\$ -	\$ 100	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 95,418
Restrictec	-	-	-	-	2,753,204	2,753,041	172,222	161,870	98,783
Assigned	-	-	-	-	-	-	20,000	40,000	62,189
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
Total General Func	<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>
All Other Governmental Fund:									
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
Debt Service Func	-	-	-	-	-	-	-	-	900,320
Capital Projects Fund:	-	-	33,559	-	-	-	96,814	141,358	789,775
Committed									
Special Revenue Funds:	-	-	-	-	-	-	1,247,431	2,610	986,269
Capital projects fund:	-	-	1,433,241	7,400,579	6,939,139	3,597,846	3,847,446	4,849,217	228,144
Total All Other Governmental Fund:	<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>
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>

1: The Village of Palmetto Bay was newly incorporated in September 2002, with our first year of operation being Fiscal Year 21

VILLAGE OF PALMETTO BAY
Change in Fund Balances, Governmental Funds
Last Nine Fiscal Years¹
(modified accrual basis of accounting)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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
Franchise Fees	900,000	800,967	828,052	837,003	1,169,359	1,371,130	1,308,472	1,345,736	960,331
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
Licenses and permits	154,828	674,435	895,229	1,060,608	915,151	948,423	916,567	1,076,930	992,107
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
Charges for services	-	58,899	80,713	85,011	634,902	925,824	983,852	1,127,530	1,143,138
Interest	46,906	77,050	208,533	531,872	979,743	527,081	306,355	157,272	114,921
Miscellaneous fees	4,060	4,018	245,432	94,904	326,699	141,594	30,618	157,349	93,700
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>
Expenditures:									
General Government ²	\$ 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
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
Public works	190,219	576,370	788,776	851,623	1,403,025	1,121,576	986,779	859,870	964,662
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
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
Debt service									
Principal Payments	5,196	36,655	942,992	2,739,270	153,496	295,308	407,840	627,552	442,383
Interest Expense	857	5,559	19,150	386,610	402,240	433,484	472,939	233,586	827,814
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>
Excess of revenues over (under)expenditure:	<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>
Other Financing Sources (Uses):									
Transfer In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,193,404	\$ 1,564,425	\$ 1,099,677
Transfer Out	-	-	-	-	-	-	(1,193,404)	(1,564,425)	(1,099,677)
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>
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>
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%

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

2: 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 Nine Fiscal Years⁵
 (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%

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

1: Includes tax-exempt property.

2: Property tax information not available.

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

4: Detail not available for real property.

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

N/A - Information not available

VILLAGE OF PALMETTO BAY
Property Tax Rates
Direct and Overlapping Governments
Last Nine Fiscal Years¹

Fiscal Year	Village of Palmetto Bay Direct Rates		Overlapping Rates				Total Millage
	Basic Rate	Total Direct	School District	State Rates	Miami Dade County	Special District Millages	
2003	-	-	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

Information Obtained from Miami-Dade County Department of Property Appraisal

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

VILLAGE OF PALMETTO BAY
Principal Property Tax Payers
As of September 30, 2011

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2011</u>			<u>2005¹</u>			<u>Percentage of Total City Taxable Value</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>	
17777 Old Cutler RD LLC	Office Building	\$ 30,457,093	1	1.32%	Office Building	\$ 17,159,234	3	0.85%
Brandsmart USA	Retail Outlet	29,700,000	2	1.28%	Retail Outlet	24,324,981	1	1.21%
Metropolitan Life Insurance	Retail Outlet	19,100,000	3	0.83%	Retail Outlet	21,805,507	2	1.08%
Autonation USA Corp	Automotive	14,936,437	4	0.65%	Automotive	10,719,686	4	0.53%
Equity One Inc.	Retail Outlet	13,326,633	5	0.58%	Retail Outlet	6,388,995	10	0.32%
Gus Machado Kendall LLC	Automotive	10,673,270	6	0.46%				
Fla Power & Light	Utility	10,058,844	7	0.43%	Utility	10,058,844	6	0.50%
South Motor Company of Dade Co	Retail Outlet	9,534,799	8	0.41%				
Publix Supermarket	Retail Outlet	9,451,696	9	0.41%				0.00%
Gramercy Park Nursing Care Ctr	Health Care	9,240,072	10	0.40%	Health Care	7,638,511	8	0.38%
GIR Florida LLC					Automotive	10,100,407	5	0.50%
Royal Coast Apartments Assoc. Ltd.					Multifamily	8,511,985	7	0.42%
Coral Colony Associates					Multifamily	6,415,482	9	0.32%
Total		<u>\$ 156,478,844</u>		<u>6.77%</u>		<u>\$ 123,123,632</u>		<u>6.11%</u>
Total Assessed Value		\$ 2,313,431,060				\$ 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 Nine Fiscal Years⁵

<u>Fiscal Year</u>	<u>Total Tax Levy¹</u>	<u>Current Tax Collections²</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections²</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collection to Total Tax Levy</u>	<u>Outstanding Delinquent Taxes³</u>	<u>Ratio of Delinquent Taxes to Total Tax Levy</u>
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%	14,827	0.3%

1: Information taken from Certification of Taxable Value.

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

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

4: Information not available.

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

VILLAGE OF PALMETTO BAY
Ratios of Outstanding Debt, By Type
Last Nine Fiscal Years¹

Fiscal Year	Special Revenue Bonds	Capital Leases	Total	Percentage of Personal Income ³	Per Capita ²
2003	\$ -	\$ 45,135	\$ 45,135	N/A	\$ -
2004	-	151,369	151,369	N/A	-
2005	1,495,000	2,808,377	4,303,377	N/A	174
2006	7,495,000	69,107	7,564,107	N/A	304
2007	9,841,504	39,003	9,880,507	N/A	398
2008	9,545,107	7,926	9,553,033	N/A	380
2009	11,743,758	-	11,743,758	N/A	467
2010	18,109,141	-	18,109,141	N/A	721
2011	17,704,967	-	17,704,967	N/A	703

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 newly incorporated in September 2002, with our first year of operation being Fiscal Year 2003.

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, 2011

	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	\$ 1,062,146,000	1.02%	\$ 10,833,889	\$ 431
School Board ³	216,005,000	1.02%	2,203,251	88
	<u>\$ 1,278,151,000</u>		<u>\$ 13,037,140</u>	<u>\$ 519</u>
Direct				
Village Direct Debt	<u>\$ 17,704,967</u>	100.00%	<u>\$ 17,704,967</u>	<u>\$ 703</u>
Total direct and Overlapping Debt	<u>\$ 1,295,855,967</u>		<u>\$ 30,742,107</u>	<u>\$ 1,222</u>

1: Population for Village of Palmetto Bay obtained from Bureau of Economic and Business Research, as of April 2009 used for FY2011; Village of Palmetto Bay - 25,133 and Miami-Dade County - 2,472,344

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

3: Information obtain fromn Miami-Dade School Board.

VILLAGE OF PALMETTO BAY
 Legal Debt Service Margin Information
 Last Nine Fiscal Years¹

Legal Debt Service Margin Calculation	Fiscal Year								
	2003 ²	2004	2005	2006	2007	2008	2009	2010	2011
Total General Fund Revenues ⁴	\$ -	\$ 12,081,941	\$ 14,932,427	\$ 20,820,456	\$ 19,147,536	\$ 19,836,867	\$ 18,215,791	\$ 17,988,925	\$ 17,571,249
Debt Service Limit (20% of General Fund Revenues) ³	-	2,416,388	2,701,437	3,575,288	3,996,799	3,898,440	3,805,266	3,620,472	3,556,017
Debt Service applicable to limit	-	-	96,933	461,534	723,402	723,402	1,033,826	1,256,551	1,256,551
Legal debt service margin	<u>\$ -</u>	<u>\$ 2,416,388</u>	<u>\$ 2,604,504</u>	<u>\$ 3,113,754</u>	<u>\$ 3,273,397</u>	<u>\$ 3,175,038</u>	<u>\$ 2,771,440</u>	<u>\$ 2,363,921</u>	<u>\$ 2,299,466</u>
Total debt service applicable to the limit as a percentage of debt service limit		0.00%	3.59%	12.91%	18.10%	18.56%	27.17%	34.71%	35.34%

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

2: Information not available for fiscal year 2003

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

4: 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).

VILLAGE OF PALMETTO BAY
Pledged-Revenue Coverage
Last Nine³ Fiscal Years¹

Fiscal Year	Library Bonds					Special Revenue Bonds				
	Rent ² Revenue	Debt Service Requirements			Coverage	Non-Advalorem Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total			Principal	Interest	Total	
2003	\$ -	\$ -	\$ -	\$ -	0.00	\$ -	\$ -	\$ -	\$ -	0.00
2004	-	-	-	-	0.00	-	-	-	-	0.00
2005 ³	-	-	-	-	0.00	-	-	-	-	0.00
2006	-	-	67,637	67,637	0.00	8,265,097	-	-	-	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	9,300,297	225,000	679,463	904,463	10.28

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

2: The Village has a contract with the County to rent the facility for the life of the debt.

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

VILLAGE OF PALMETTO BAY
Demographic and Economic Statistics,
Last Nine Fiscal Years¹

Fiscal Year	Population²	Total Personal Income³	Per Capita Income³	Median Age³	Public School Enrollment⁴	Unemployment Rate³
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	N/A	N/A	N/A	3,728	N/A

N/A Information not available for year indicated.

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

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

3: Amounts obtained from the U.S. Census Bureau.

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

VILLAGE OF PALMETTO BAY
Principal Employers
As of September 30, 2011

<u>Employer</u>	<u>2011</u>			<u>2005²</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Population¹</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Village Population¹</u>
South Motors	418	1	1.66%	592	1	2.39%
Dade County Schools	351	2	1.40%	419	2	1.69%
Walgreen	291	3	1.16%	0		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		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		0.00%	100	10	0.40%
	<u>2,368</u>		<u>9.43%</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 Nine Fiscal Years¹

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

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

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

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

FT - Full Time

PT - Part Time

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

VILLAGE OF PALMETTO BAY
 Operating Indicators by Function/Program-Statistical
 Last Nine Fiscal Years¹

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police									
Arrests	N/A	798	493	701	377	331	270	511	335
Targeted Crimes ³	N/A	N/A	N/A	N/A	N/A	429	395	386	432
False Alarms ²	N/A	N/A	N/A	N/A	N/A	2,145	1,632	1,562	1,551
Culture and Recreation									
Park rentals	0	98	141	237	182	319	404	599	844
Summer Camp Registrants	0	0	0	0	792	988	731	590	665
Planning & Zoning									
Code Violation	N/A	23	209	235	345	695	940	658	637
Zoning Hearing	N/A	11	11	12	11	7	8	29	7
Building Permits									
Residential	N/A	2,981	4,542	5,648	3,973	3,744	2,895	1486	2652
Commercial	N/A	466	497	832	614	544	666	644	687
Inspections	N/A	5,368	7,470	10,392	8,646	7,310	5,955	6507	8387
Manager/Clerk									
Ordinances	15	25	13	15	35	23	28	127	83
Resolutions	111	106	109	130	126	125	99	14	12
Public Works									
Roads Resurfaced (miles)	0.00	5.20	4.07	8.44	6.00	12.88	2.17	8.16	4.66
Finance									
Deposits	0	357	403	480	510	902	1089	1604	1282
Checks	0	1,159	1,369	1,821	1,866	1,775	2130	2142	2152

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

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

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

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

VILLAGE OF PALMETTO BAY
 Capital Asset Statistics by Function/Program-Statistical
 Last Nine Fiscal Years¹

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

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

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COMPLIANCE SECTION



Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *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, 2011, which collectively comprise the Village's basic financial statements and have issued our report dated March 30, 2012. 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 30, 2012.

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, Bebaert & Holland, L.L.P.

Coral Gables, Florida
March 30, 2012



Report of Independent Certified Public Accountants on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of Village of Palmetto Bay, Florida (the "Village") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended September 30, 2011. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

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

In our opinion, the Village complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-1.

Internal Control over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and

material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Village's response to the finding identified in our audits is described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and accordingly, we express no opinion on it.

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, Behaert & Holland, L.L.P.

Coral Gables, Florida
March 30, 2012

VILLAGE OF PALMETTO BAY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title/Grant Number	Federal CFDA Number	Federal Expenditures
		<u> </u>
United States Department of Justice:		
Passed through Miami Dade County		
Justice Assistance Grant Cluster:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 15,935
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	<u>8,123</u>
Total United States Department of Justice		<u>24,058</u>
 United States Department of Transportation:		
Passed through the State of Florida Department of Transportation		
Highway Planning and Construction Cluster		
ARRA - Highway Planning and Construction	20.205	<u>343,693</u>
Total United States Department of Transportation		<u>343,693</u>
 United States Department of Energy:		
ARRA - Energy Efficiency and Conservation Block Grant	81.128	<u>372,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 739,751</u></u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2011

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal awards activity of the Village of Palmetto Bay, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Contingencies

Expenditures incurred by the Village associated with the execution of various grants are subject to audit and possible disallowance by the grantor agency. The Village would be held responsible for recovery (reimbursement to the grantor agency) of disallowed amounts. Management believes that, if audited, any adjustment for disallowed expenses would be immaterial in amount.

VILLAGE OF PALMETTO BAY, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be a material weakness	No
Noncompliance material to financial statements noted	No

Federal Awards Program

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiency identified not considered to be a material weakness	No
Type of auditors' report issued on compliance for major programs	Unqualified
Audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>Federal Program or Cluster</u>	<u>CFDA No.</u>
Highway Planning and Construction Cluster	
ARRA - Highway Planning and Construction	20.205
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

VILLAGE OF PALMETTO BAY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Section II - Financial Statement Audit Findings

None

Section III - Federal Award Findings and Questioned Costs

2011-1 American Recovery and Reinvestment Act of 2009 (the "Act") - Highway Planning and Construction – CFDA No. 20.205, Grant period – Year Ended September 30, 2011

Condition: The Village of Palmetto Bay, Florida (the "Village") did not submit monthly reports as required by the Act.

Criteria: Recipients of Federal awards from funds authorized under the Act must comply with all requirements specified, including reporting requirements outlined in the Act. For purposes of reporting, recipients must submit monthly reports no later than 10 days after the end of each month.

Cause: The Village did not obtain necessary documentation from the contractor and was therefore unable to comply with the reporting requirements of the Act.

Effect: The Village was not in compliance with the reporting requirements of the Act.

Recommendation: The Village should establish procedures whereby it requests and obtains required documentation from the contractor that will allow it to prepare and submit monthly reports in a timely manner in order to comply with the reporting requirements of the Act.

Views of Responsible Officials and Planned Corrective Actions: The Village is aware of the findings from an audit conducted by the Florida Department of Transportation. The Village is currently working with the contractor to obtain the information that will allow it to be fully in compliance with the reporting requirements under the Act.

VILLAGE OF PALMETTO BAY, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2011

PRIOR YEAR COMMENTS AND STATUS

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings reported in the fiscal year ended September 30, 2010.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal awards findings and questioned costs reported in fiscal year ended September 30, 2010.



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, 2011, and have issued our report thereon dated March 30, 2012.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and Compliance and Other Matters, Report of Independent Certified Public Accountants on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 30, 2012, 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 or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No recommendations were made in the preceding annual financial report or schedule.

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, 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 30, 2012.

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, 2011, 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, 2011. 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.

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

Cherry, Bekaert & Holland, L.L.P.

Cherry, Bekaert & Holland, L.L.P.
March 30, 2012

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