



*City of Palmetto
Florida*

Comprehensive Annual Financial Report

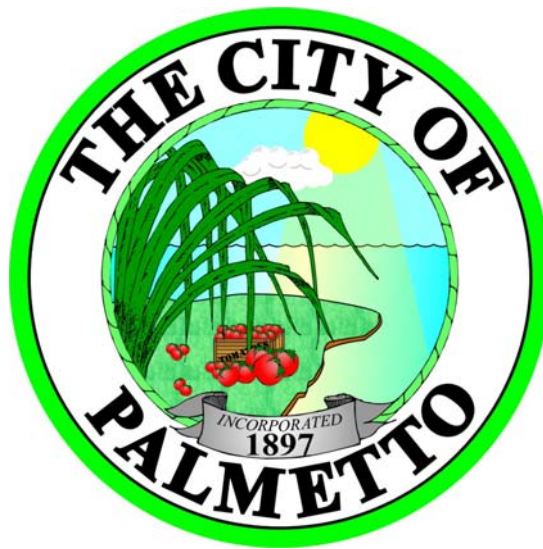
Fiscal Year Ended September 30, 2010

GEORGE J. LEE

*Comprehensive Annual
Financial Report*

City of Palmetto Florida

For the Fiscal Year Ended
September 30, 2010



Prepared By
The Finance Department

Karen L. Simpson, CGFO
Deputy Clerk of Finance

CITY OF PALMETTO, FLORIDA

FINANCIAL STATEMENTS

For the Fiscal Year Ended

September 30, 2010

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Introductory Section



Gateway to Historic Palmetto



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E-mail: chgeneral@palmettofl.org
Web: www.palmettofl.org

March 3, 2011

To the Citizens of the City of Palmetto, Florida:

State law requires that all general purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, I present to you the Comprehensive Annual Financial Report of the City of Palmetto, Florida, for the fiscal year ended September 30, 2010.

This report consists of management's representations concerning the finances of the City of Palmetto. Management assumes full responsibility for the reliability and completeness of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. The City of Palmetto has designed internal controls to provide reasonable assurance that the financial statements are free from any material misstatement. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain a comprehensive understanding of the City's financial activity have been included.

The City of Palmetto's basic financial statements have been audited by independent certified public accountants, CPA Associates. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2010, are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Palmetto's financial statements for the fiscal year ended September 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. This report and the management letter are included in the Management 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 City of Palmetto's MD&A can be found immediately following the report of the independent auditors.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmetto for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009. This was the fifth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

THE CITY

The City of Palmetto, Florida, was incorporated in 1897. The current charter was approved by the voters on November 2, 2010. The government of the City consists of a Legislative Branch comprised of five elected Commissioners and an Executive Branch consisting of an elected Mayor. Three of the five electors are elected by the electors of wards. The remaining two Commissioners are elected at-large by the electors of the entire City. The Mayor appoints all appointed officers of the City and the Commission has the power to confirm such appointments.

The City provides a range of municipal services. The public safety operation includes police protection, as well as building, code compliance and zoning. Recreational services include numerous neighborhood parks, recreational trails, tennis and basketball courts, and estuary parks. Public Works provides essential street and highway maintenance, landscaping, solid waste, water, sewer, stormwater and reuse water for irrigation. Other services provided include planning, redevelopment, engineering, and general administrative services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests to the City Clerk's office. The City Clerk's office compiles the budget requests from all departments and develops the city-wide proposed budget. The proposed budget is presented to Commission for review in July. Public hearings are held in late summer and early fall, prior to adopting the final budget before September 30th, of each year. The appropriated budget is prepared by fund and department, and monthly reporting is done to monitor the results during the year.

ECONOMIC CONDITION AND OUTLOOK

Palmetto is a waterfront community located on the Gulf Coast of Florida, midway between Tampa/St. Petersburg to the north and Sarasota to the south. Palmetto is at the crossroads of Southwest Florida's largest commercial centers. It is home to the thriving Port Manatee and is the hub of Manatee County's agricultural industry, which ranks in the top ten for agricultural sales in Florida. Nearly three million Floridians live within a 50-mile radius of Palmetto, creating one of the state's most stable marketplaces. Nine public and private universities and colleges are within 45-minutes of the City, along with many of Florida's most noted attractions, museums and beaches.

As with most cities throughout Florida, 2010 proved to be another difficult year, as development and construction within the City continues to struggle. In addition, foreclosures and abandoned properties is a direct result of the challenges facing citizens throughout the State of Florida. This declining economic environment has placed additional demands on the City to ensure the health, safety, and welfare of the community is maintained. In an attempt to lessen the impact associated with foreclosures, the City passed an abandoned property ordinance which requires owners and banks to register foreclosed properties. Despite recent cutbacks, the City has increased the efficiency of our remaining resources to minimize the impact to our citizens. State-wide unemployment continued rising during 2010, reaching a high of 12.3%. Unemployment in North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) reached a high of 13.4%, but has decreased to 12.3% as of November 2010. Now is the time for the citizens of the City to work together and help one another get through this challenging economic environment. With the help of our Community Redevelopment Agency (CRA) we have implemented a variety of programs to promote growth and economic development. During 2010 the City passed our 2030 comprehensive plan which will help guide the future development throughout the City. In addition, storefront grants are available for commercial businesses and a new residential rehabilitation program was started during 2010. Although the City has experienced a slowdown in development, we continue to look for growth opportunities, while maintaining the "Old Florida" charm that residents and visitors have come to love. The City boasts twelve public parks, numerous festivals, movies in the park and a variety of residential options for every lifestyle. Options include waterfront single family homes, to golf and country club communities, to "Old World" homes in the historic downtown district. In recent years, several condominium developments were completed, many of which offer robust amenities and dramatic water views.

Palmetto is faced with increasing costs, increasing demand for services, reduced funding and unfunded mandates by state and federal governments. Despite the increased demand for services and rising costs, the Florida Legislature passed property tax legislation in 2007 that is estimated to reduce local tax revenues by \$15 billion over five years. As part of the fiscal year 2007-2008 budget, all cities throughout Florida were required to roll-back the tax levies to 2006-2007 levels. In addition, cities were required to further reduce the tax levy based on the relative per capita property tax increase between 2001 and 2007 as compared to the statewide average. This equated to an additional 9% reduction for Palmetto. In January 2008, voters approved amendments to the Florida Constitution which will further reduce tax revenues for the City. More specifically, the homestead exemption was increased by \$25,000, a \$25,000 exemption for tangible personal property was approved and homeowners can now "port" up to \$500,000 of save our homes benefit. The constitutional amendment also provides an annual ten percent cap for non-homesteaded property. Palmetto was the only city in Manatee County that experienced a

positive change in gross taxable value from 2007 to 2008. However, tax assessments for 2009 and 2010 were down 13% and 18% respectively, which made the budget process difficult. Lower assessments meant fewer dollars for the fiscal year 2011 budget that was recently passed. Decreasing revenues, combined with increasing costs for items such as health care and pensions, proved to be very challenging for the City. Despite the economic challenges, the City remains committed to providing the best possible service to our citizens. The City Commission is committed to a fiscally sound program designed to increase the tax base, by supporting the Community Redevelopment Agency (CRA) activities, promotion of the Enterprise Zone Incentives and by enhancement of the City's image and quality of life via adoption of the Five Year Capital Improvement Plan.

Despite the economic downturn and challenging financial environment, we continue in our efforts towards diversification and expansion of local businesses, enhancing communication with the community and developing tools to provide even more security to our residents and businesses.

The City's water, sewer, reuse and drainage infrastructure continues to be improved and expanded to serve the increasing demands of commercial and residential customers. Going forward, the City will rely heavily on grant dollars to fund capital infrastructure projects. In recent months we have had great success in obtaining grant dollars to fund several projects.

The exercise of fiscal restraint, the safeguarding and control of the City's resources, and continued growth in its tax base and utility customers give cause for challenge, optimism and excitement for the future.

MAJOR INITIATIVES

For the Year:

During 2010, Palmetto annexed two properties totaling approximately .6 acres for right of way associated with the proposed 10th Ave extension near 23rd street.

The City was awarded approximately \$1,300,000 in grant funding during fiscal year 2010. This included \$750,000 from Community Development Block Grant (CDBG) for infrastructure improvements in Ward 1, \$500,000 for energy efficiencies upgrades and \$50,000 for police department technology enhancements.

The CRA awarded storefront grants in the amount of \$60,384 for exterior renovations on several commercial properties in the district.

City residents overwhelmingly approved several changes to the City charter during the most recent election in the fall. The changes were put forth to clarify several sections of the charter including, rules for determining legal residency, process to appoint officers, scheduling of the organizational meeting, and veto powers of the Mayor.

It was a busy year for Request for Proposals (RFPs) as the City issued a total of five requests. Areas of interest included Ward I Phase II construction improvements, Banking Services, 23rd Street/Little League Baseball Complex, US 41 & Riverside Improvements, and 10th Street Resurfacing.

City Commission approved approximately \$6,400,000 of capital improvements for 2010, of which \$4,400,000 was funded by proceeds for the sale of land to the school board, loan funds and grant dollars. The remaining \$2,000,000 was unfunded and related to the Little League baseball fields. Major projects include upgrades to the waste water treatment plant (WWTP), street resurfacing, and various street re-alignments and construction.

In an effort to continue reducing inflow and infiltration (I&I) within our sewer system, the City spent the remaining \$300,000 of a \$500,000 grant on manhole repair and relining throughout the City.

Construction activities for two road improvement projects were completed in 2010. Specifically, restriping and the addition of turn lanes at 10th Street and 14th Avenue and 10th Street and 10th Avenue. Both projects will help improve traffic flows in the area.

Engineering for Ward 1 phase 2 was completed, a contractor was selected and construction will begin in spring of 2011. This project includes rehabilitation and installation of new streets, sidewalks, sewer lines and stormwater system. The total cost of improvements is approximately \$2,200,000 and is being funded by the CRA and a \$750,000 CDBG grant.

The CRA began a new Residential Rehabilitation Program in 2010, with the pilot house scheduled for construction later in 2011.

In December of 2010, the new Palmetto Elementary School was completed and children began using the new facility in January 2011. This state of the art facility is a welcomed addition and a much needed improvement for the youth in Palmetto.

The City's 2030 comprehensive plan was adopted during 2010 and will help guide future development throughout the City over the next several years.

The City received the Certificate of Achievement for Excellence in Financial Reporting for the fifth consecutive year. During 2010, for the first time in the City's history, the City also applied for and received the Distinguished Budget Presentation Award for the 2010 budget from the Florida Government Finance Officer's Association (GFOA).

During 2010, our Police Department was re-accredited as part of the three year renewal cycle. This was the fourth consecutive time for our Police department to receive such an honor.

The City completed its fourth year of offering a free "movie in the park" once a month, subsidized by Bright House and Waste Management, providing affordable recreational options to our residents.

For the Future:

Several IT infrastructure upgrades are planned in 2011. The City is converting to a new IP phone system which will help increase functionality and decrease the operational costs to the City. In addition, virtualization of all City servers will provide for easier management of hardware and decrease energy demands. The police department will receive a major upgrade to

their computer aided dispatch (CAD) system in 2011 that will improve mobile applications for all officers.

The construction of a new Little League baseball complex is still a high priority for City leadership. Funding and finalization of the contracted site remain the biggest obstacles for the project. However, City staff is working diligently with other local government agencies to finalize a funding strategy to make this project a reality.

Intersection improvements for a new Haben Blvd. roundabout are out to bid and construction should begin later this summer. The project is being funded with grants and the assistance of the CRA.

The CRA begins design work for a \$1,300,000 5th Street Streetscapes project to begin in or around October 2011. The City hopes to receive up to 50% funding for the project from Southwest Florida Water Management District (SWFWMD).

The CRA also anticipates partnering with SWFWMD to design Streetscape improvements on 10th street estimated at \$2,000,000. Grant application is anticipated in 2011 with construction in 2012.

City Hall will install a new emergency generator later this year that will improve our operational capabilities and continuity of operations in the event of a natural disaster.

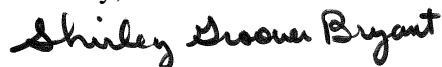
During 2011, the CRA will study the feasibility of building a new Police Department in the highest crime rate portion of the City.

The City will continue to make improvements at the wastewater treatment plant to ensure renewal of our operating permit. Many of these upgrades will be funded with grant dollars.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was accomplished through the diligent efforts of the City Clerk's Office, the Finance Department, and other City staff. I would like to express my appreciation to the firm of CPA Associates for their cooperation and assistance throughout the year.

Sincerely,



Shirley Groover Bryant, Mayor
City of Palmetto

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palmetto
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director



CITY OF PALMETTO, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2010

LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

SHIRLEY GROOVER BRYANT	MAYOR
TAMARA CORNWELL	VICE MAYOR, COMMISSIONER AT LARGE
MARY LANCASTER	COMMISSIONER, WARD 1
TAMBRA VARNADORE	COMMISSIONER, WARD 2
BRIAN WILLIAMS	COMMISSIONER, WARD 3
ALAN ZIRKELBACH	COMMISSIONER AT LARGE

OFFICE OF THE CITY CLERK

JAMES R. FREEMAN	CITY CLERK
KAREN SIMPSON	DEPUTY CLERK - FINANCE
DIANE PONDER	DEPUTY CLERK - ADMINISTRATION

PUBLIC WORKS

ALLEN TUSING	DIRECTOR
GRACE JOHNSON	DEPUTY DIRECTOR - ADMINISTRATION
FRANK WOODARD	DEPUTY DIRECTOR - PROJECT MANAGEMENT
DUANE KINN	DEPUTY DIRECTOR – OPERATIONS
GEOFF SEGER	DEPUTY DIRECTOR – PARKS AND RECREATION

POLICE DEPARTMENT

RICK WELLS	POLICE CHIEF
REX HANNAFORD	DEPUTY POLICE CHIEF

COMMUNITY REDEVELOPMENT AGENCY

JEFF BURTON	EXECUTIVE DIRECTOR
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CITY ATTORNEY

MARK BARNABY	CITY ATTORNEY
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INDEPENDENT AUDITORS

CPA ASSOCIATES

Mayor
 Shirley Groover Bryant
 and
 City Commissioners
 Brian Williams Tamara Cornwell
 Mary Lancaster Tambra Varnadore
 Alan Zirkelbach

CRA Exec. Director
 City Clerk James R Freeman
 Director of Public Works Allen Tusing
 Chief of Police Rick Wells
 City Attorney Mark Barneby

Deputy Clerk Administration
 Information Technology
 Customer Service
 Code Enforcement

Deputy Clerk Finance
 Accounting
 Purchasing
 Human Resources

Internal Affairs

Deputy Chief
 Administrative Assistant
 Enforcement Bureau
 Administrative Bureau

Deputy Director Project Management
 Engineering
 Building Department
 Planning and Zoning Dept

Deputy Director Administration

Deputy Director Parks and Recreation

Deputy Director Operations

Risk Manager

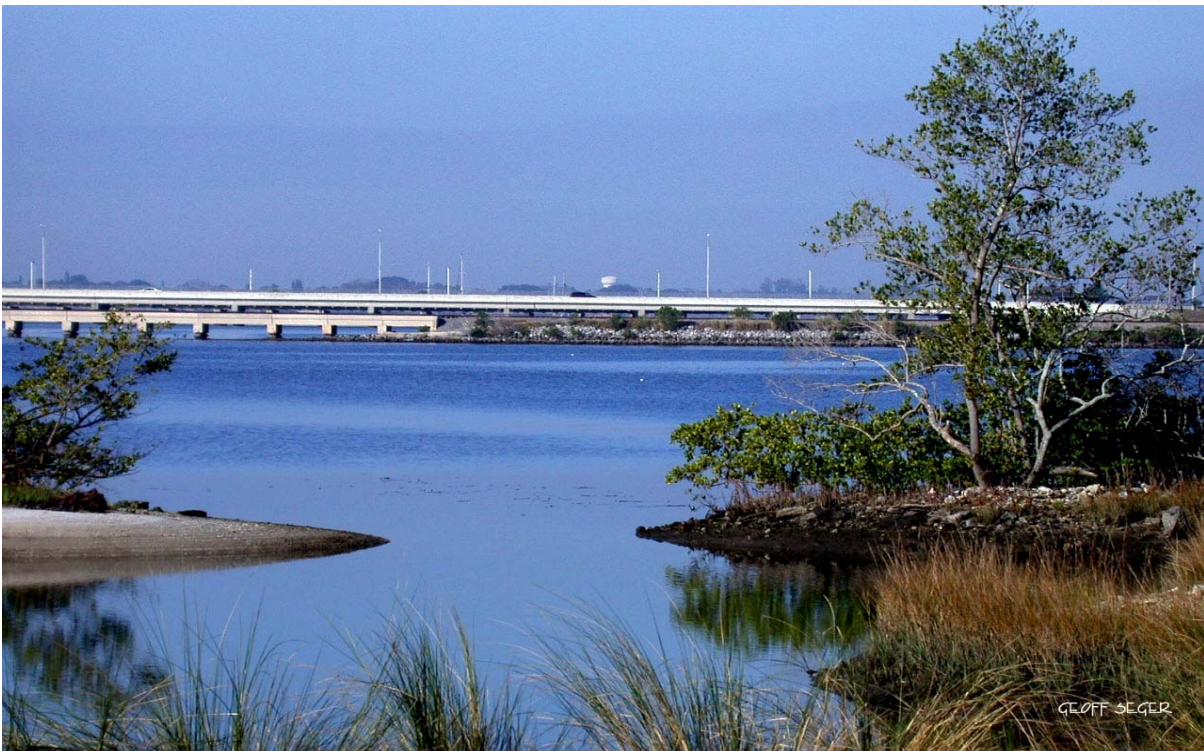
Fleet Maintenance
 Streets
 UTILITIES
 Water
 Sewer
 Stormwater
 Reuse
 Solid Waste
 Wastewater Treatment

City of Palmetto Organizational Chart



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Financial Section



View of Manatee River from Estuary Park



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Commission
Palmetto, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, on our consideration of the City's 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-19 and 87-89, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary information required by Governmental Accounting Standards Board Statements Number 25 and 27 on pages 93-96 is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund statements and schedules, Schedule of Expenditures of Federal Awards and State Financial Assistance, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules, as well as the Schedule of Expenditures of Federal Awards and State Financial Assistance required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550 Rules of the Auditor General have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

CPA Associates

Bradenton, Florida
March 15, 2011

Management's Discussion and Analysis

As management of the City of Palmetto, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Mayor's letter of transmittal preceding this report and the City's financial statements beginning on page 21.

The City, like many local governments, provides pension benefits as well as other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes health and life insurance at lower rates for its retirees to purchase and is considered an implicit subsidy. GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes an accounting standard for the measurement, recognition, and display of OPEB expenses and related liabilities, and note disclosures in the financial reports of state and local governmental employers. The City was required to implement GASB 45 for other post-employment benefits during fiscal year 2009 as a phase II government and this is explained in detail in the Notes to the Financial Statements beginning on page 81.

The City has entered into derivative instruments through interest rate SWAP agreements. GASB Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments*, is intended to improve how state and local governments report information about derivative instruments in their financial statements. The new accounting standard is required to be implemented in fiscal year 2010 however the City has elected to implement the standard during fiscal year 2009. Greater detail of the new standard is found in the Notes to the Financial Statements, long-term liability information beginning on page 64.

Financial Highlights

At the close of the fiscal year ending September 30, 2010:

- The assets of the City exceeded its liabilities by \$59,472,984 (*net assets*). Of this amount, \$11,472,194 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,497,323, or 6.25% in comparison with the prior year total net assets.
- Total revenues decreased a total of \$2,066,473 or 7.97% in comparison to prior year. The majority of this revenue reduction was seen in Governmental activities as ad valorem tax revenue was much lower due to decreases in residential and commercial property values.
- Total expenses decreased \$1,944,064 or 8.71% in comparison to prior year.

- The City's governmental funds reported combined ending fund balances of \$14,985,996 an increase of \$298,761 in comparison with the prior year. Approximately 70% of this total amount, \$10,415,216 (*unreserved fund balance*), is available for spending at the City's discretion. This includes \$6,078,172 (\$1,876,904 in the trailer park trust) of fund balance available through the General Fund and \$3,666,272 from CRA. The remaining unreserved fund balance of \$670,772 is associated with the Capital Projects Fund.
- At the end of current fiscal year, unreserved fund balance for the general fund was \$6,078,172 or 60% of total general fund expenditures.

Overview of the Financial Statements

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

The *Statement of Net Assets* presents information on all of the City'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 City is improving or deteriorating.

The *Statement of Activities* presents *revenues* and *expenses*, and shows how the government's net assets changed during the fiscal year. All changes in net assets are reported in a manner similar to the approach used by private-sector businesses in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have consumed cash during the current period.

Both of the government-wide financial statements distinguish functions of the City 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 City include general government, public safety, highways and streets, recreation and intergovernmental services. The business-type activities of the City include solid waste collection, water and sewer, the stormwater utility system and the reuse utility.

The government-wide financial statements are found on pages 21 through 23 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental funds

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases or other similar long-term liabilities. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and generally indicates the amount that may be used to finance the next fiscal year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current fiscal year or very shortly after the end of the year.

For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis at the bottom of the governmental fund balance sheet that reconciles the total fund balances to the amount of net assets presented in the governmental activities column on the statement of net assets. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net assets as reported in the governmental activities column in the statement of activities.

The City presents in separate columns, funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's only non-major governmental fund during the year-ended September 30, 2010 was the Capital Projects fund.

The City's governmental fund financial statements are presented beginning on page 24.

Proprietary funds

Proprietary fund financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and reuse utility, solid waste collection and stormwater utility system. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses separate internal service funds to account for its self-insurance programs and City-wide payroll liability activities. Because all of these services benefit both governmental and business-type functions, they have been allocated to both governmental and business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, stormwater utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2010. The internal service funds are considered to be non-major funds and are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found beginning on page 28 of this report.

Fiduciary funds

Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Assets held by the City for other parties, either as a trustee or as an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds consist of pension trusts that present the results of two defined benefit pension plans.

The fiduciary fund financial statements can be found on pages 34 and 35 of this report.

Notes to the 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 beginning on page 37 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 87 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 case of the City, assets exceeded liabilities by \$59,472,984 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Assets found on page 21 of this report:

City of Palmetto's Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 14,507,542	12,667,624	3,114,384	3,539,405	17,621,926	16,207,029
Internal balances	72,931	1,072,023	(72,931)	(1,072,023)	--	--
Restricted assets	1,608,257	2,528,993	4,072,303	2,777,770	5,680,560	5,306,763
Capital assets, net of depreciation	31,528,652	30,946,003	26,741,532	26,029,135	58,270,184	56,975,138
Total assets	<u>47,717,382</u>	<u>47,214,643</u>	<u>33,855,288</u>	<u>31,274,287</u>	<u>81,572,670</u>	<u>78,488,930</u>
Current and other liabilities	595,119	475,860	344,902	340,654	940,021	816,514
Non-current liabilities	7,615,023	7,957,219	13,544,642	13,739,536	21,159,665	21,696,755
Total liabilities	<u>8,210,142</u>	<u>8,433,079</u>	<u>13,889,544</u>	<u>14,080,190</u>	<u>22,099,686</u>	<u>22,513,269</u>
Net Assets						
Investment in capital assets net of related debt	25,413,841	26,180,322	16,716,784	15,824,203	42,130,625	42,004,525
Restricted	3,836,360	2,303,732	2,033,805	311,137	5,870,165	2,614,869
Unrestricted	10,257,039	10,297,510	1,215,155	1,058,757	11,472,194	11,356,267
Total net assets	<u>\$ 39,507,240</u>	<u>38,781,564</u>	<u>19,965,744</u>	<u>17,194,097</u>	<u>59,472,984</u>	<u>55,975,661</u>

The overall position of the City improved in fiscal year 2010. Changes in net assets over time can be one of the best and most useful indicators of financial position. The total net assets of the City increased from fiscal year 2009 by \$3,497,323, or 6%. Net assets for business-type activities increased \$2,771,647 or 16%. Net assets for governmental activities increased \$725,676 or 1.9%. Fiscal restraint and a large transfer-in of approximately \$1,500,000 from the CRA (Governmental Activities) to the Water and Sewer Fund (Business-Type Activities) for the Ward I Phase II construction was part of the reason for the 16% increase in net assets.

A significant portion of the City's net assets, \$42,130,625 or 71% reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still 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.

An additional portion of the City's net assets, \$5,870,165 or 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$11,472,194 or 19% may be used to meet the City's ongoing obligations to citizens and creditors. This amount includes the fund balance of the Trailer Park Trust (Governmental Activities) of \$1,876,904, which may be used upon approval of the City Commission after a duly advertised public hearing.

At the end of the current fiscal year, the City reported positive balances in all three categories of net assets, for both governmental and business-type activities.

Governmental activities

Governmental activities increased the City's governmental net assets by \$725,676 or 1.9%. The following table compares revenues and expenses to the prior year and the charts compare expenses with program revenues for the City's governmental activities:

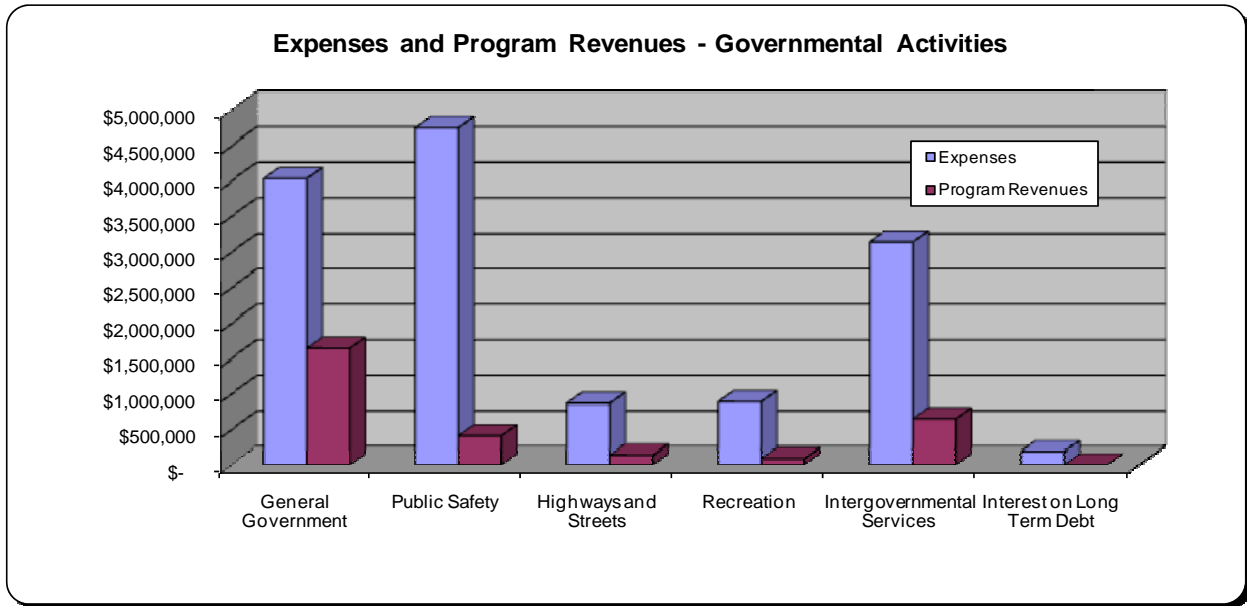
- Overall governmental revenues totaled \$15,903,128 in fiscal year 2010 and decreased \$1,912,455 when compared to fiscal year 2009.
- With the exception of capital grants, all other revenue line items decreased in comparison to fiscal year 2009. This is a direct result of the declining economy that continued during most of fiscal year 2010.
- The City's millage rate of 4.6662 for fiscal year 2010 was unchanged compared to fiscal year 2009, but revenues associated with property taxes decreased as a result of declining property values throughout the City.
- Property taxes declined by \$1,759,652 or 92% of the total reduction in governmental revenues. This reduction includes \$763,699 in property taxes to the City and \$995,953 in CRA Tax Increment Funds (TIF).

- Revenue associated with charges for services decreased by \$540,039 or 19%. The decrease is largely due to the disposal of assets which occurred during fiscal year 2009. Other items include a reduction of CRA reimbursements to the General Fund in the amount of \$150,343, licenses and permits in the amount of \$83,314, and refunds of prior period expenses in the amount of \$18,000. The remaining decrease is due to the absence of a gain on the disposal of over \$275,000 which was included in this revenue classification for the 2009 fiscal year but not in fiscal year 2010.
- Capital grant revenue increased by \$600,124. Two Florida Department of Transportation (FDOT) grants for intersection and street improvements on 10th St. between 14th Ave and 8th Ave accounted for approximately \$300,000 of this increase. A grant from Florida Recreational Development Assistance Program (FRDAP) for Estuary Park improvements accounted for approximately \$200,000. Grants for IT technology improvements and new vehicles at the Police department accounted for approximately \$100,000.
- Other revenues include interest and investment earnings which decreased \$84,558 or 25%. This overall decrease is a result of lower interest rates.
- Total expenses decreased \$1,231,460 or 8% and totaled \$13,786,896 in fiscal year 2010.
- General government expenses decreased by \$458,971 or 10%. A total of \$426,134 or 93% of the reduction is associated with the reduction in CRA TIF dollars from the City to the CRA.
- Cultural and recreation decreased by \$288,144 or 24%. The majority of this decrease is a result of a reduction in force (RIF) at the end of fiscal year 2009.
- Interest on long term debt decreased by \$41,723 or 18%. This is a result of declining balances associated with the amortization and lower LIBOR rates in fiscal year 2010 compared to fiscal year 2009.
- Transfers out of governmental funds increased \$1,652,765. This increase is 96% due to a transfer in the amount of \$1,587,765 from CRA into the Water and Sewer Fund for the Ward I, Phase II project to be started at the beginning of 2011. The remaining amount of the increase is resulting in the absence of transfers to the Medical Insurance Fund that occurred during the previous year but not during fiscal year 2010.

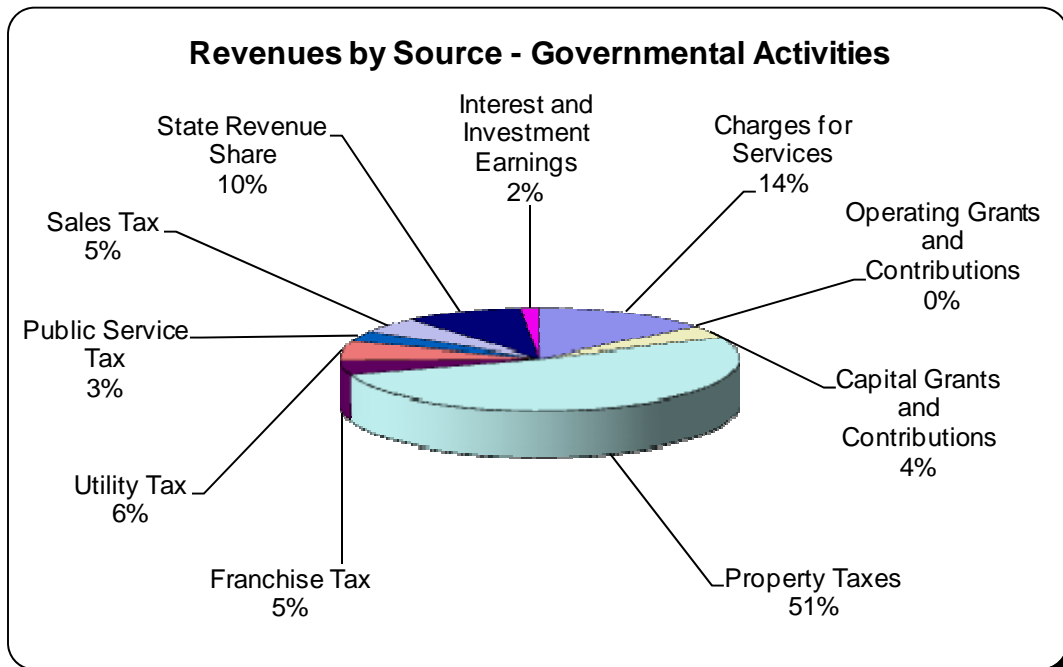
The following is a summary of the information presented in the Statement of Activities found on pages 22 and 23 of this report:

City of Palmetto's Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Charges for services	\$ 2,285,408	2,825,447	7,798,246	7,823,477	10,083,654	10,648,924
Operating grants and contributions	3,000	48,000	--	223,712	3,000	271,712
Capital grants and contributions	654,471	54,347	132,575	44,906	787,046	99,253
General Revenues:						
Property taxes	8,191,906	9,951,558	--	--	8,191,906	9,951,558
Other taxes	4,514,603	4,597,933	--	--	4,514,603	4,597,933
Other	253,740	338,298	29,487	22,231	283,227	360,529
Total Revenues	15,903,128	17,815,583	7,960,308	8,114,326	23,863,436	25,929,909
Expenses:						
Governmental Activities:						
General government	4,036,111	4,495,082	--	--	4,036,111	4,495,082
Public safety	4,648,615	4,776,464	--	--	4,648,615	4,776,464
Highways and streets	870,116	895,995	--	--	870,116	895,995
Culture and recreation	892,002	1,180,146	--	--	892,002	1,180,146
Intergovernmental services	3,151,831	3,440,725	--	--	3,151,831	3,440,725
Interest on long-term debt	188,221	229,944	--	--	188,221	229,944
Business-type Activities:						
Solid Waste	--	--	2,008,625	2,041,362	2,008,625	2,041,362
Water and Sewer	--	--	3,794,901	4,489,574	3,794,901	4,489,574
Stormwater	--	--	686,325	675,366	686,325	675,366
Reuse	--	--	89,366	85,519	89,366	85,519
Total Expenses	13,786,896	15,018,356	6,579,217	7,291,821	20,366,113	22,310,177
Increases (decreases) in net assets before transfers						
	2,116,232	2,797,227	1,381,091	822,505	3,497,323	3,619,732
Transfers	(1,390,556)	262,209	1,390,556	(262,209)	--	--
Increase in net assets	725,676	3,059,436	2,771,647	560,296	3,497,323	3,619,732
Net assets-beginning of year	38,781,564	35,722,128	17,194,097	16,633,801	55,975,661	52,355,929
Net assets-end of year	\$ 39,507,240	38,781,564	19,965,744	17,194,097	59,472,984	55,975,661

The following chart compares expenses with program revenues for the City's governmental activities:



The following graph shows a composition of revenues for the City's governmental activities:

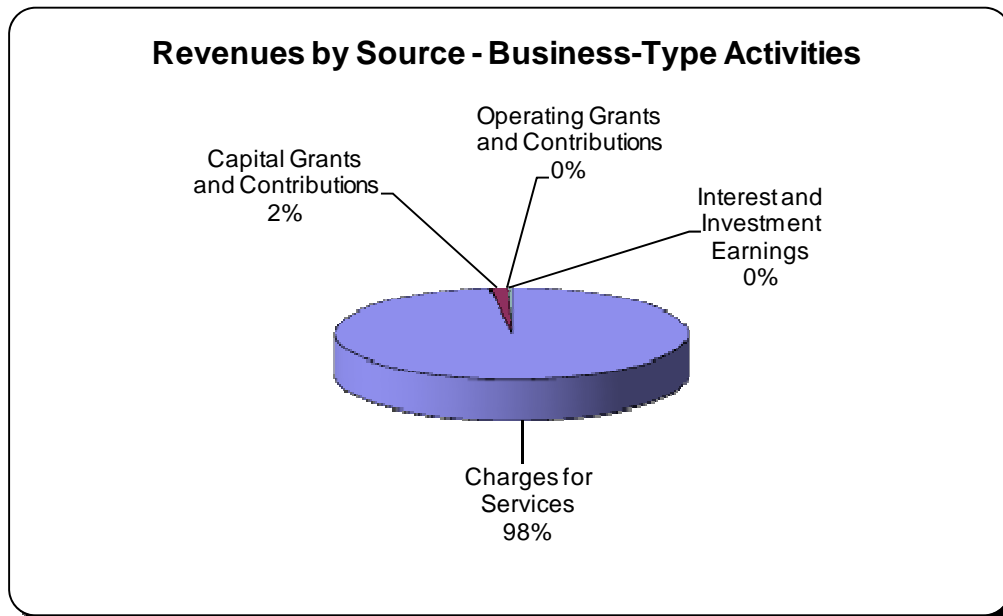


Business-type Activities

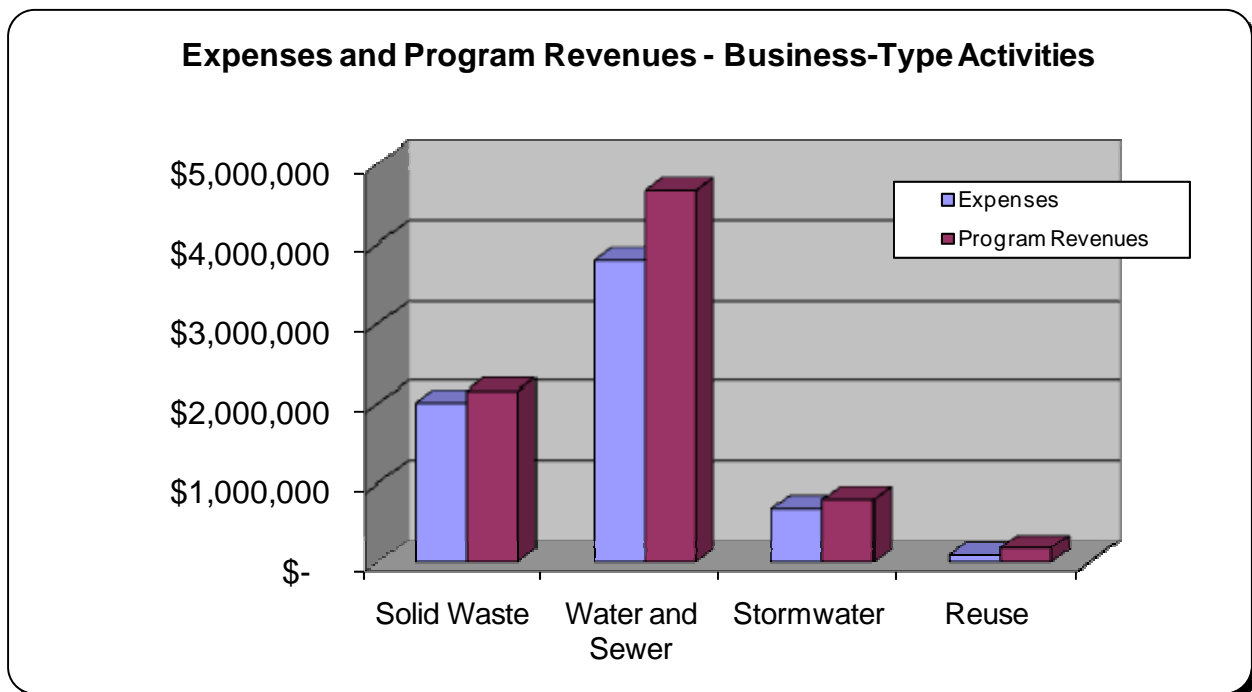
Business-type activities increased the City's net assets by \$2,771,647 or 79% of the total growth in the City's net assets.

- Total revenues for business activities decreased \$154,018 or 1.90%. Total expenses decreased \$712,604 or 9.77% and transfers-in increased \$1,652,765.
- Overall, user fees from all business-type activities decreased \$42,667 or 0.56%. User fees were not increased during the fiscal year and volume for some services declined as a result of more vacancies throughout the City. Both of these factors contributed to the slight decrease in revenues. Solid waste revenue from user fees increased \$33,025 (1.58%), water user fees decreased \$49,578 (2.0%), sewer user fees remained level, stormwater fees decreased \$22,298 (2.8%) and reuse fees decreased \$3,621 (2.0%). The solid waste increase in revenue can be attributed with a rate increase mid-year. This increase was due to increased tipping fees for the landfill which were passed through to the customers.
- Fee structure changes in late fiscal year 2008 for residential and commercial stormwater fees resulted in revenue increases for this fund which has helped the overall results for this fund. Additional increases were planned over a three year period to bring the fund into self-sufficiency. However, due to economic conditions, these increases have not occurred since the initial increase in 2008. As a result, the timeline associated with eliminating transfers from other funds into the stormwater fund will be extended and self sufficiency will take slightly longer than initially planned.
- Grant and impact fee revenue decreased \$136,043 or 50.6% compared to fiscal year 2009. The bulk of the revenue decrease was caused by a final receipt of \$223,712 from a grant in early 2009 and no grant revenue in 2010. This reduction is offset by an increase in impact fee dollars of \$87,669 or 195%. This increase in impact fees is largely due to the single receipt from Holy Cross apartments.
- Expenses associated with solid waste decreased \$32,737 or 1.6%. This decrease can be attributed to the continuation with the reconciliation process between the City and our vendor, Waste Management and reductions in volume.
- Water and sewer expenses decreased \$694,673 or 15.47%. This decrease in expenses results largely from a write-off of assets which occurred in 2009 but not in 2010. This write-off, in the amount of \$277,486 was from the decrease in the value of an interlocal agreement with Manatee County for a water main on US 301. The remaining decrease is attributable to prudent spending practices resulting in savings of approximately \$400,000. The largest savings are in personnel (\$36,000), utilities (\$40,000) and insurance services (\$37,000).
- Expenses in stormwater increased \$10,959 or 1.62% for personnel expenses including salaries and pension costs.
- Reuse expenses increased \$3,847 or 4.5% through maintenance and depreciation costs.

The following chart shows total revenues by source for all business-type activities:



The following chart compares expenses with program revenues for the City's business type activities:



Financial Analysis of the City's Funds

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

Governmental funds

The fund financial statements for the governmental funds are provided on pages 24 and 25. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financial requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$14,985,996 an increase of \$298,761 over the prior year. Approximately 69.5% of this amount or \$10,415,216 constitutes *unreserved fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed: (1) to liquidate contracts and for purchase orders of the prior period, \$383,857 (2) for capital projects such as street and sidewalk maintenance and capital improvements, \$1,503,812 (3) for inventories, \$350,563 (4) for accumulated surpluses mandated for the building department, \$697,780 (5) for capital improvement projects \$1,141,406 (6) for impact fees \$460,350 (7) for special law enforcement activities \$26,511 and (8) capital for other purposes \$6,501.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$6,078,172 which includes the fund balance from the Trailer Park Trust fund. The total fund balance for the General Fund was \$7,552,621. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 60.2% of total General Fund expenditures, while total fund balance represents 74.8% of General Fund expenditures. The current City fund balance policy requires the unreserved fund balance (exclusive of Trailer Park Trust Fund) to be at least 10%-25% of revenues or 3-6 months of expenditures. At the end of fiscal year 2010, the unreserved fund balance for the City (exclusive of Trailer Park Trust Fund) is 41.5% of revenues and 4.9 months of expenditures.

Revenues for the CRA, a blended component unit of the City, decreased \$2,280,367 or 36% compared to the previous year. Decreases in TIF dollars from the City and County accounted for \$995,953 of the decrease. Another \$1.2 million is attributable to the decrease from the 2009 sale of property to the Manatee County School Board for a new elementary school. CRA operating expenses increased slightly by \$26,494, however, a one-time transfer to the Water and Sewer Fund for Ward I, Phase II construction in the amount of \$1,587,765 contributes to the overall increase in total expenses of \$1,643,071. The CRA experienced a negative net change in fund balance of \$407,220.

Revenues in the Road and Bridge and Capital Projects funds increased slightly by \$15,363 through slight increases in motor fuel tax revenues. The expenses decreased by \$265,511 through attrition in personnel (\$45,252), lower interest expense (\$25,909) and the absence of transfers out for health insurance or impact fees (\$194,350).

The Capital Projects fund demonstrated a greater amount of activity. Revenues increased by \$364,466 from two FDOT grants for the 10th St. and 14th Ave. project. Expenses increased by \$482,476 mostly from the same FDOT grants. The transfers decreased from 2009 because of a transfer for the sale proceeds of land that only occurred in 2009.

Proprietary funds

The fund financial statements for the City's proprietary funds provide essentially the same type of information found in the government-wide financial statements, provided on pages 28 through 33.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$20,038,675, an increase of \$2,777,555 in comparison with the prior year. An absence of decreases in utility user fee revenue, combined with reductions in operating expenses, interest expense, loss on capital assets, and a one-time transfer-in contributed to the overall increase in net assets for proprietary funds.

The Solid Waste Fund had operating income of \$149,257 and after transfers to the General Fund, an increase in net assets of \$119,274. The unrestricted net assets at the end of the current fiscal year, is \$393,288 and the total net assets are \$393,495.

The Water and Sewer Fund had operating income of \$1,098,219 for the year, and after transfers to the General Fund and a one-time transfer from CRA for the Ward I project, an increase in net assets of \$2,211,054. The unrestricted net assets at the end of current fiscal year are \$1,567,803 and the total net assets are \$15,258,122.

The Stormwater Fund had operating income of \$318,182 and after transfers, an increase in net assets of \$351,110. The stormwater user fee structure for residential and commercial customers was implemented in fiscal year 2008, but remains at 2008 levels. The unrestricted net assets at the end of the current fiscal year, was a deficit of \$480,329 and the total net assets was \$2,379,674. The negative unrestricted net assets improved from fiscal year 2009 by \$217,607 however, the subsidy from other funds was as budgeted at \$300,000. The stormwater fund should improve in the coming years.

The Reuse Fund had operating income of \$146,673 and an increase in net assets of \$96,117. The unrestricted net assets at the end of the current fiscal year reflect a deficit of \$192,676 and the total net assets is \$2,007,384. Although unrestricted net assets are negative, this negative balance was reduced by \$79,063 compared to the prior year. Total net assets improved by \$96,117 in comparison to the prior year.

General Fund Budget and Actual

Differences between the original budget and the final amended budget can be found on page 87. Revenues associated with the original and final amended budget were increased by \$588,732. Increases to the revenue budget were made for additional grants awarded during the year, impact fees received, and fines and forfeitures. Expenses associated with the original and final amended budget increased \$302,887 before transfers. The original General Fund budget anticipated increasing the General Fund's fund balance by \$80,232 after transfers. This increase included a non-cash revenue budget of \$145,890 in funding from fund balance reserves for a budget shortfall in the Building Department. The final amended budget anticipated increasing the General Fund's fund balance per the final amended budget by \$479,927 after transfers. This is attributable to increases in revenue budgets as mentioned above and increased scrutiny in the expenses and budgeting process in general.

Actual revenues were less than budgetary estimates by \$119,732. Additional revenue was experienced in sales, taxes and other taxes and investment earnings. These increases were greatly offset by reduced revenue in intergovernmental, charges for services and miscellaneous revenues. Actual expenditures were less than budgetary estimates by \$523,488 or 4.9% and can be attributed to position vacancies and conservative spending Citywide. Transfers into the General Fund from enterprise funds were slightly less than budgeted. As a result, the net change in General Fund's fund balance was a positive \$697,882.

Capital Asset and Debt

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$58,270,184 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was 1,295,046 or 2.3%.

The 2010 Capital Improvement Plan (CIP) was approved by the Commission on January 4, 2010 in the amount of \$6,394,546. In addition, CRA included \$5,463,827 in capital projects in the 2010 budget.

The following projects had 2010 expenditures > \$50,000:

City CIP

- Waste Water Treatment Plant (WWTP) and Lift Station Upgrades - \$439,289 for pump and lift station replacements, electrical and equipment upgrades,
- Inflow and Infiltration (I & I) - \$401,267 in grant funding for rehabilitation of lift stations and sanitary sewer manholes,

- Road project for 10th Street & 14th Avenue - \$499,434 for the construction of additional turn lanes, resurfacing and other enhancements. This project was partially funded with FDOT grant funds of which \$76,000 for resurfacing was from American Recovery and Reinvestment Act (ARRA) funds,
- Road project for 23rd St - \$160,347 for engineering, legal fees and surveys.

CRA

- Ward I Phase II - \$242,018 for engineering,
- Haven Boulevard Improvements - \$88,864 for engineering,
- Riverside Drive Improvements - \$181,172 for widening and an additional turn lane.

City of Palmetto's Capital Assets				
(Net of Depreciation)				
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 3,835,930	3,548,828	279,415	139,050
Buildings	361,424	444,607	253,690	268,136
Improvements other than buildings	--	--	23,035,772	22,461,281
Machinery and equipment	1,627,523	1,867,513	845,630	944,650
Infrastructure	23,960,927	23,501,881	--	--
Construction in progress	1,742,848	1,583,174	2,327,025	2,216,018
Total	<u>\$ 31,528,652</u>	<u>30,946,003</u>	<u>26,741,532</u>	<u>26,029,135</u>

Additional information on the City's capital assets is presented in Notes I thru V beginning on page 42 of this report.

Long-term debt

At the end of the current fiscal year, the City had debt outstanding of \$18,745,508 (including compensated absences of \$683,482). The City's debt is comprised of a \$4.3 million loan obtained in fiscal year 2004, a \$6.5 million loan obtained in fiscal year 2005, a \$5.3 million loan obtained in fiscal year 2008 and two State of Florida revolving fund loans. All loans were used to fund capital improvement projects throughout the City. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Stormwater rates, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$266,927 in outstanding capital leases as of September 30, 2010 which is included in the total debt outstanding mentioned above.

In fiscal year 2006, the Community Redevelopment Association (CRA) obtained a loan for \$4,395,000 to fund capital improvement projects within the CRA district and retire \$1,500,000 of debt issued in 2004. The current balance is \$3,516,000 as of September 30, 2010. The loan is secured by a primary pledge of Tax Increment Funds (TIF) and is included in the city's outstanding debt.

See Note IV, E, and F pages 56 through 67.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the Sarasota/Bradenton/Venice area for November 2010 was 12.3%, which is slightly higher than the State and Federal rates of 11.9% and 9.8% as of November 2010 (source: US Department of Labor).

According to information published by the Bureau of Economic and Business Research (BEBR) the City's population for the 2000 census was 12,571 and was estimated to be 14,419 as of April 1, 2009. This represents a 14.70% increase from 2000 to 2009.

The taxable value of commercial and residential property decreased from \$929,295,191 in fiscal year 2010 to \$758,796,522 in fiscal year 2011. This represents a 18% decrease in taxable value and is largely attributed to the devaluation of property being experienced statewide. The taxable values for the coming year, fiscal year 2012 are expected to continue to decline, but hopefully at a much slower pace. The continued decrease in taxable values combined with slow growth will create a very challenging budget year for the City.

The General Fund property tax millage of 4.6662 for fiscal year 2011 was unchanged in comparison to fiscal year 2010. Declining property values and a millage rate that has remained flat for the past three years has required substantial cuts to balance the City's budget.

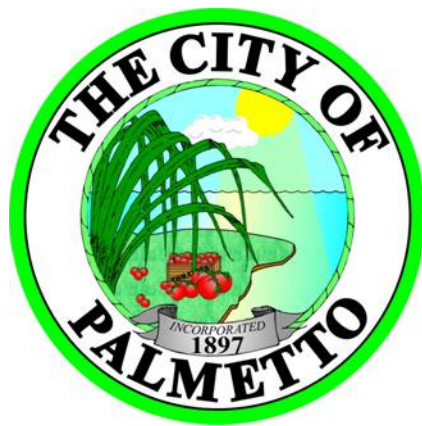
The City is expected to continue to see declining market values for fiscal year 2012, but at a slower pace than previous years. Ultimately, this will result in fewer ad valorem tax dollars unless millage changes are made. In addition, pension costs have risen during the last few years and we are awaiting the actuarial estimates for the upcoming fiscal year 2012 which are based on values at the beginning of fiscal year 2011 or October 1, 2010.

Health Care costs continue to present challenges for the City. Plan changes were made during fiscal year 2011 and we anticipate future changes will also be needed to help keep costs under control.

Funding for capital projects will present new challenges in coming years. The slowdown of new development has reduced the impact fee dollars that are normally used to fund capital projects. Some loan dollars still exist to fund projects, but after fiscal year 2011, grant funding will most likely become the primary source for funding capital projects.

Requests for Information

This financial report is designed to provide users with a general overview of the City of Palmetto's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, P.O. Box 1209, Palmetto, FL 34220 or telephone (941) 723-4570. You may also access our website at www.palmettofl.org.



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Basic Financial Statements



Regatta Pointe Marina

CITY OF PALMETTO, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,463,505	749,583	13,213,088
Receivables (net of allowance for uncollectible)	521,033	1,022,524	1,543,557
Due from other governments	556,504	--	556,504
Internal balances	72,931	(72,931)	--
Inventory	350,563	--	350,563
Deferred charges	378,712	1,342,277	1,720,989
Net pension asset	237,225	--	237,225
Restricted assets			
Cash and investments	1,608,257	4,072,303	5,680,560
Capital assets (net of accumulated depreciation)			
Land	3,835,930	279,415	4,115,345
Buildings	361,424	253,690	615,114
Improvements other than buildings	--	23,035,772	23,035,772
Machinery and equipment	1,627,523	845,630	2,473,153
Infrastructure	23,960,927	--	23,960,927
Construction in progress	1,742,848	2,327,025	4,069,873
Total assets	<u>\$ 47,717,382</u>	<u>33,855,288</u>	<u>81,572,670</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 366,066	259,573	625,639
Accrued interest	17,053	85,046	102,099
Unearned revenue	212,000	283	212,283
Noncurrent liabilities			
Customer deposits	2,450	524,718	527,168
Interest rate swap contracts	378,712	1,342,277	1,720,989
Other post-employment benefits	138,896	27,105	166,001
Due within one year	652,060	633,295	1,285,355
Due in more than one year	6,442,905	11,017,247	17,460,152
Total liabilities	<u>8,210,142</u>	<u>13,889,544</u>	<u>22,099,686</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,413,841	16,716,784	42,130,625
Restricted for			
Street improvements	1,503,812	--	1,503,812
Special projects	33,012	--	33,012
Building department and capital projects	1,839,186	1,587,765	3,426,951
Impact fees	460,350	256,330	716,680
Debt service	--	189,710	189,710
Unrestricted	10,257,039	1,215,155	11,472,194
Total net assets	<u>39,507,240</u>	<u>19,965,744</u>	<u>59,472,984</u>
Total liabilities and net assets	<u>\$ 47,717,382</u>	<u>33,855,288</u>	<u>81,572,670</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 4,036,111	1,646,668	--	--
Public safety	4,648,615	414,139	--	--
Highways and streets	870,116	137,268	--	--
Recreation	892,002	87,333	--	--
Intergovernmental	3,151,831	--	3,000	654,471
Interest on long-term debt	188,221	--	--	--
Total governmental activities	<u>13,786,896</u>	<u>2,285,408</u>	<u>3,000</u>	<u>654,471</u>
Business-type activities				
Solid Waste	2,008,625	2,155,751	--	--
Water and Sewer	3,794,901	4,653,542	--	132,575
Stormwater	686,325	804,251	--	--
Reuse	89,366	184,702	--	--
Total business-type activities	<u>6,579,217</u>	<u>7,798,246</u>	<u>--</u>	<u>132,575</u>
Total primary government	<u>\$ 20,366,113</u>	<u>10,083,654</u>	<u>3,000</u>	<u>787,046</u>

General revenues
 Property taxes
 Franchise taxes
 Sales taxes
 Utility taxes
 Motor fuels taxes
 Other taxes
 Interest and investment earnings
 Transfers
 Total general revenues and transfers
 Increases in net assets
 Net assets - beginning
 Net assets - ending

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

Governmental Activities	Business-type Activities	Total
(2,389,443)	--	(2,389,443)
(4,234,476)	--	(4,234,476)
(732,848)	--	(732,848)
(804,669)	--	(804,669)
(2,494,360)	--	(2,494,360)
(188,221)	--	(188,221)
(10,844,017)	--	(10,844,017)
--	147,126	147,126
--	991,216	991,216
--	117,926	117,926
--	95,336	95,336
--	1,351,604	1,351,604
(10,844,017)	1,351,604	(9,492,413)
8,191,906	--	8,191,906
1,265,842	--	1,265,842
809,534	--	809,534
903,826	--	903,826
1,219,376	--	1,219,376
316,025	--	316,025
253,740	29,487	283,227
(1,390,556)	1,390,556	--
11,569,693	1,420,043	12,989,736
725,676	2,771,647	3,497,323
38,781,564	17,194,097	55,975,661
\$ 39,507,240	19,965,744	59,472,984

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2010

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 6,437,741	3,908,314	1,468,793	621,229	12,436,077
Receivables (net of allowance for uncollectible)	414,524	28,997	48,696	--	492,217
Due from other governments	102,970	--	89,089	364,445	556,504
Inventory	350,563	--	--	--	350,563
Cash - restricted	384,976	712,468	94,214	416,599	1,608,257
	<u>7,690,774</u>	<u>4,649,779</u>	<u>1,700,792</u>	<u>1,402,273</u>	<u>15,443,618</u>
Total assets	\$ 7,690,774	4,649,779	1,700,792	1,402,273	15,443,618
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 71,546	90,013	15,226	169,458	346,243
Deposit payable	2,450	--	--	--	2,450
Deferred revenue	64,157	--	44,772	--	108,929
Total liabilities	<u>138,153</u>	<u>90,013</u>	<u>59,998</u>	<u>169,458</u>	<u>457,622</u>
Fund balances					
Reserved for					
Street improvements	--	--	1,503,812	--	1,503,812
Encumbrances	14,619	181,026	42,768	145,444	383,857
Building permits	697,780	--	--	--	697,780
Inventory	350,563	--	--	--	350,563
Law enforcement	26,511	--	--	--	26,511
Special projects	--	--	6,501	--	6,501
Capital improvements	12,339	712,468	--	416,599	1,141,406
Impact fees	372,637	--	87,713	--	460,350
Unreserved - Trailer Park Trust	1,876,904	--	--	--	1,876,904
Unreserved - General Fund	4,201,268	-	--	--	4,201,268
Unreserved - Special Revenue Fund	--	3,666,272	--	--	3,666,272
Unreserved - Capital Projects Fund	--	--	--	670,772	670,772
Total fund balances	<u>7,552,621</u>	<u>4,559,766</u>	<u>1,640,794</u>	<u>1,232,815</u>	<u>14,985,996</u>
Total liabilities and fund balances	\$ 7,690,774	4,649,779	1,700,792	1,402,273	
Adjustments for primary government total net assets					
Net assets for internal service fund activities reported in governmental funds					92,299
General capital assets net of accumulated depreciation					31,528,652
Net pension asset					237,225
Deferred revenue					(103,071)
Other post-employment benefits					(138,896)
Long term debt for capital lease, compensated absences and loans					(7,094,965)
Total net assets for governmental activities (page 21)					<u>\$ 39,507,240</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2010

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 4,203,070	3,988,836	--	--	8,191,906
Franchise	1,265,842	--	--	--	1,265,842
Sales	809,534	--	--	--	809,534
Utility	903,826	--	--	--	903,826
Motor fuels	7,135	--	1,212,241	--	1,219,376
Other	316,025	--	--	--	316,025
Licenses and permits	215,939	--	--	--	215,939
Intergovernmental revenues	265,985	27,041	--	364,445	657,471
Fines and forfeitures	161,769	--	--	--	161,769
Charges for services	1,409,429	--	75,716	--	1,485,145
Interest and investment earnings	212,328	24,407	15,813	1,192	253,740
Miscellaneous	158,351	8,744	1,471	--	168,566
Impact fees	185,797	--	60,081	--	245,878
Total revenues	<u>10,115,030</u>	<u>4,049,028</u>	<u>1,365,322</u>	<u>365,637</u>	<u>15,895,017</u>
EXPENDITURES					
Current					
General government	3,125,314	--	--	--	3,125,314
Public safety	4,313,113	--	--	--	4,313,113
Highways and streets	183,481	--	453,962	--	637,443
Recreation	763,796	--	--	--	763,796
Intergovernmental services	1,125,176	1,740,592	--	--	2,865,768
Capital outlay					
Streets	--	--	--	660,971	660,971
Other	385,132	657,719	--	66,356	1,109,207
Debt service principal and interest	202,210	426,360	185,518	--	814,088
Total expenditures	<u>10,098,222</u>	<u>2,824,671</u>	<u>639,480</u>	<u>727,327</u>	<u>14,289,700</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,808</u>	<u>1,224,357</u>	<u>725,842</u>	<u>(361,690)</u>	<u>1,605,317</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	597,074	--	--	--	597,074
Transfers out	--	(1,631,577)	(356,053)	--	(1,987,630)
Issuance of debt	84,000	--	--	--	84,000
Total other financing sources (uses)	<u>681,074</u>	<u>(1,631,577)</u>	<u>(356,053)</u>	<u>--</u>	<u>(1,306,556)</u>
Net change in fund balances	<u>697,882</u>	<u>(407,220)</u>	<u>369,789</u>	<u>(361,690)</u>	<u>298,761</u>
Fund balances - beginning	6,854,739	4,966,986	1,271,005	1,594,505	14,687,235
Fund balances - ending	<u>\$ 7,552,621</u>	<u>4,559,766</u>	<u>1,640,794</u>	<u>1,232,815</u>	<u>14,985,996</u>

The notes to the financial statements are an integral part of this statement.



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CITY OF PALMETTO, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

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

Net change in fund balances - total governmental funds (page 25)	\$ 298,761
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	370,649
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes current financial resources of government funds. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	541,867
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.	(468,260)
Some revenues reported in the statement of activities do not increase current financial resources.	8,111
Internal service funds are used by management to charge the costs of risk management and payroll taxes to individual funds. A portion of the net loss of activities for the internal service funds is reported with governmental activities.	<u>(25,452)</u>
Changes in net assets of governmental activities (page 23)	<u><u>\$ 725,676</u></u>

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

	Business-type Activities-Enterprise Funds					Governmental
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total	Activities- Internal Service Fund
ASSETS						
Current assets						
Cash and cash equivalents	\$ 332,707	399,336	10,037	7,503	749,583	27,428
Accounts receivable (net of allowance for uncollectible)	212,582	706,464	78,656	24,822	1,022,524	28,816
Due from other funds	--	725,000	--	--	725,000	--
Total current assets	545,289	1,830,800	88,693	32,325	2,497,107	56,244
Noncurrent assets						
Restricted cash and investments						
Cash	--	1,747,641	591,955	761,949	3,101,545	--
Loan covenant accounts	--	--	188,364	1,346	189,710	--
Impact fees	--	256,330	--	--	256,330	--
Customer deposits	--	524,718	--	--	524,718	--
Deferred charges	--	739,699	439,289	163,289	1,342,277	--
	--	3,268,388	1,219,608	926,584	5,414,580	--
Capital assets						
Land	--	4,815	274,600	--	279,415	--
Buildings	--	493,516	--	--	493,516	--
Improvements other than buildings	--	25,178,406	8,561,928	2,513,838	36,254,172	--
Machinery and equipment	210,517	1,835,878	46,535	--	2,092,930	--
Construction in progress	--	1,733,625	81,295	512,105	2,327,025	--
Less accumulated depreciation	(210,310)	(12,236,915)	(1,852,682)	(405,619)	(14,705,526)	--
Total capital assets (net of accumulated depreciation)	207	17,009,325	7,111,676	2,620,324	26,741,532	--
Total noncurrent assets	207	20,277,713	8,331,284	3,546,908	32,156,112	--
Total assets	\$ 545,496	22,108,513	8,419,977	3,579,233	34,653,219	56,244

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2010

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Fund
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total	
LIABILITIES						
Current liabilities						
Accounts payable	\$ 137,779	119,853	1,941	--	259,573	36,876
Due to other funds	--	--	500,000	225,000	725,000	--
Compensated absences	3,024	22,652	4,307	--	29,983	--
Unearned revenue	--	283	--	--	283	--
Capital leases-current	--	26,465	--	--	26,465	--
Loans payable-current	--	237,322	289,725	49,800	576,847	--
Total current liabilities payable from unrestricted assets	<u>140,803</u>	<u>406,575</u>	<u>795,973</u>	<u>274,800</u>	<u>1,618,151</u>	<u>36,876</u>
Current liabilities payable from restricted assets						
Customer deposits payable	--	524,718	--	--	524,718	--
Accrued interest payable	--	32,612	44,519	7,915	85,046	--
Total current liabilities payable from restricted assets	<u>--</u>	<u>557,330</u>	<u>44,519</u>	<u>7,915</u>	<u>609,764</u>	<u>--</u>
Total current liabilities	<u>140,803</u>	<u>963,905</u>	<u>840,492</u>	<u>282,715</u>	<u>2,227,915</u>	<u>36,876</u>
Noncurrent liabilities						
Loans payable	--	5,059,190	4,742,268	1,125,845	10,927,303	--
Interest rate swap contracts	--	739,699	439,289	163,289	1,342,277	--
Other post-employment benefits	2,127	19,643	5,335	--	27,105	--
Compensated absences	9,071	67,954	12,919	--	89,944	--
Total noncurrent liabilities	<u>11,198</u>	<u>5,886,486</u>	<u>5,199,811</u>	<u>1,289,134</u>	<u>12,386,629</u>	<u>--</u>
Total liabilities	<u>152,001</u>	<u>6,850,391</u>	<u>6,040,303</u>	<u>1,571,849</u>	<u>14,614,544</u>	<u>36,876</u>
NET ASSETS						
Invested in capital assets, net of related debt	207	11,846,224	2,671,639	2,198,714	16,716,784	--
Restricted for						
Capital improvements	--	1,587,765	--	--	1,587,765	--
Debt service	--	--	188,364	1,346	189,710	--
Impact fees	--	256,330	--	--	256,330	--
Unrestricted	<u>393,288</u>	<u>1,567,803</u>	<u>(480,329)</u>	<u>(192,676)</u>	<u>1,288,086</u>	<u>19,368</u>
Total net assets	<u>\$ 393,495</u>	<u>15,258,122</u>	<u>2,379,674</u>	<u>2,007,384</u>	<u>20,038,675</u>	<u>19,368</u>
Net assets for internal service fund activities reported in proprietary funds					(72,931)	
Total net assets for business-type activities on page 21.					<u>\$ 19,965,744</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2010

	Business-type Activities-Enterprise Funds		
	Solid Waste	Water and Sewer	Stormwater
Operating revenues			
Charges for sales and services			
Garbage and trash pickup	\$ 2,118,418	--	--
Water sales	--	2,417,192	--
Sewer charges	--	2,094,043	--
Stormwater fees	--	--	787,738
Reuse fees	--	--	--
Installation and connection charges	--	12,750	--
Penalties and check charges	37,234	102,092	14,954
Miscellaneous	99	27,465	1,559
Total revenues	<u>2,155,751</u>	<u>4,653,542</u>	<u>804,251</u>
Operating expenses			
Cost of sales and services	2,006,246	3,104,019	338,821
Depreciation	248	451,304	147,248
Total operating expenses	<u>2,006,494</u>	<u>3,555,323</u>	<u>486,069</u>
Operating income (loss)	<u>149,257</u>	<u>1,098,219</u>	<u>318,182</u>
Nonoperating revenues (expenses)			
Interest earnings	3,371	24,632	703
Interest expense	--	(237,279)	(200,256)
Gain on capital assets	--	1,478	--
Total nonoperating revenues (expenses)	<u>3,371</u>	<u>(211,169)</u>	<u>(199,553)</u>
Income (loss) before contributions and transfers	152,628	887,050	118,629
Capital contributions - impact fees	--	132,575	--
Transfers in	--	1,587,765	300,000
Transfers out	(33,354)	(396,336)	(67,519)
Change in net assets	<u>119,274</u>	<u>2,211,054</u>	<u>351,110</u>
Total net assets - beginning	<u>274,221</u>	<u>13,047,068</u>	<u>2,028,564</u>
Total net assets - ending	<u>\$ 393,495</u>	<u>15,258,122</u>	<u>2,379,674</u>

Change in net assets from above

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Change in net assets of business type activities - page 23.

Business-type Activities-Enterprise Funds		Governmental Activities
Reuse	Total	Internal Service Fund
--	2,118,418	--
--	2,417,192	--
--	2,094,043	--
--	787,738	--
179,915	179,915	--
--	12,750	--
4,787	159,067	--
--	29,123	2,669,472
<u>184,702</u>	<u>7,798,246</u>	<u>2,669,472</u>
5,013	5,454,099	2,700,832
33,016	631,816	--
<u>38,029</u>	<u>6,085,915</u>	<u>2,700,832</u>
<u>146,673</u>	<u>1,712,331</u>	<u>(31,360)</u>
781	29,487	--
(51,337)	(488,872)	--
--	1,478	--
<u>(50,556)</u>	<u>(457,907)</u>	<u>--</u>
96,117	1,254,424	(31,360)
--	132,575	--
--	1,887,765	--
--	(497,209)	--
<u>96,117</u>	<u>2,777,555</u>	<u>(31,360)</u>
<u>1,911,267</u>	<u>17,261,120</u>	<u>50,728</u>
<u>2,007,384</u>	<u>20,038,675</u>	<u>19,368</u>
\$	2,777,555	
(5,908)	
<u>\$</u>	<u>2,771,647</u>	

CITY OF PALMETTO, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2010

	<u>Solid Waste</u>	<u>Water and Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,160,039	4,150,664
Payments to suppliers	(1,893,698)	(2,228,026)
Payments to employees	(109,748)	(842,979)
Net cash provided (used) by operating activities	<u>156,593</u>	<u>1,079,659</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	--	1,587,765
Transfers to other funds	(33,354)	(396,336)
Net cash provided (used) by noncapital financing activities	<u>(33,354)</u>	<u>1,191,429</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	--	(1,309,715)
Impact fee capital contributions	--	132,575
Payments paid on capital leases	--	(46,827)
Principal paid on capital debt	--	(230,388)
Interest paid on capital debt	--	(238,536)
Net cash used by capital and related financing activities	<u>--</u>	<u>(1,692,891)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	3,371	24,632
Net cash provided by investing activities	<u>3,371</u>	<u>24,632</u>
Net increase (decrease) in cash and cash equivalents	126,610	602,829
Cash and cash equivalents - October 1	206,097	2,325,196
Cash and cash equivalents - September 30	<u>\$ 332,707</u>	<u>2,928,025</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 149,257	1,098,219
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	248	451,304
(Increase) decrease in accounts receivable	4,288	225,084
Increase in due from other funds	--	(725,000)
Increase (decrease) in accounts payable and accrued liabilities	2,800	33,014
Decrease in due to other funds	--	--
Decrease in customer deposits	--	(2,962)
Total adjustments	<u>7,336</u>	<u>(18,560)</u>
Net cash provided (used) by operating activities	<u>\$ 156,593</u>	<u>1,079,659</u>
Detail of cash and equivalents at September 30:		
Cash and equivalents	\$ 332,707	399,336
Restricted cash:		
Cash	--	1,747,641
Loan covenant accounts	--	--
Impact fees	--	256,330
Customer deposits	--	524,718
Total	<u>\$ 332,707</u>	<u>2,928,025</u>
NONCASH CAPITAL ACTIVITIES		
Change in fair market value of interest rate swaps	\$ --	215,712

The notes to the financial statements are an integral part of this statement.

<u>Stormwater</u>	<u>Reuse</u>	<u>Total</u>	<u>Internal Service Fund</u>
597,809	108,572	7,017,084	2,762,762
(70,633)	(5,013)	(4,197,370)	(2,827,937)
(272,833)	--	(1,225,560)	--
<u>254,343</u>	<u>103,559</u>	<u>1,594,154</u>	<u>(65,175)</u>
300,000	--	1,887,765	--
(67,519)	--	(497,209)	--
<u>232,481</u>	<u>--</u>	<u>1,390,556</u>	<u>--</u>
9,673	(33,021)	(1,333,063)	--
--	--	132,575	--
--	--	(46,827)	--
(292,370)	(48,977)	(571,735)	--
(200,256)	(51,655)	(490,447)	--
<u>(482,953)</u>	<u>(133,653)</u>	<u>(2,309,497)</u>	<u>--</u>
703	781	29,487	--
<u>703</u>	<u>781</u>	<u>29,487</u>	<u>--</u>
4,574	(29,313)	704,700	(65,175)
785,782	800,111	4,117,186	92,603
<u>790,356</u>	<u>770,798</u>	<u>4,821,886</u>	<u>27,428</u>
318,182	146,673	1,712,331	(31,360)
147,248	33,016	631,816	--
(1,442)	(1,130)	226,800	93,290
--	--	(725,000)	--
(4,645)	--	31,169	(127,105)
(205,000)	(75,000)	(280,000)	--
--	--	(2,962)	--
<u>(63,839)</u>	<u>(43,114)</u>	<u>(118,177)</u>	<u>(33,815)</u>
<u>254,343</u>	<u>103,559</u>	<u>1,594,154</u>	<u>(65,175)</u>
10,037	7,503	749,583	27,428
591,955	761,949	3,101,545	--
188,364	1,346	189,710	--
--	--	256,330	--
--	--	524,718	--
<u>790,356</u>	<u>770,798</u>	<u>4,821,886</u>	<u>27,428</u>
130,152	45,748	391,612	--

CITY OF PALMETTO, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 45,587
Interest and dividends receivable	55,619
Investments, at fair value	
Money market funds	485,037
U. S. government securities	2,527,810
Corporate bonds	2,692,136
Corporate stocks	9,460,023
Alternative investments	505,124
Total investments	<u>15,670,130</u>
Total assets	<u>15,771,336</u>
LIABILITIES	
Accounts payable	506,260
Total liabilities	<u>506,260</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 15,265,076</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2010

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 879,546
Plan members	263,475
State (from the General Fund)	102,745
Miscellaneous	46,302
Total contributions	<u>1,292,068</u>
Investment earnings	
Interest	211,022
Dividends	137,662
Net increase in the fair value of investments	1,089,652
Total investment earnings	<u>1,438,336</u>
Less investment expense	<u>124,003</u>
Net investment earnings	<u>1,314,333</u>
Total additions	<u>2,606,401</u>
DEDUCTIONS	
Benefits	1,230,392
Refunds of contributions	42,148
Administrative expenses	93,690
Total deductions	<u>1,366,230</u>
Change in net assets	1,240,171
Net assets - beginning	<u>14,024,905</u>
Net assets - ending	<u>\$ 15,265,076</u>

The notes to the financial statements are an integral part of this statement.



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CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Palmetto, Florida, (the City) was incorporated June 15, 1897, by referendum and amended in 2004. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida, in Manatee County and is comprised of five square miles with a population of 14,419. The current charter provides for an elected mayor and a five-member commission, all serving four year terms. The City provides municipal services such as public safety (police), roads and streets, recreation, public improvements, planning and zoning, and general administrative services. The City also has enterprise operations consisting of solid waste (garbage and trash collection), water, sewer, reclaimed water and stormwater.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (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. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the primary government.

Blended Component Unit: The City Commission created the Community Redevelopment Agency (CRA), pursuant to City Ordinance No. 259, adopted November 4, 1985, under the provisions of Section 163.357 of the Florida Statutes to provide for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City.

In January 2009, the City Commission approved the reorganization of the CRA by declaring itself as the CRA Board and establishing a CRA Advisory Board to make recommendations to the CRA Board. Therefore, the CRA operates under the guidance of the City Commission which meets separately as the CRA's governing body to approve the adoption of their annual budget, the acquisition, demolition, removal, or disposal of real property, the execution of contracts and modifications to the community redevelopment plans. The CRA is presented as a blended component unit within the City's financial statements as the Community Redevelopment Agency Special Revenue Fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements by allocation of these activities on a fund basis based on the predominant users of the services. *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 their support.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt expenditures, and expenditures related to compensated absences, claims and judgments, are usually recorded only when payment is due.

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

Governmental funds report the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as general administration, police protection, public works administration and parks and landscape are provided by the General Fund. Reported with the General Fund is the Trailer Park Trust, a “sub-fund” which is separated for the convenience of the City in tracking certain investments. The City allocates charges for indirect services provided by General Fund departments based on a cost allocation plan. The funds are reported as inter-fund transfers to the General Fund.

The *road and bridge fund* is a special revenue fund that accounts for the construction, maintenance, repair and replacement of the City’s streets, roads and bridges. Financing is provided primarily through motor fuel taxes. Even though this fund does not meet the criteria as a major fund, the City recognizes its qualitative significance and has included it in its presentation.

The *community redevelopment agency fund* is a special revenue fund that accounts for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City. Financing is provided primarily through tax increment funding from the City and Manatee County.

The City also has a *capital projects fund* that is a non-major governmental fund. The capital projects fund accounts for the activities associated with construction and the preservation of the City’s governmental capital assets.

Proprietary funds report the following major funds:

The *solid waste fund* accounts for the provision of garbage and trash collection to the City.

The *water and sewer fund* accounts for the provision of water and sewer service to the City and certain surrounding areas.

The *stormwater fund* accounts for the operation of a stormwater utility to improve stormwater drainage throughout the City.

The *reuse water fund* accounts for the operation of a reclaimed water utility to provide reclaimed water for irrigation in parts of the City.

Additionally, the proprietary funds report the following fund:

The *internal service fund* accounts for services provided to other departments within the City on a cost reimbursement basis. These services include general health and life insurance benefits and payroll liabilities. These funds are included in governmental and business-type activities for

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government-wide reporting purposes and included in a separate column in the proprietary funds statements. The excess revenue or expenses for the funds are allocated to the appropriate functional activity in the government-wide statement of activities.

The fiduciary funds report the *pension trust funds* which account for the activities of the Police and General Employees Pension plans. These funds accumulate resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow subsequent private sector guidance.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are from charges to customers for sales and services in the solid waste, water and sewer, stormwater and the reuse funds. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. The City considers all highly liquid investments with original maturities of three months or less when purchased as well as investments in the City's cash and investment pool to be cash equivalents for purposes of the statement of cash flows. Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

investments is allocated to funds based on their average daily balances.

The City's investment policy authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, and corporate bonds of investment grade, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the City are reported at fair value. The cash and investment pool maintained by the City is invested in collateralized certificates of deposits, the State Board of Administration (SBA) investment pool, and the Florida Municipal Investment Trust. The State Board of Administration Investment Pool operates in accordance with appropriate state laws and regulations. SBA Fund A is reported at amortized cost and SBA Fund B is reported at net asset value.

2. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in government-wide financial statements as "internal balances."

All trade receivables are reported net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 365 days and a percentage of those in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Inter-fund Transactions

In the course of normal operations the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets and service debt. The General Fund provides administrative services to the enterprise funds. The cost of those services is allocated based on the total money spent by each department.

4. Inventories and Prepaid Items

Inventories are adjusted to annual counts and are valued at cost, which approximates market, using the average cost method. Inventory is accounted for using the consumption method, whereby inventories are recorded as expenditures when they are used rather than purchased.

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

5. Restricted Assets

Proceeds of the City's loans, as well as other resources set aside in accordance with loan

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

covenants are classified as restricted on the fund level balance sheets. These include the following: loan proceeds for capital improvements, cash accounts used to accumulate resources to meet debt service requirements, customer deposits and accrued interest payable.

Specific provisions of ordinances or resolutions adopted by City Commission and other agreements restrict the uses of certain proprietary fund assets. Assets so designated are identified as restricted assets on the balance sheet.

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued when incurred in proprietary fund financial statements. In governmental fund financial statements, the cost of vacation pay is recognized when payments are made to employees or when matured, as a result of employee resignation or retirement. Vacation pay is accrued up to forty-five days, which is paid to employees upon termination. Unused sick leave benefits can be accumulated up to 120 days. One-half of the accumulated sick leave benefit will be paid to employees upon retirement or death.

All vacation pay is accrued when incurred in the government-wide financial statements. Sick leave is recorded in the financial statements at half the value only if the employee is vested.

7. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost per the schedule below. Equipment and vehicles with an individual cost between \$500 and \$2,000 are tracked as sundry items only, and not recorded as capital assets, or depreciated. Capital assets are recorded at historical cost or estimated historical cost if constructed.

Capital assets of the primary government are depreciated, using the straight line method over the following estimated useful lives using these capitalization thresholds:

<u>Assets</u>	<u>Useful Life</u>	<u>Threshold</u>
Buildings and building improvements	30 years	\$20,000
Machinery and equipment		
Equipment and vehicles	7 years	\$ 2,000
Software	7 years	\$20,000
Infrastructure	50 years	\$20,000
Improvements other than buildings	50 years	\$20,000

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated capital assets are recorded at estimated fair value at the date of donation. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

8. Interest Rate Swap

The City has entered into three interest rate swap transactions to reduce the economic risks associated with variability in cash outflows for interest required under the Bank of America loan agreements for Series 2004, 2005 and 2007 when determined to be an effective hedging derivative instrument. Interest rate swaps are recognized as offsetting assets (deferred charges) and/or liabilities (interest rate swap contracts) at their fair value on the government-wide and proprietary funds statement of net assets. The change in fair value of the interest rate swaps is recognized as interest expense in the government-wide statement of activities and proprietary fund's statement of revenues, expenses and changes in fund net assets.

9. Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Manatee County Property Appraiser as of the prior January 1. The property tax revenue for fiscal year 2010 was based on taxable assessed property values totaling \$929,295,191.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2009-2010 fiscal year, the City levied taxes of 4.6662 mills for the General Fund.

The Manatee County Tax Collector collects property taxes on behalf of each municipality within county boundaries. All taxes are due from property owners on March 31. Taxes become delinquent on April 1. By May 31, of each year, either all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction of tax certificates. Due to this arrangement there are no material un-remitted tax revenues at the end of the fiscal year.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The property tax cycle is summarized as follows:

June 1	Preliminary taxable valuation
July 1	Certification of valuations
September 8	Tentative tax levy set and first public hearing
September 22	Tax levy and budget adopted
October 1	Fiscal year begins for which tax is to be levied
November 1 – March 31	Property taxes are due with various discount rates
April 1	Taxes are delinquent and property is subject to lien
May 1	Delinquent tax certificates may be sold

10. Special Assessments

Special assessments are levied pursuant to State Statute and City Ordinances that result in a lien upon the properties involved.

11. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE II — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net assets—governmental activities* as reported in the government-wide statement of net assets. The elements of that reconciliation are as follows:

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE II — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

1. *Net assets for internal service fund activities reported in governmental funds:* Internal service funds are used by management to charge the costs of medical insurance and payroll liabilities to individual funds. These costs are distributed based on the number of employees per cost center. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The details of this \$92,299 difference are as follows:

Net assets of the internal service funds	\$ 19,368
Plus: Internal service funds allocated to business type activities	<u>72,931</u>
 Net adjustment to increase <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	 \$ <u><u>92,299</u></u>

2. *General government capital assets net of accumulated depreciation:* Capital assets are not included as part of current assets in the fund statements and need to be reported as capital assets in the government-wide statement of net assets. The details of this \$31,528,652 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 3,835,930
Buildings	361,424
Machinery and equipment	1,627,523
Infrastructure	23,960,927
Construction in progress	<u>1,742,848</u>
 Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	 \$ <u><u>31,528,652</u></u>

3. *Long-term debt for capital leases, compensated absences and loans:* Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the fund statements. The details of this \$7,094,965 difference, are as follows:

2004 loan payable	\$ (459,256)
2005 loan payable	(1,104,087)
2007 loan payable	(1,211,605)
CRA loan payable	(3,516,000)
Capital leases payable	(240,462)
Compensated absences	<u>(563,555)</u>
 Net adjustment to decrease <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	 \$ (<u><u>7,094,965</u></u>)

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE II — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balance—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The elements of that reconciliation are as follows:

1. *Governmental funds report capital outlays as expenditures:* Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$370,649 difference are as follows:

Capital outlay	\$ 1,770,178
Depreciation expense	(1,326,020)
Capital assets sales and other	<u>(73,509)</u>

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$ 370,649

2. *The principal repayment of long-term debt (i.e. loans and capital leases):* The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is reported as debt service payments in the Statement of Revenues, Expenditures and Changes in Fund Balances. Also, payments are reported as reductions of long term debt on the government-wide Statement of Net Assets. The details of this \$541,867 difference are as follows:

Principal repayments	
Principal repayments on long-term bank loans	\$ 339,723
Payments on capital lease	286,144
Capital lease additions	<u>(84,000)</u>

Net adjustment to increase *net changes in fund balances – total governmental funds* to arrive at *changes in net assets of governmental activities* \$ 541,867

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE II — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses, therefore, are not reported as expenditures in governmental funds. The details of this \$468,260 difference are as follows:

Change in other post-employment benefits	\$(95,969)
Change in the net pension asset	(234,744)
Changes in compensated absences	<u>(134,547)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(468,260)</u>

4. *Some revenues reported in the statement of activities do not provide current financial resources:* These revenues, therefore, are not reported in the governmental fund statements. The details of this \$8,111 difference are as follows:

Miscellaneous revenue	\$ 7,583
Additional long-term receivables	<u>528</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 8,111</u>

C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Assets and the Government-wide Statement of Net Assets

The proprietary fund statement of net assets includes a reconciliation between *net assets-total enterprise funds* and *net assets of business-type activities* as reported in the government-wide statement of net assets. The description of the sole element of that reconciliation is as follows:

1. *Net assets for internal service fund activities reported in proprietary funds:* This adjustment is to reflect the consolidation of internal service fund activities related to enterprise funds. The details of this \$72,931 difference are as follows:

Net assets of the internal service funds	\$ 19,368
Less: Net assets allocated to governmental activities	<u>(92,299)</u>
Net adjustment to decrease <i>net asset total in the enterprise funds</i> to arrive at <i>net asset – business-type activities</i>	<u>\$(72,931)</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE III — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds.

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

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution. The budget resolution restricts total expenditures by fund. Expenditures for any year may not exceed current year fund appropriations plus accumulated fund equity.
4. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the departmental cost center level. Transfers of appropriations between cost centers or funds require the approval of the City Commission. The transfer of appropriations between line items within the same departmental cost center can be accomplished with Department Head and City Clerk approval.
5. All unencumbered and unexpended appropriations lapse at fiscal year end. Encumbered appropriations (i.e., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
6. The City Commission has the power to revise its budget appropriations by resolution from time to time during the fiscal year; however, no revision may be made by transferring any encumbered funds unless such funds are first released or discharged from any such encumbrance. Budgeted amounts are as originally adopted or amended by the City. Supplemental appropriations made during the fiscal year are included in the “Final Budget” columns on the statement of revenues, expenditures and changes in fund balances – budget and actual.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2010, there were no total expenditures/expenses of any cost centers which exceeded appropriations at the departmental level.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. The main deposits and investments of the Pension Trust Funds are held separately from those of other City funds and only holds pooled cash until the contributions are remitted to the trust funds. Interest income, attributed to the pooled cash and investments, is allocated monthly based on each fund's percentage of the total of pooled cash and investments.

At September 30, 2010, the carrying amount of the City's primary government deposits was \$16,641,342. This amount includes collateralized certificates of deposit valued at \$1,761,962 the SBA investment of \$321,117, the FMIT investment of \$178,538 and \$2,770,573 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating account was \$11,609,152. All deposits are insured by either the Federal Depository Insurance Corporation or by the Multiple Financial Institution Collateral Pool established by Chapter 280 of the Florida Statutes. Chapter 280 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodians equal to a percentage between 25% and 200% determined by the State's Chief Financial Officer and based on information from nationally recognized financial rating services and established financial performance guidelines for the banking institutions. New and financially troubled institutions are required to pledge securities equal to 125% of municipal deposits with the State or third party custodians. All deposits of the City are insured or collateralized with securities held by the entity or by its agent in the entity's name.

The cash and investment pool maintained by the City invests in time deposits, U.S. government securities, the State Board of Administration investment pool, and the Florida Municipal Investment Trust. The General Employees' Pension Plan and the Police Officers' Retirement Plan have individual investment policies and approved contracts for investment management services and for custody of securities. These funds invest in U.S. government securities, corporate stocks and bonds, money market funds and the Florida Municipal Investment Trust.

The City's investment guidelines have been defined in a written investment policy and approved by the City Commission for all funds except the Pension Trust Funds. This policy coincides with state statutes to reasonably insure the safety of the City's investments. The respective Pension Boards have defined and adopted investment policies for the Pension Trust Funds.

The Florida State Board of Administration's (SBA) Local Government Surplus Funds Account and Florida League of Cities Municipal Investment Trust (FMIT) meet the criteria of 2a7-like pools and therefore the investments are valued using the pooled share price. The pooled share price is equivalent to the fair value of the position in each of the 2a7-like pools.

The Local Government Surplus Funds Account is administered by the SBA under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. The objectives of the pool is to provide a short-term, very liquid, high quality investment vehicle to

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

participating local governments and to operate consistent with Section 215.47 of the Florida Statutes. As a money market fund, the pool invests in instruments issued by financial institutions, non-financial corporations, the U. S. government and federal agencies. Money market instruments must be of the highest applicable rating, while other eligible securities must be rated investment grade. All maturity obligations of the U. S. government may not exceed two years and the weighted average maturity of the portfolio may not exceed 90 days. The SBA is split between two funds, Fund A and Fund B. Fund A is a “2a-7 like” investment pool that is not registered with the Securities and Exchange Commission, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940. Rule 2a-7 is a rule that permits money market funds to use amortized cost. Fund B does not meet the requirements of a 2a-7 like pool.

FMIT is an inter-local governmental entity created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds into one or more investment portfolios. These portfolios are actively traded and have been structured to meet a variety of investment horizons using those investments permitted under the Trust’s investment policy. Fitch Ratings assigns bond fund ratings to the Trust’s four fixed income funds and the investment performance and compliance are monitored and audited in accordance with generally accepted auditing standards.

As of September 30, 2010, the City had the following investments and maturities:

Investment Type	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Cash and Short Term Investments	16,154,045	16,154,045	--	--	--
State Investment Pool	321,117	258,274	--	62,843	--
US Agencies	5,476,920	3,206,275	1,043,564	489,766	737,315
Corporate Bonds	2,692,136	76,369	1,589,656	893,858	132,253
Common Stock	9,460,023	9,460,023	--	--	--
Alternative Investments	505,124	505,124	--	--	--
	<u>34,609,365</u>	<u>29,660,110</u>	<u>2,633,220</u>	<u>1,446,467</u>	<u>869,568</u>

1. *Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy requires diversification of the investments. The investment policy of the General Employees’ Pension Fund requires the investment manager to maintain liquid reserves for the payment of pension benefits and expenses. This also limits exposure to fair value losses by allowing for quick liquidation in the event of fluctuating interest rates.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

2. *Credit Risk:* The City invests its surplus funds pursuant to state statutes which limit investing activities to SBA, certificates of deposits, registered SEC and money market mutual funds. Investments of these types insure the security of the City's surplus funds. Policies governing the General Employees' Pension Fund and the Police Officers' Pension Fund limit investments to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). Of the investments the Police Officers' Pension Fund holds, \$692,702 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$52,499 in U.S. Government Agency security with a rating of AA+ with Standard and Poor's; \$708,314 is in U.S. Government Agency securities which are not rated; \$151,412 is in corporate bonds with a rating of AAA with Standard and Poor's; \$95,630 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$168,354 is in corporate bonds with a rating of AA with Standard and Poor's; \$73,114 is in corporate bonds with a rating of AA- with Standard and Poor's; \$214,965 is in corporate bonds with a rating of A+ with Standard and Poor's; \$488,810 is in corporate bonds with a rating of A with Standard and Poor's; \$138,781 is in corporate bonds with a rating of A- with Standard and Poor's; \$173,484 is in short term investments not rated; and \$4,374,965 is in common stock not rated. Of the investments the General Employee' Pension Fund holds, \$1,074,295 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$227,204 is in corporate bonds with a rating of AA with Standard and Poor's; \$55,026 is in corporate bonds with a rating of AA- with Standard and Poor's; \$264,940 is in corporate bonds with a rating of A+ with Standard and Poor's; \$694,016 is in corporate bonds with a rating of A with Standard and Poor's; \$119,884 is in corporate bonds with a rating of A- with Standard and Poor's; \$311,553 is in short term investments not rated; \$505,124 is in alternative investments not rated; and \$5,085,058 is in common stock not rated.

3. *Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires the investment security be collateralized by direct obligations backed by the full faith and credit of the U. S. Government or by the actual security held in safekeeping. The cash and short term investments are largely comprised by cash in bank where the bank is approved by the State of Florida and collateralized certificates of deposit. State approved banks are required to comply with Florida Statutes Chapter 280, which requires financial institutions to pledge securities with the state to insure government funds held by the bank. The investment policies of both the General Employees' and the Police Officers' Pension Funds provide for the selection of investment managers and a reasonable real return in their performance.

4. *Foreign Currency Risk:* The City does not have an investment policy related to foreign currency risk.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2010, for the City are as shown below:

	Governmental Funds				Total
	General	CRA	Road & Bridge	Capital Project	
Accounts	344,763	1,500	2,004	--	348,267
Special Assessments	64,158	--	44,771	--	108,929
Intergovernmental	102,970	--	--	--	102,970
Intergovernmental Restricted	--	--	89,089	--	89,089
Interest	5,603	456	1,921	--	7,980
Grants	--	27,041	--	364,445	391,486
Net Total Receivables	517,494	28,997	137,785	364,445	1,048,721

	Enterprise Funds				Total
	Solid Waste	Water and Sewer	Stormwater	Reuse	
Accounts	292,009	896,459	108,477	34,267	1,331,212
Special Assessments	--	421	--	--	421
Interest	420	2,459	--	--	2,879
Gross Receivables	292,429	899,339	108,477	34,267	1,334,512
Less: Allowance for uncollectable	(79,847)	(192,875)	(29,821)	(9,445)	(311,988)
Net Total Receivables	212,582	706,464	78,656	24,822	1,022,524

C. Inter-fund Receivables, Payables and Transfers

1. Due To/From Other Funds

The City reports inter-fund balances between funds as due to/from other funds. The total of all balances agree with the sum of due to/from other funds balances presented in the balance sheet/statement of net assets for governmental funds and for proprietary funds.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

At September 30, 2010, the Water and Sewer fund had a \$725,000 receivable from the Stormwater and Reuse funds. This amount represents a short-term loan made to cover a temporary cash deficit in pooled cash within the payable fund at year-end. This balance is a receivable that is expected to be liquidated within one year.

Receivable fund	Payable fund	Amount
Water and Sewer	Stormwater	\$ 500,000
Water and Sewer	Reuse	225,000
	Total	\$ 725,000

2. Inter-fund Transfers

The City reports inter-fund transfers between many of its funds. The sum of all transfers presented in the following schedule agrees with the inter-fund transfers presented in the governmental and proprietary fund financial statements.

Transfers are used to reimburse a fund for expenses incurred that benefit another fund. This happens primarily in the general fund which incurs expenses for certain departments that support the proprietary funds. These departments include: Public Works Administration, Engineering, Information Technology, Fleet Maintenance, Finance and Human Resources.

The composition of inter-fund transfers as of September 30, 2010, is as follows:

Transfer Out	Transfer In Primary General Fund	Transfer In Water/Sewer Fund	Transfer In Stormwater Fund	Total Transfers
CRA Fund	\$ 43,812	1,587,765	--	1,631,577
Road and Bridge	206,053	--	150,000	356,053
Solid Waste fund	33,354	--	--	33,354
Water and Sewer fund	246,336	--	150,000	396,336
Stormwater fund	67,519	--	--	67,519
Total	\$ 597,074	1,587,765	300,000	2,484,839

D. Capital Assets

On October 1, 2008, the City's Community Redevelopment Agency assets were transferred from the discretely presented component unit to a special revenue fund. These assets are now reported as part of the governmental activities.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Governments possess many different types of assets that may be considered intangible assets, including easements and right of ways. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has certain easements and right of ways that meet these requirements and have classified these assets as land in the governmental activities. These assets total \$108,721.

In September, 2010, the City entered into an agreement with Manatee Fruit Company for donation of land for a capital project. This agreement stemmed from an additional 1998 donation to the City for the completion of 23rd Street but was never recorded as a City asset. The value of the land has been set at \$212,000 and is included in the beginning balance of the following table. Capital asset activity, with the CRA reported separately for illustration purposes, for the year ended September 30, 2010, was as follows:

Primary Government	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,592,955	--	--	2,592,955
Land - CRA	1,167,873	75,102	--	1,242,975
Construction in progress	569,757	497,179	--	1,066,936
Construction in progress - CRA	1,013,417	--	(337,505)	675,912
Total capital assets, not being depreciated:	<u>5,344,002</u>	<u>572,281</u>	<u>(337,505)</u>	<u>5,578,778</u>
Capital assets, being depreciated:				
Buildings	1,943,535	3,850	--	1,947,385
Machinery and equipment	6,722,544	199,995	(107,863)	6,814,676
Infrastructure	26,703,201	349,465	(12,987)	27,039,679
Infrastructure - CRA	4,128,461	920,122	--	5,048,583
Total capital assets, being depreciated:	<u>39,497,741</u>	<u>1,473,432</u>	<u>(120,850)</u>	<u>40,850,323</u>
Less accumulated depreciation for:				
Buildings	(1,498,928)	(87,033)	--	(1,585,961)
Machinery and equipment	(4,855,031)	(439,754)	107,632	(5,187,153)
Infrastructure	(7,211,642)	(705,411)	1,679	(7,915,374)
Infrastructure - CRA	(118,139)	(93,822)	--	(211,961)
Total accumulated depreciation	<u>(13,683,740)</u>	<u>(1,326,020)</u>	<u>109,311</u>	<u>(14,900,449)</u>
Total capital assets, being depreciated, net	<u>25,814,001</u>	<u>147,412</u>	<u>(11,539)</u>	<u>25,949,874</u>
Governmental activities capital assets, net	<u>\$ 31,158,003</u>	<u>719,693</u>	<u>(349,044)</u>	<u>31,528,652</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 139,050	140,365	--	279,415
Construction in progress	2,216,018	905,010	(794,003)	2,327,025
Total capital assets, not being depreciated:	<u>2,355,068</u>	<u>1,045,375</u>	<u>(794,003)</u>	<u>2,606,440</u>
Capital assets, being depreciated:				
Buildings	493,516	--	--	493,516
Machinery and equipment	2,084,350	8,580	--	2,092,930
Improvements other than buildings	35,169,910	1,084,262	--	36,254,172
Total capital assets, being depreciated:	<u>37,747,776</u>	<u>1,092,843</u>	<u>--</u>	<u>38,840,619</u>
Less accumulated depreciation for:				
Buildings	(225,381)	(14,445)	--	(239,826)
Machinery and equipment	(1,139,700)	(107,600)	--	(1,247,300)
Improvements other than buildings	(12,708,629)	(509,771)	--	(13,218,400)
Total accumulated depreciation	<u>(14,073,710)</u>	<u>(631,816)</u>	<u>--</u>	<u>(14,705,526)</u>
Total capital assets, being depreciated, net	<u>23,674,066</u>	<u>461,027</u>	<u>--</u>	<u>24,135,092</u>
Business-type activities capital assets, net	<u>\$ 26,029,134</u>	<u>1,506,401</u>	<u>(794,003)</u>	<u>26,741,532</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 739,060
Public safety	113,735
Streets and roads	205,173
Intergovernmental services	203,487
Recreation	64,565
Total depreciation for governmental activities	<u>\$ 1,326,020</u>

Business-type activities:

Solid waste	\$ 248
Water and sewer	451,304
Stormwater	147,248
Reuse	33,016
Total depreciation for business-type activities	<u>\$ 631,816</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Construction Commitments

The City has various active construction projects that are separate from the CRA. At September 30, 2010, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

Capital Projects	Spent-to-Date	Remaining Commitment
Waste Water Treatment Plant Upgrades	1,047,569	140,449
Reclaimed water - ASR well design	481,741	490,439
10th and 14th	465,614	112,647
I & I Program	401,267	18,640
23rd Street Realignment	216,789	-
Waste Water Treatment Plant Evaluation	114,254	-
Other Projects	666,727	166,328
	\$ 3,393,961	\$ 928,503
CRA Projects	Spent-to-Date	Remaining Commitment
Ward I Phase II - Engineering	392,020	43,545
Riverside Drive Improvements	195,207	23,614
Haben Boulevard Improvements	88,684	11,215
	\$ 675,911	\$ 78,374
Total	\$ 4,069,872	\$ 1,006,877

E. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles, street equipment, grader, mini-excavator, trucks and other operational vehicles. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2010, are as follows:

	Year Ended September 30, 2010		
	Governmental Activities	Business-type Activities	Total
Asset:			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 423,941	--	423,941
Light Duty & Equipment	83,813	65,346	149,159
Heavy Duty & Equipment	434,243	87,432	521,675
Less: Accumulated Depreciation	(372,236)	(72,489)	(444,725)
	\$ 569,761	80,289	650,050
Total leases	\$ 569,761	80,289	650,050

During the fiscal year ending September 30, 2010, lease payments were made totaling \$350,306 which includes principal payments of \$332,971 and \$17,335 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities	Total
2011	\$ 173,515	27,019	200,534
2012	41,344	--	41,344
2013	22,368	--	22,368
2014	11,184		11,184
	248,411	27,019	275,430
Less: amount representing interest	(7,949)	(554)	(8,503)
Present value of minimum lease payments	\$ 240,462	26,465	266,927

F. Long Term Liabilities

1. State Revolving Fund Loans

Reuse Loan

The City received funding in the amount of \$415,000 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in funding design and engineering costs (preconstruction project costs) related to the construction of reclaimed water reuse facilities.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2010, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$52,575 with capitalized interest of \$19,943. Pledged revenues include water and sewer fund operating revenues, installation and connection fees, impact fees, and any local option sales tax revenues. The original amortization of the loan was to be repaid in forty semiannual payments of \$14,100 including interest which accrued semiannually at 3.18% (annual rate) of the unpaid balance. Payments began June 15, 2003. During fiscal year 2007, it was determined that no additional funding was necessary from the loan and it was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$2,565.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$5,130 which includes principal payments of \$3,377 and \$1,753 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,486	1,644	5,130
2012	3,597	1,533	5,130
2013	3,713	1,417	5,130
2014	3,832	1,298	5,130
2015	3,955	1,175	5,130
2016	4,081	1,049	5,130
2017	4,212	918	5,130
2018	4,347	783	5,130
2019	4,486	644	5,130
2020	4,630	500	5,130
2021	4,779	351	5,130
2022	4,932	198	5,130
2023	2,525	40	2,565
Total	\$ 52,575	11,550	64,125

Stormwater Loan

The City received funding in the amount of \$2,944,186 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in the construction of the City's stormwater system. These projects included the 10th Street and 10th Ave, Oakridge, Hidden Lake and Carr Drain projects.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2010, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$1,739,458 with capitalized interest of \$16,186. Pledged revenues are stormwater fees. The original amortization of the loan was to be repaid in forty semiannual payments of \$100,744 including interest which accrues semiannually at 3.03% (annual rate) of the unpaid balance. Payments began October 15, 2001. During fiscal year 2007, it was determined that all projects approved for funding through this loan were complete and no additional funding was necessary. The loan was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$93,565.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$187,130 which includes principal payments of \$131,431 and \$55,699 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	Business-Type Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 135,443	51,687	187,130
2012	139,578	47,552	187,130
2013	143,839	43,291	187,130
2014	148,231	38,899	187,130
2015	152,756	34,374	187,130
2016	157,420	29,710	187,130
2017	162,226	24,904	187,130
2018	167,178	19,952	187,130
2019	172,282	14,848	187,130
2020	177,542	9,588	187,130
2021	182,963	4,168	187,131
Total	\$1,739,458	318,973	2,058,431

2. Capital Improvement Revenue Loans

2004 Bank of America Loan

On March 1, 2004, the City adopted Resolution No. 04-09 authorizing a loan by the City of \$4,300,000 through Bank of America, N.A. to finance the costs of certain capital improvements within the City and to refund the outstanding balance of the City's Capital Improvement Revenue Note, Series 1998. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The interest rate on the loan is 64% of the 90 day LIBOR rate plus 111 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.235%, payable in quarterly installments through March 2024. Under terms of the Interest Rate Swap Agreement with Bank of America, N.A., the City receives 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$198,801 which includes principal payments of \$106,078 and \$92,723 in interest. The loan proceeds and payments were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The allocation at September 30, 2010 was 21.95% to governmental activities and 78.05% to business-type activities. The completed governmental activity projects include the City’s fiber optic ring (\$383,571), the street related portion of improvements to Fifth, Sixth and Seventh Streets (\$194,750) and the City Hall portion of improvements to City buildings (\$17,461). The completed projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets (\$1,563,688), the installation of the City’s reuse system (\$976,164), the Public Works portion of improvements to City buildings (\$55,998), and the Infiltration and Inflow Project (\$273,556).

Annual estimated installments for the fiscal years ending September 30, are as follows:

Year	Governmental Activities		Business-type Activities		City-wide
	Principal	Interest	Principal	Interest	Total
2011	\$ 24,480	18,799	87,010	66,847	197,136
2012	25,711	17,730	91,459	63,045	197,945
2013	26,921	16,608	95,726	59,053	198,308
2014	28,454	15,429	101,177	54,861	199,921
2015	29,895	14,187	106,299	50,447	200,828
2016	31,373	12,881	111,557	45,802	201,613
2017	32,971	11,510	117,240	40,929	202,650
2018	34,651	10,070	123,213	35,806	203,740
2019	36,362	8,557	129,295	30,425	204,639
2020	38,315	6,966	136,240	24,772	206,293
2021	40,219	5,293	143,012	18,823	207,347
2022	42,270	3,536	150,303	12,574	208,683
2023	44,423	1,689	157,961	6,007	210,080
2024	23,211	124	81,837	443	105,615
Total	\$ 459,256	143,379	1,632,329	509,834	2,744,798

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

2005 Bank of America Loan

On June 20, 2005, the City adopted Resolution No. 05-40 authorizing a loan by the City of \$6,500,000 through Bank of America, N.A. to finance the costs of certain capital improvements within the City. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

The interest rate on the loan is 64% of the 90 day LIBOR rate plus 111 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.345%, payable in quarterly installments of approximately \$125,000 through October 2025. Under terms of the Interest Rate Swap Agreement with Bank of America, NA, the City receives 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$503,466 which includes principal payments of \$253,600 and \$249,866 in interest. The original loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The allocation at September 30, 2010, was 19.90% to governmental activities and 80.10% to business-type activities. The completed governmental activity projects include the sidewalk replacement and street resurfacing within the City (\$567,943) and the street related portion of improvements to Fifth, Sixth and Seventh Streets (\$404,727). The completed and ongoing projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets (\$142,938), US 301 future utility expansion (\$512,096) and seven stormwater projects throughout the City (\$2,410,364), upgrades to the Waste Water Treatment Plant (\$1,488,589) and the Infiltration and Inflow Project (\$239,804).

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-wide</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 52,717	47,426	212,217	190,897	503,257
2012	54,838	45,338	220,703	182,492	503,371
2013	57,668	43,186	232,120	173,831	506,805
2014	60,128	40,910	242,021	164,668	507,727
2015	62,821	38,540	252,860	155,126	509,347
2016	65,540	36,059	263,806	145,141	510,546
2017	68,388	33,474	275,270	134,737	511,869
2018	71,719	30,784	288,678	123,910	515,091
2019	74,919	27,957	301,559	112,531	516,966
2020	78,140	24,999	314,525	100,625	518,289
2021	81,699	21,921	328,850	88,235	520,705
2022	85,352	18,701	343,554	75,273	522,880
2023	89,114	15,333	358,696	61,719	524,862
2024	93,199	11,822	375,137	47,587	527,745
2025	97,346	8,148	391,831	32,795	530,120
2026	10,499	668	42,238	2,691	56,096
Total	\$ 1,104,087	445,266	4,444,065	1,792,258	7,785,676

2007 Bank of America Loan

On November 5, 2007, the City adopted Resolution No. 07-46 authorizing a loan by the City of \$5,337,000 through Bank of America, N.A. to finance the costs of certain capital improvements within the City. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer, and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

The interest rate on the loan is 63.7% of the 90 day LIBOR rate plus 90 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.302%, payable in quarterly installments beginning February 2008 through November 2027. Under terms of the Interest Rate Swap Agreement with Bank of America, NA, the City receives 63.7% of the 90 day LIBOR rate plus 90 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$399,170 which includes principal payments of \$184,910 and \$214,260 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The allocation at September 30, 2010, was 25% to governmental activities and 75% to business-type activities. The ongoing governmental activity projects include the sidewalk replacement and street resurfacing within the city (\$200,000), Public Works Facility Upgrades (\$79,800), and the street related portion of US301 future utility expansion (\$455,000). The completed and ongoing projects from the business-type activities include the Jackson Park drainage (\$565,000), US301 future utility expansion (\$1,111,000), the Canal Road Phase II project (\$403,400), upgrades to the Waste Water Treatment Plant (\$1,074,530) and the Infiltration and Inflow Project (\$207,083).

Annual estimated installments for the fiscal years ending September 30 are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-wide</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 46,219	51,364	138,691	154,091	390,365
2012	50,280	49,254	150,839	147,761	398,134
2013	52,647	47,054	157,940	141,161	398,802
2014	54,981	44,751	164,942	134,254	398,928
2015	57,419	42,347	172,256	127,041	399,063
2016	59,853	39,837	179,559	119,512	398,761
2017	62,618	37,219	187,853	111,656	399,346
2018	65,394	34,480	196,182	103,441	399,497
2019	68,293	31,621	204,880	94,862	399,656
2020	71,242	28,635	213,725	85,905	399,507
2021	74,480	25,519	223,439	76,556	399,994
2022	77,782	22,262	233,346	66,785	400,175
2023	81,231	18,860	243,692	56,580	400,363
2024	84,790	15,306	254,371	45,917	400,384
2025	88,591	11,600	265,774	34,800	400,765
2026	92,519	7,726	277,557	23,177	400,979
2027	96,621	3,680	289,862	11,039	401,202
2028	26,645	270	80,815	809	108,539
Total	\$ 1,211,605	511,785	3,635,723	1,535,347	6,894,460

CRA Loan Agreement 2006

On July 18, 2006, the City adopted Resolution No. 06-01 authorizing a loan by the CRA of \$4,395,000 through the Bank of America, N.A. to finance certain costs of: (1) the acquisition of the historic Olympia Theater and the renovation thereof; (2) the acquisition of property on 5th Street West to be used as public parking; (3) the acquisition of property adjacent to the Palmetto

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Elementary School for use for public education purposes; and (4) to refinance the 2004 CRA Capital Improvement Revenue Loan. The loan is payable from and secured by a pledge and lien upon the pledged Tax Increment Funding revenues.

The interest rate on the loan is 63.7% of the LIBOR rate plus 1.15%, payable quarterly in January, April, July and October. Principal shall be repaid in installments of \$54,938 in January, April, July and October. Final payment is due in July 2026.

During the fiscal year ending September 30, 2010, loan payments were made totaling \$268,309 which includes principal payments of \$219,750 and \$48,559 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 219,750	181,680	401,430
2012	219,750	160,692	380,442
2013	219,750	149,705	369,455
2014	219,750	138,717	358,467
2015	219,750	127,730	347,480
2016	219,750	116,742	336,492
2017	219,750	105,755	325,505
2018	219,750	94,767	314,517
2019	219,750	83,780	303,530
2020	219,750	72,792	292,542
2021	219,750	61,805	281,555
2022	219,750	50,817	270,567
2023	219,750	39,830	259,580
2024	219,750	28,842	248,592
2025	219,750	17,855	237,605
2026	219,750	6,867	226,617
Total	\$ 3,516,000	1,438,376	4,954,376

3. Interest Rate Swap

The City entered into interest rate swaps as a means to lower its borrowing costs, when compared against fixed-rate loans. The City's interest rate swaps are types of derivative instruments that are intended to synthetically fix the debt's interest rate, thereby hedging the risk that rising interest rates will negatively affect cash flows or offset the changes in fair value of hedgeable items.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, is intended to improve how the City reports information about derivative instruments in the financial statements and manage specific risks. It requires the derivative instruments to be reported on the face of financial statements using the accrual basis of accounting and provide transparency in the financial statements by reporting the fair market value of the derivatives.

In 2004, 2005 and 2007, the City entered into debt agreements for a total of \$16,137,000. The terms of the loans and associated interest rate swaps are described on pages 59-63. The fair value and changes in fair value are as follows:

	Changes in Fair Value		Fair Value		Notional
	Classification	Amount	Classification	Amount	
Governmental activities					
Fair value hedges:					
Pay fixed-receive variable interest rate swap					
2004 Loan	Deferred outflow	\$ (17,102)	Debt	(53,571)	459,256
2005 Loan	Deferred outflow	(42,545)	Debt	(144,635)	1,104,087
2007 Loan	Deferred outflow	(50,662)	Debt	(180,506)	1,211,605
	Total Governmental activities	(110,309)		(378,712)	2,774,948
Business-type activities					
Pay fixed-receive variable interest rate swap					
2004 Loan	Deferred outflow	(60,635)	Debt	(189,933)	1,632,329
2005 Loan	Deferred outflow	(172,382)	Debt	(580,741)	4,444,065
2007 Loan	Deferred outflow	(158,595)	Debt	(571,603)	3,635,723
	Total Business-type activities	(391,612)		(1,342,277)	9,712,117
	Total	\$ (501,921)		(1,720,989)	12,487,065

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,720,989 as of September 30, 2010. The swap's negative fair value may be countered in the future by an increase in interest rates resulting in a reduction in total interest payments. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Credit risk – As of September 30, 2010 the City was not exposed to credit risk because the swap had a negative fair value.

Basis risk – The swaps do not expose the City to basis risk because the interest rate on the notes and the swaps are the same.

Termination risk – The City may terminate the contract and the swap would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the bank for a payment equal to the swap's fair value.

4. Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. No City, State or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2010, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$7,253,272.

5. Other Information

In accordance with loan covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, earnings on loan proceeds in excess of bond yield. For the year ended September 30, 2010, no amounts were earned that are required to be rebated to the U.S. Treasury for 2010.

For the governmental activities, compensated absences are generally liquidated by the General, CRA, and Road and Bridge Funds.

Details of the long-term liability for other post-employment benefits are included in Note V, Section C.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Long-term bank loans					
2004 loan	\$ 482,548	--	23,292	459,256	24,480
2005 loan	1,154,549	--	50,462	1,104,087	52,717
2007 loan	1,257,824	--	46,219	1,211,605	46,219
CRA loan	3,735,750	--	219,750	3,516,000	219,750
Total long-term bank loans	<u>6,630,671</u>	<u>--</u>	<u>339,723</u>	<u>6,290,948</u>	<u>343,166</u>
Customer deposits	600	7,295	5,445	2,450	--
Interest rate swap contracts	268,403	110,309	--	378,712	--
Other post-employment benefits	42,927	95,969	--	138,896	--
Capital leases	442,606	84,000	286,144	240,462	168,005
Compensated absences	571,292	44,198	53,091	562,399	140,600
Compensated absences - CRA	720	1,587	1,151	1,156	289
Total governmental activity long-term liabilities	<u>\$ 7,957,219</u>	<u>343,358</u>	<u>685,554</u>	<u>7,615,023</u>	<u>652,060</u>
Business-type activities:					
Long-term bank loans					
2004 loan	\$ 1,715,115	--	82,786	1,632,329	87,010
2005 loan	4,647,203	--	203,138	4,444,065	212,217
2007 loan	3,774,414	--	138,691	3,635,723	138,691
Total long-term bank loans	<u>10,136,732</u>	<u>--</u>	<u>424,615</u>	<u>9,712,117</u>	<u>437,918</u>
State revolving loans					
Stormwater	1,870,889	--	131,431	1,739,458	135,443
Reuse	55,952	--	3,377	52,575	3,486
Total state revolving loans	<u>1,926,841</u>	<u>--</u>	<u>134,808</u>	<u>1,792,033</u>	<u>138,929</u>
Total loans payable	<u>12,063,573</u>	<u>--</u>	<u>559,423</u>	<u>11,504,150</u>	<u>576,847</u>
Customer deposits	527,680	99,554	102,516	524,718	--
Interest rate swap contracts	950,665	391,612	--	1,342,277	--
Other post-employment benefits	8,073	19,032	--	27,105	--
Capital leases	73,292	--	46,827	26,465	26,465
Compensated absences	116,253	6,034	2,360	119,927	29,983
Total business-type activities long-term liabilities	<u>\$ 13,739,536</u>	<u>516,232</u>	<u>711,126</u>	<u>13,544,642</u>	<u>633,295</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Funds				Total
	General	CRA	Road and Bridge	Capital Projects	
2005 Capital Improvement Loan Proceeds \$	--	--	--	11,532	11,532
2007 Capital Improvement Loan Proceeds	--	--	--	405,067	405,067
2006 CRA Loan Proceeds	--	712,468	--	--	712,468
Contributions - Capital Improvements	12,339	--	6,501	--	18,840
Impact Fees	372,637	--	87,713	--	460,350
Total Governmental Restricted Assets	\$ 384,976	712,468	94,214	416,599	1,608,257
	Proprietary Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
2004 Capital Improvement Loan Proceeds \$	--	--	125	20,008	20,133
2005 Capital Improvement Loan Proceeds	--	51,861	5,827	910	58,598
2007 Capital Improvement Loan Proceeds	--	108,015	586,003	519,976	1,213,994
Pooled Cash - Loan Proceeds	--	1,587,765	--	221,055	1,808,820
Loan Covenants	--	--	188,364	1,346	189,710
Impact Fees	--	256,330	--	--	256,330
Customer Deposits	--	524,718	--	--	524,718
Total Proprietary Restricted Assets	\$ --	2,528,689	780,319	763,295	4,072,303
	Total Restricted Assets				\$ 5,680,560

NOTE V — OTHER INFORMATION

A. Risk Management

The City is exposed to risks of loss through various operations such as police, streets, water, sewer, and garbage operations and loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City carries commercial insurance. The City purchases insurance through carriers, primarily, the Florida League of Cities' Florida Municipal Insurance Trust Fund, for large risks, and retains certain risks directly and through the use of deductibles on the insurance policy. The City's limits of insurance are based on the statutory limits of liability of \$100,000, with layering to a maximum of \$1,000,000,

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

for certain types of exposures. The Florida League of Cities' Florida Municipal Insurance Trust is a non-assessable entity created by an act of the Legislature.

Risks retained by the City include risks of vehicle accidents for collision and comprehensive coverage, liability claims below the deductible or in excess of insured amounts, crime below a deductible of \$2,500, inland marine and property exposures less than \$10,000, and all unemployment insurance risks. The Insurance Services Fund covers any exposure that is not otherwise insured.

There have been no significant reductions in insurance coverage for the current fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

1. Unemployment Insurance

The City reimburses the State of Florida for eligible claims paid for unemployment benefits.

2. Workmen's Compensation

The City maintains an insurance policy with Florida Municipal Insurance Trust with regard to workmen's compensation benefits for employees.

3. Medical Self-Insurance Program

The City participated in a self-insurance program until September 30, 2009 with regard to medical benefits for employees and dependents. The City engaged a third party administrator for the administration, review and payment of claims and paid 100% of the insurance benefit for active employees. Dependent and retiree coverage was optional and the cost paid by employee contributions and partially subsidized by the City. Risks in excess of fixed individual limits of \$60,000 annually were co-insured with an outside insurance carrier.

Beginning with fiscal year 2010, the City opted to change to a fully insured insurance program. The City continued to fund the claims expense incurred prior to September 30, 2009 until all covered claims were processed.

The self-insurance fund established a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses mainly related to the self-insured health insurance.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

The following represent the changes in approximate aggregate liabilities for the City from October 1, 2009 to September 30, 2010:

	Year Ended September 30, 2010	Year Ended September 30, 2009
Unpaid claims, beginning of year	\$ 127,105	\$ 74,342
Incurred claims (including IBNRs)	114,654	1,453,294
Claims payments	<u>(241,759)</u>	<u>(1,400,531)</u>
Unpaid claims, end of year	<u>\$ -</u>	<u>\$ 127,105</u>

B. Employee Retirement Systems and Pension Plans

1. Plan Description, Accounting Policies and Contribution Information

The City maintains two single-employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members and administrative expenses of the respective plans. The Plans are administered by a separate Board of Trustees. The City Commission approves all plan provisions and amendments. These plans are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial studies at least every three years; however, the City has elected to obtain these studies each year. Stand-alone financial reports are not issued. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Plans have adopted Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by Statement No. 50, *Pension Disclosures*. In addition to other disclosures, the GASB requires for the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed and the net pension obligation at the end of the year. This information is presented later in this note. A schedule of funding progress and employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP)

The Palmetto General Employees' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 22, Article IV of the Palmetto City Code. Membership consisted of:

	As of Actuarial Report Dated October 1, 2009	As of September 30, 2010
Retirees, beneficiaries, and DROP participants receiving benefits	49	49
Terminated employees entitled to, But not yet receiving benefits	1	1
Active Plan Members	77	69
Total	127	119

The Plan covers permanent, probationary and full time City of Palmetto employees who are not members of the Palmetto Police Pension Plan. Members may retire as early as age 55 with 5 years of service or 10 years of service if hired after January 1, 1995. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of service. The retirement benefit percentage increases based upon the retiree's age up to a maximum of 2.5% at age 60 or after 30 years of service regardless of age. The Plan provides disability benefits as if the participant retired at age 65, providing 10 years of credited service has been attained.

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions plus 4% interest compounded annually. Pension obligations are funded with the 5% employee contributions and from City contributions equal to current service costs, as actuarially determined, plus an amount sufficient to fund the prior service liability over a period not to exceed 30 years. The actuarially determined accrued benefit liability at October 1, 2009, was \$13,242,553.

Effective October 18, 2004, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest if elected by the plan member at an effective rate of 6.5 percent per annum, compounded monthly or at the actual net rate of investment return realized by the plan.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

At September 30, 2010, nine employees were participating in the DROP program and the total liability was \$506,260.

Effective May 19, 2008, the City approved an ordinance creating a partial lump sum option plan (PLOP). This plan allows a retiree to elect to receive 10%, 15%, 20% or 25% of the total value of his retirement benefit as a lump sum with the remaining value of the benefit used to determine the monthly annuity benefit. Since this option is actuarially equal to other options, there is no funding impact in adding this option. This option is an alternative to the Deferred Retirement Option Plan (DROP). The member is not permitted to elect both the DROP and PLOP since such an election would result in a large payment from the plan and would dramatically reduce the monthly lifetime benefit payment to the retiree. There was no expense associated with this program during fiscal year 2010.

3. Palmetto Police Pension Plan (PPPP)

The Palmetto Police Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 22, Article IV of the Palmetto City Code and Internal Revenue Code Section 401.

Membership consisted of:

	As of Actuarial Report Dated October 1, 2009	As of September 30, 2010
Retirees, beneficiaries, and DROP participants receiving benefits	21	22
Terminated employees entitled to, But not yet receiving benefits	4	3
Active Plan Members	34	34
Total	<u>59</u>	<u>59</u>

The Plan covers permanent, probationary and full time City of Palmetto employees who are classified as uniform police personnel. Any participant, who has creditable service of 10 years and has attained age 55 or has creditable service of 23 years regardless of age, is eligible for normal retirement. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of service with a maximum of 75% of average final compensation if hired after June 7, 1982.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

The Plan provides disability benefits for both duty-related and non-duty related disabilities. Disability caused by performance of duties is computed at 3% of average final compensation (AFC) multiplied by years of credited service on the date of disability, actuarially reduced for payment prior to the normal retirement date. The actuarially reduced benefit may not be less than 62% of the members' AFC. The benefit provided for a non-service connected disability is computed at the same 3% of AFC as a service related disability. However, to a member with 10 years of credited service, the actuarially reduced benefit may not be less than 25% of the member's AFC or 20% for member's with at least 5 years of service.

The Plan provides death benefits for vested and non-vested members. Beneficiaries of members dying prior to vesting or eligibility for retirement receive a full refund of the member's accumulated contributions. A beneficiary of a member, who is vested or eligible for retirement upon their death, will receive a benefit payable for life equal to the accrued benefit on the date of death.

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound. The actuarially determined accrued benefit liability at October 1, 2009, was \$9,569,617.

Effective October 7, 2002, the City approved an Ordinance No. 02-759 creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest as elected by the plan member at an effective rate of 6.5% per annum, compounded monthly, or at the actual net rate of investment return realized by the plan. As of September 30, 2010, no sworn officers are participating in the DROP program.

On October 7, 2002, the City of Palmetto adopted Ordinance 02-579. This ordinance allows a member who previously served as a police officer with the City during a period of previous employment and for which period accumulated contributions were withdrawn from the plan, or a member who served as a police officer for any other municipal, county or state law enforcement department in the United States to purchase other police service time. To purchase other police service time, the police officer must contribute to the Plan, the amount actuarially determined for the time for which he or she is requesting credit, such that the crediting of service does not result in a cost or liability to the Plan. However, the member may not purchase prior police service that is counted for retirement benefits from another pension plan.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

4. Funding Status and Progress

The amount shown below as the actuarial accrued liability is a measure intended to help users assess (a) a pension fund's funded status on a going concern basis, and (b) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry-age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the fund's level percent of payroll annual required contribution between entry-age and assumed exit age. Entry-age is established by subtracting credited service from current age on the valuation date.

There were no changes in benefits or actuarial assumptions for both plans during fiscal year 2010.

As of October 1, 2009, the actuarial accrued liability in excess of assets for the Palmetto General Employees' Pension Plan was \$4,512,512 and was \$1,409,787 for the Palmetto Police Officers' Pension Plan, determined as follows:

	PGEPP	PPPP
Total actuarial accrued liability	\$ 13,242,553	9,569,617
Actuarial value of assets	8,730,041	8,159,830
Actuarial accrued liability in excess of assets	\$ 4,512,512	1,409,787
Funding Ratio	65.9%	85.3%

For the actuarial report dated October 1, 2009, the PGEPP experienced a net actuarial loss of \$344,573 and the PPPP experienced a net actuarial loss of \$224,928 in the actuarial accrued liability.

5. Contributions

City contributions for fiscal year ended September 30, 2010 were determined by actuarial valuations dated October 1, 2008 and adopted by the respective Board of Trustees for those retirement benefits provided by City Ordinances. The contributions are stated in the actuarial report as a specific dollar amount and as a percentage of covered payrolls. Prior to fiscal year 2010, the City based its contributions on the dollar amount given as the required employer contribution. As of October 1, 2009, the City changed the contribution method to the percentage of covered payroll for all City pension plans and will continue this practice in future years.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

Palmetto General Employees' Pension Plan

For fiscal year 2010, the City was required to contribute to the PGEPP, at the actuarially determined rate of 19.20% of covered payroll. Employees were required to contribute 5% of annual salary to the Plan. Chapter 22, Article IV, of the City Code and Internal Revenue Code Section 401 establishes contribution requirements. Administration costs of the PGEPP are financed through plan contributions and investment earnings.

The required contribution to the plan for the year ended September 30, 2010, of \$770,305 was computed through an actuarial valuation performed as of October 1, 2008 and based on covered payroll of \$4,012,007. The required contribution consisted of \$346,870 (8.65% of assumed covered payroll) normal cost, \$367,001 amortization of the unfunded actuarially accrued liability (9.15% of the assumed covered payroll), and \$56,434 additional expense (1.41% of assumed covered payroll). The actual covered payroll amount was \$3,017,843, and contribution made by the City during fiscal year 2010 was \$588,418 or 19.50%.

The required schedule of funding progress, immediately following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Palmetto Police Officers' Pension Plan

For fiscal year 2010, the City and State was required to contribute to the PPPP, at an actuarially determined total rate of 21.86%. This percentage consists of 16.65% City, and 5.21% State contributions of covered payroll. Employees are required to contribute 5% of their earnings. Chapter 22, Article IV, of the City Code and Internal Revenue Code Section 401 establish contribution requirements.

The required contribution to the plan for the year ended September 30, 2010, of \$427,509 was computed through an actuarial valuation performed as of October 1, 2008 and was based on covered payroll of \$1,955,668. This includes a required contribution of \$325,642 from the City and \$101,867 from the State of Florida. The required contribution consisted of \$325,274 (16.63% of assumed covered payroll) normal cost, \$70,540 amortization of the unfunded actuarially accrued liability (3.61% of the assumed covered payroll), and \$31,695 additional expense (1.62% of assumed covered payroll). The actual covered payroll was \$1,668,784 and contributions made by the City and state during fiscal year 2010 were \$291,128 or 14.89% and \$102,745 or 5.25% respectively.

The State of Florida makes contributions from taxes on casualty insurance premiums. The City recognized these on-behalf payments from the State as revenue and expenses during fiscal year 2010.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

The City's annual pension cost for the current year and related information for each plan is as follows:

	Palmetto General Employee's <u>Pension Plan</u>	Palmetto Police Officers' <u>Pension Plan</u>
<u>Contribution rates/amounts for fiscal year ended September 30, 2010:</u>		
<u>Per valuation dated October 1, 2008</u>		
City percentage	19.20%	16.65%
City dollar amount	770,305	325,642
State	N/A	101,867
Employees	5.00%	5.00%
Covered payroll per valuation	4,012,007	1,955,668
<u>Actual contributions for fiscal year ended September 30, 2010</u>		
Actual covered payroll	3,017,843	1,668,784
Contributions made	588,418	291,128
Actual percentage of covered payroll	19.50%	17.45%

Additional cost information from the actuarial report dated October 1, 2009 is as follows:

Additional pension data:

	October 1, 2009	October 1, 2009
Actuarial valuation date	October 1, 2009	October 1, 2009
Actuarial value of assets	8,730,041	8,159,830
Actuarial accrued liability (AAL)	13,342,553	9,569,617
Unfunded AAL	4,512,512	1,409,787
Funded ratio	65.90%	85.30%
Annual covered payroll per valuation	3,194,420	1,740,014
Unfunded AAL as a % of covered payroll	141.26%	81.02%
Actuarial cost method	Entry Age	Entry Age Normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	29 years	29 years
Asset valuation method	Within 20% of Market Value of Assets	Within 20% of Market Value of Assets

Actuarial assumptions:

Investment rate of return	7.50%	8.00%
Includes inflation at	3.00%	4.00%
Rates of salary increase*	6.0% to 7.5%	4.0% to 9.4%
Cost of living adjustments	0%	0%

* Used to project an active member's salary, based on years of service, to the salaries upon which benefits will be based.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

The required schedule of funding progress, immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

6. Pension Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation
<u>PGEPP</u>				
9/30/2008	512,925	516,320	100.7%	(302,771)
9/30/2009	657,406	639,605	97.3%	(284,970)
9/30/2010	787,111	588,418	74.8%	(86,277)
<u>PPPP</u>				
9/30/2008	265,317	260,851	98.3%	(186,350)
9/30/2009	285,759	288,289	100.9%	(188,880)
9/30/2010	431,805	393,873	91.2%	(150,948)

The plans have negative net pension obligations in the current financial statements.

7. Additional information as of the latest actuarial valuation:

PGEPP Employer FYE September	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	770,305	639,605	495,147
Interest on Net Pension Obligation (NPO) (21,439)	(22,708)	(23,202)
Adjustment to ARC	(38,245)	(40,509)	(40,980)
Annual Pension Cost (APC)	787,111	657,406	512,925
Contributions made **	588,418	639,605	516,320
Increase (decrease) in NPO	198,693	17,801	(3,395)
NPO at beginning of year	(284,970)	(302,771)	(299,376)
NPO at end of year	(86,277)	(284,970)	(302,771)

** The City changed its contribution method to % of covered payroll during FY2010

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

PPPP

Employer FYE September	2010	2009	2008
Annual Required Contribution (ARC) *	427,509	281,987	260,206
Interest on Net Pension Obligation (NPO) (15,110)	(15,374)	(15,742)
Adjustment to ARC	(19,406)	(19,146)	(20,853)
Annual Pension Cost (APC)	431,805	285,759	265,317
Contributions made **	393,873	288,289	260,851
Increase (decrease) in NPO	37,932	(2,530)	4,466
NPO at beginning of year	(188,880)	(186,350)	(190,816)
NPO at end of year	(150,948)	(188,880)	(186,350)

* Includes expected state contribution

** The City changed its contribution method to % of covered payroll during FY2010

8. Investments

Investments are reported at fair value in accordance with GASB Statement No. 25. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair market value.

The fair value at September 30, 2010 for each of the pension plan investments is as follows:

	PGEEP	PPPP	Total
Investments, at fair value:			
Money market funds	\$ 311,553	173,484	485,037
U. S. government securities	1,074,295	1,453,515	2,527,810
Corporate bonds	1,361,070	1,331,066	2,692,136
Corporate stocks	5,085,058	4,374,965	9,460,023
Alternative investments	505,124	--	505,124
	<u>505,124</u>	<u>--</u>	<u>505,124</u>
 Total investments	 <u>\$ 8,337,100</u>	 <u>7,333,030</u>	 <u>15,670,130</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

Combining fiduciary funds are as follows:

CITY OF PALMETTO, FLORIDA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2010

	Police Pension	General Employees Pension	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 22,154	23,433	45,587
Interest and dividends receivable	31,196	24,423	55,619
Investments, at fair value			
Money market funds	173,484	311,553	485,037
U. S. government securities	1,453,515	1,074,295	2,527,810
Corporate bonds	1,331,066	1,361,070	2,692,136
Corporate stocks	4,374,965	5,085,058	9,460,023
Alternative investments	--	505,124	505,124
Total investments	7,333,030	8,337,100	15,670,130
Total assets	7,386,380	8,384,956	15,771,336
LIABILITIES			
Accounts payable	--	506,260	506,260
Total liabilities	--	506,260	506,260
NET ASSETS			
Held in trust for pension benefits and other purposes	\$ 7,386,380	7,878,696	15,265,076

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

CITY OF PALMETTO, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2010

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 291,128	588,418	879,546
Plan members	83,178	180,297	263,475
State (from the General Fund)	102,745	--	102,745
Miscellaneous	19,203	27,099	46,302
Total contributions	496,254	795,814	1,292,068
Investment earnings			
Interest	109,571	101,451	211,022
Dividends	75,074	62,588	137,662
Net increase in the fair value of investments	601,454	488,198	1,089,652
Total investment earnings	786,099	652,237	1,438,336
Less investment expenses	52,594	71,409	124,003
Net investment earnings	733,505	580,828	1,314,333
Total additions	1,229,759	1,376,642	2,606,401
DEDUCTIONS			
Benefits	616,696	613,696	1,230,392
Refunds of contributions	--	42,148	42,148
Administrative expenses	27,846	65,844	93,690
Total deductions	644,542	721,688	1,366,230
Change in net assets	585,217	654,954	1,240,171
Net assets - beginning	6,801,163	7,223,742	14,024,905
Net assets - ending	\$ 7,386,380	7,878,696	15,265,076

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (OPEB)

Plan Description

The City provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost and until the attainment of age 65, to continue to obtain health, dental and life benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

Funding Policy and Annual OPEB Cost

The City does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as charged to the City for active employees by its healthcare provider. However, the City's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

The annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

Required contribution rates:		
Employer		Pay-as-you-go
Plan members		N/A
Annual required contribution (ARC)	\$	119,000
Interest on the Net OPEB Obligation		3,000
Adjustment to the ARC		<u>(5,000)</u>
Annual OPEB Cost	\$	117,000
Employer contributions		(2,000)
Interest on Employer Contributions		<u>--</u>
Increase in the Net OPEB	\$	<u>115,000</u>
Net OPEB obligation (beginning of year)		<u>51,000</u>
Net OPEB obligation (end of year)	\$	<u><u>166,000</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 was:

Fiscal year ended		9/30/2010
Annual OPEB cost	\$	117,000
Percentage of OPEB cost contributed		2%
Net OPEB obligation	\$	166,000

Funded Status and Funding Progress

The funded status of the plan as of October 1, 2007 actuarial valuation:

Actuarial accrued liability (AAL)	\$	519,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	<u>519,000</u>
Fund ratio		0%
Covered payroll	\$	4,485,000
UAAL as a percentage of covered payroll		11.6%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The City has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

Significant methods and assumptions were as follows:

Actuarial valuation date	10/1/2007
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; Level-dollar payment
Remaining amortization period	14 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	
Includes inflation at 3%	5.00%
Healthcare cost trend rate	6.00%
Select rates	10% for 2007/2008 graded to 6.5% for 2014/15
Ultimate rate	6.00%

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City Attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

E. New Pronouncement

Effective October 1, 2009, the City implemented Governmental Accounting Standards Board Statement 51, "Accounting and Financial Reporting for Intangible Assets." This Statement required retroactive reporting of all intangible assets except those considered to have indefinite useful lives and those that would be considered internally generated. The City did not identify any intangible assets that required retroactive reporting.

NOTE V — OTHER INFORMATION (CONTINUED)

F. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are held in trust on behalf of the employees. Accordingly, the assets are not reported in these financial statements.

G. Manatee Fruit Company

As of September 30, 2010, the City entered into a Dedication Agreement with the Manatee Fruit Company to accept land for the purpose of realigning 23rd Street West traffic patterns, and building Little League ball fields in the area. This agreement also provides for the awarding of impact fee credits to Manatee Fruit Company in return for the land donation. The City is required to perform certain due diligence tasks prior to the finalization of the agreement.

H. Subsequent Events

Subsequent to September 30, 2010, the City's sworn officers agreed to enter into the Police Benevolent Association Union. The union will be responsible for negotiating labor contracts.

Required Supplementary Information



Historic Palmetto House



REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Number 34, the following budgetary comparisons for the Governmental Funds include: General, CRA, and Road and Bridge Funds.



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CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 4,154,621	4,202,978	4,203,070	92
Franchise	1,326,286	1,283,902	1,265,842	(18,060)
Sales	756,396	756,396	809,534	53,138
Utility	818,965	896,336	903,826	7,490
Motor Fuels	10,000	10,000	7,135	(2,865)
Other	299,150	299,150	316,025	16,875
Licenses and permits	217,550	217,550	215,939	(1,611)
Intergovernmental revenues	202,451	379,959	265,985	(113,974)
Fines and forfeitures	74,689	179,689	161,769	(17,920)
Charges for services	1,463,768	1,483,768	1,409,429	(74,339)
Interest and investment earnings	33,770	33,770	212,328	178,558
Miscellaneous	266,384	305,467	158,351	(147,116)
Impact fees	22,000	185,797	185,797	--
Total revenues	<u>9,646,030</u>	<u>10,234,762</u>	<u>10,115,030</u>	<u>(119,732)</u>
EXPENDITURES				
Current				
General government				
Commission	202,819	203,592	178,453	25,139
City Clerk	2,096,671	2,101,031	2,081,456	19,575
Finance	547,137	534,317	529,891	4,426
Human resources	107,832	109,869	109,357	512
City Attorney	237,004	237,004	226,157	10,847
Total general government	<u>3,191,463</u>	<u>3,185,813</u>	<u>3,125,314</u>	<u>60,499</u>
Public safety				
Police	3,707,869	3,737,116	3,667,668	69,448
Code enforcement	161,304	161,804	149,787	12,017
Planning and zoning	189,655	300,766	259,253	41,513
Building department	258,517	254,679	236,405	18,274
Total public safety	<u>4,317,345</u>	<u>4,454,365</u>	<u>4,313,113</u>	<u>141,252</u>
Highways and streets				
Engineering	197,296	193,037	183,481	9,556
Recreation				
Parks and recreation	902,061	877,001	763,796	113,205
Intergovernmental services				
Information technology	215,541	240,750	229,276	11,474
Public works administration	737,580	717,118	692,105	25,013
Fleet maintenance	214,590	212,326	203,795	8,531
Total intergovernmental services	<u>1,167,711</u>	<u>1,170,194</u>	<u>1,125,176</u>	<u>45,018</u>
Capital outlay	308,000	506,353	385,132	121,221
Debt service	234,947	234,947	202,210	32,737
Total expenditures	<u>10,318,823</u>	<u>10,621,710</u>	<u>10,098,222</u>	<u>523,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(672,793)</u>	<u>(386,948)</u>	<u>16,808</u>	<u>(403,756)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	669,025	782,875	597,074	(185,801)
Issuance of debt	84,000	84,000	84,000	--
Total other financing sources (uses)	<u>753,025</u>	<u>866,875</u>	<u>681,074</u>	<u>(185,801)</u>
Net change in fund balances	80,232	479,927	697,882	217,955
Fund balances - beginning	6,854,739	6,854,739	6,854,739	--
Fund balances - ending	<u>\$ 6,934,971</u>	<u>7,334,666</u>	<u>7,552,621</u>	<u>217,955</u>

CITY OF PALMETTO, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property	\$ 4,251,147	3,988,836	3,988,836	--
Intergovernmental revenues	367,000	517,000	27,041	(489,959)
Interest and investment earnings	31,500	31,500	24,407	(7,093)
Miscellaneous	4,957,294	4,940,294	8,744	(4,931,550)
Total revenues	<u>9,606,941</u>	<u>9,477,630</u>	<u>4,049,028</u>	<u>(5,428,602)</u>
EXPENDITURES				
Intergovernmental services	4,727,969	4,279,062	1,740,592	2,538,470
Capital outlay - other	4,274,117	3,371,715	657,719	2,713,996
Debt service principal and interest	561,043	561,043	426,360	134,683
Total expenditures	<u>9,563,129</u>	<u>8,211,820</u>	<u>2,824,671</u>	<u>5,387,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,812</u>	<u>1,265,810</u>	<u>1,224,357</u>	<u>(41,453)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(43,812)	(1,631,577)	(1,631,577)	--
Total other financing sources (uses)	<u>(43,812)</u>	<u>(1,631,577)</u>	<u>(1,631,577)</u>	<u>--</u>
Net change in fund balances	--	(365,767)	(407,220)	(41,453)
Fund balances - beginning	4,966,986	4,966,986	4,966,986	--
Fund balances - ending	<u>\$ 4,966,986</u>	<u>4,601,219</u>	<u>4,559,766</u>	<u>(41,453)</u>

CITY OF PALMETTO, FLORIDA
 REQUIRED SUPPLEMENTAL INFORMATION
 ROAD AND BRIDGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
 For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Motor fuels	\$ 1,064,911	1,203,547	1,212,241	8,694
Charges for services	79,967	74,853	75,716	863
Interest and investment earnings	9,700	9,700	15,813	6,113
Miscellaneous	--	--	1,471	1,471
Impact fees	10,000	10,000	60,081	50,081
Total revenues	<u>1,164,578</u>	<u>1,298,100</u>	<u>1,365,322</u>	<u>67,222</u>
EXPENDITURES				
Highways and streets	598,952	602,138	453,962	148,176
Capital outlay	--	6,134	--	6,134
Debt service principal and interest	197,258	193,629	185,518	8,111
Total expenditures	<u>796,210</u>	<u>801,901</u>	<u>639,480</u>	<u>162,421</u>
Excess of revenues over expenditures	<u>368,368</u>	<u>496,199</u>	<u>725,842</u>	<u>229,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(356,053)	(356,053)	(356,053)	--
Total other financing sources (uses)	<u>(356,053)</u>	<u>(356,053)</u>	<u>(356,053)</u>	<u>--</u>
Net change in fund balances	12,315	140,146	369,789	229,643
Fund balances - beginning	1,271,005	1,271,005	1,271,005	--
Fund balances - ending	<u>\$ 1,283,320</u>	<u>1,411,151</u>	<u>1,640,794</u>	<u>229,643</u>



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REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Numbers 25, 27 and 50, the following is the historical trend information of the City's Pension Trust Funds.



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CITY OF PALMETTO, FLORIDA
PALMETTO GENERAL EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(*in thousands of dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation Date	Actuarial Value of Assets (AVA)*	Entry Age Normal Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)*	Funded Ratio (2)/(3)	Annual Covered Payroll*	UAAL as % of Payroll (4)/(6)
10/01/09	8,730	13,243	4,513	65.9%	3,194	141.3%
10/01/08	8,518	12,697	4,179	67.1%	3,857	108.3%
10/01/07	8,107	11,176	3,069	72.5%	3,707	82.8%
10/01/06	7,545	8,894	1,349	84.8%	3,161	42.7%
10/01/05	6,955	7,745	790	89.8%	2,831	27.9%
10/01/04	6,423	7,390	967	86.9%	2,753	35.1%
10/01/03	5,868	6,959	1,091	84.3%	2,752	39.6%
10/01/02	5,274	6,396	1,122	82.5%	2,832	39.6%
10/01/01	5,509	5,769	260	95.5%	2,251	10.3%
10/01/00	5,401	5,453	52	99.0%	2,068	2.5%

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Palmetto General Employees' Pension Plan status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF PALMETTO, FLORIDA
PALMETTO GENERAL EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Year Ended September 30,	(1) Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2010	(2) 770,305	588,418	76.4%
2009	639,605	640,483	100.1%
2008	495,147	516,320	104.3%
2007	394,861	397,559	100.7%
2006	390,060	397,805	102.0%
2005	370,979	370,979	100.0%
2004	356,845	357,556	100.2%
2003	375,985	375,985	100.0%
2002	188,284	320,706	170.3%
2001	187,773	263,008	140.1%

(1) Includes only required employer contributions

(2) During fiscal year 2010, the City changed its pension contribution method from an actuarially determined dollar amount to contributions based on an actuarially determined percentage of covered payroll.

ARC is based on \$4,012,007 of covered payroll or 19.20%. Actual amount of covered payroll was \$3,017,843 due to reduction in force. ARC based on 19.20% of actual covered payroll would be \$579,426. The actual contribution as a percentage of payroll was 19.50% and 102% of the required percentage.

CITY OF PALMETTO, FLORIDA
PALMETTO POLICE OFFICERS' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(*in thousands of dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation Date	Actuarial Value of Assets (AVA)*	Entry Age Normal Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)*	Funded Ratio (2)/(3)	Annual Covered Payroll*	UAAL as % of Payroll (4)/(6)
10/01/09	8,159	9,569	1,410	85.3%	1,740	81.0%
10/01/08	7,979	9,059	1,080	88.1%	1,880	57.4%
10/01/07	7,982	7,968	(14)	100.2%	1,777	-0.8%
10/01/06	7,485	7,616	131	98.3%	1,653	7.9%
10/01/05	6,787	6,632	(155)	102.3%	1,452	-10.7%
10/01/04	6,354	6,274	(80)	101.3%	1,388	-5.8%
10/01/03	5,976	5,833	(143)	102.5%	1,370	-10.4%
10/01/02	5,629	5,595	(34)	100.6%	1,267	-2.7%
10/01/01	5,837	5,283	(554)	110.5%	1,163	-47.6%
10/01/00	5,578	5,036	(542)	110.8%	1,067	-50.8%

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Palmetto Police Officers' Pension Plan status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF PALMETTO, FLORIDA
PALMETTO POLICE OFFICERS' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

<u>Year Ended</u> <u>September 30,</u>	<u>Annual Required Contribution (ARC)</u>			<u>Percentage of ARC</u> <u>Contributed</u>	
	<u>City</u>	<u>State</u>	<u>Total</u>		
2010	(1)	325,642	101,867	427,509	92.1%
2009		180,120	101,867	281,987	102.2%
2008		158,339	101,867	260,206	100.2%
2007		107,889	59,560	167,449	127.5%
2006		133,228	59,560	192,788	105.5%
2005		122,710	59,560	182,270	100.0%
2004		115,749	59,560	175,309	100.0%
2003		89,734	59,560	149,294	100.0%
2002		9,640	59,560	69,200	139.5%
2001		1,538	59,560	61,098	137.8%
2000		34,553	57,050	91,603	101.6%

<u>Year Ended</u> <u>September 30,</u>	<u>Actual Annual Contributions</u>			<u>Percentage of ARC</u> <u>Contributed</u>	
	<u>City</u>	<u>State</u>	<u>Total</u>		
2010	(1)	291,128	102,745	393,873	92.1%
2009		186,422	102,966	289,388	102.2%
2008		158,984	101,867	260,851	100.2%
2007		111,600	101,867	213,467	127.5%
2006		143,827	59,560	203,387	105.5%
2005		113,602	68,668	182,270	100.0%
2004		115,767	59,560	175,327	100.0%
2003		89,734	59,560	149,294	100.0%
2002		36,996	59,560	96,556	139.5%
2001		24,620	59,560	84,180	137.8%
2000		33,524	59,560	93,084	101.6%

(1) During fiscal year 2010, the City changed its pension contribution method from an actuarially determined dollar amount to contributions based on an actuarially determined percentage of covered payroll.

ARC is based on \$1,955,668 of covered payroll or 16.65%. Actual amount of covered payroll was \$1,668,784. ARC based on 16.65% of actual covered payroll would be \$277,853. The actual contribution as a percentage of payroll was 17.44% and 105% of the required percentage.

Other Supplementary Information



The Wedding Chapel at Palmetto's Historical Park



COMBINING FUND STATEMENTS

These financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type. Individual fund statements are presented when there is only one fund of a given type. They are also necessary to present non-major or capital project fund budgetary comparisons.



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CITY OF PALMETTO, FLORIDA
CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 1,200,000	1,208,344	364,445	(843,899)
Interest and investment earnings	--	--	1,192	1,192
Total revenues	<u>1,200,000</u>	<u>1,208,344</u>	<u>365,637</u>	<u>(842,707)</u>
EXPENDITURES				
Capital outlay				
Streets	2,978,846	2,794,243	660,971	2,133,272
Other	257,630	275,014	66,356	208,658
Total expenditures	<u>3,236,476</u>	<u>3,069,257</u>	<u>727,327</u>	<u>2,341,930</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(2,036,476)</u>	<u>(1,860,913)</u>	<u>(361,690)</u>	<u>1,499,223</u>
Net change in fund balances	(2,036,476)	(1,860,913)	(361,690)	1,499,223
Fund balances - beginning	1,594,505	1,594,505	1,594,505	--
Fund balances - ending	<u>\$ (441,971)</u>	<u>(266,408)</u>	<u>1,232,815</u>	<u>1,499,223</u>

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2010

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 22,154	23,433	45,587
Interest and dividends receivable	31,196	24,423	55,619
Investments, at fair value			
Money market funds	173,484	311,553	485,037
U. S. government securities	1,453,515	1,074,295	2,527,810
Corporate bonds	1,331,066	1,361,070	2,692,136
Corporate stocks	4,374,965	5,085,058	9,460,023
Alternative investments	--	505,124	505,124
Total investments	<u>7,333,030</u>	<u>8,337,100</u>	<u>15,670,130</u>
Total assets	<u>7,386,380</u>	<u>8,384,956</u>	<u>15,771,336</u>
LIABILITIES			
Accounts payable	<u>--</u>	<u>506,260</u>	<u>506,260</u>
Total liabilities	<u>--</u>	<u>506,260</u>	<u>506,260</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 7,386,380</u>	<u>7,878,696</u>	<u>15,265,076</u>

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Year Ended September 30, 2010

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 291,128	588,418	879,546
Plan members	83,178	180,297	263,475
State (from the General Fund)	102,745	--	102,745
Miscellaneous	19,203	27,099	46,302
Total contributions	<u>496,254</u>	<u>795,814</u>	<u>1,292,068</u>
Investment earnings			
Interest	109,571	101,451	211,022
Dividends	75,074	62,588	137,662
Net increase in the fair value of investments	601,454	488,198	1,089,652
Total investment earnings	<u>786,099</u>	<u>652,237</u>	<u>1,438,336</u>
Less investment expenses	52,594	71,409	124,003
Net investment earnings	<u>733,505</u>	<u>580,828</u>	<u>1,314,333</u>
Total additions	<u>1,229,759</u>	<u>1,376,642</u>	<u>2,606,401</u>
DEDUCTIONS			
Benefits	616,696	613,696	1,230,392
Refunds of contributions	--	42,148	42,148
Administrative expenses	27,846	65,844	93,690
Total deductions	<u>644,542</u>	<u>721,688</u>	<u>1,366,230</u>
Change in net assets	585,217	654,954	1,240,171
Net assets - beginning	<u>6,801,163</u>	<u>7,223,742</u>	<u>14,024,905</u>
Net assets - ending	<u>\$ 7,386,380</u>	<u>7,878,696</u>	<u>15,265,076</u>

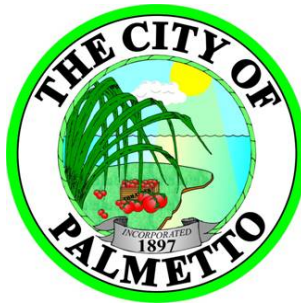


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Statistical Section



Eighth Avenue



STATISTICAL SECTION

This part of the City of Palmetto, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The following types of information are presented:

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF PALMETTO, FLORIDA
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003 (1)	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 14,557,836	15,145,102	17,560,157
Restricted	3,311,744	2,261,062	2,189,592
Unrestricted	1,970,952	3,508,728	3,627,879
Total governmental activities net assets	\$ 19,840,532	20,914,892	23,377,628
Business-type activities			
Invested in capital assets, net of related debt	\$ 9,542,434	9,897,665	11,786,061
Restricted	177,749	2,459,694	2,230,171
Unrestricted	1,428,384	656,153	(766,062)
Total business-type activities net assets	\$ 11,148,567	13,013,512	13,250,170
Primary government			
Invested in capital assets, net of related debt	\$ 24,100,270	25,042,767	29,346,218
Restricted	3,489,493	4,720,756	4,419,763
Unrestricted	3,399,336	4,164,881	2,861,817
Total primary government net assets	\$ 30,989,099	33,928,404	36,627,798

- (1) GASB 34 was implemented by the City in fiscal year 2003, and, therefore, accrual basis information is not available prior to then.
- (2) During fiscal year 2007 the City recorded "pre-fiscal-year 2003" general governmental infrastructure assets in the Statement of Net Assets through the restatement of Net Assets at October 1, 2006.
- (3) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

Fiscal Year				
2006	2007	2008	2009	2010
	(2)		(3)	
21,403,804	22,066,324	21,790,336	26,180,322	25,413,841
2,724,927	2,701,868	2,951,584	2,303,732	3,836,360
5,855,614	5,427,424	5,355,196	10,297,510	10,257,039
<u>29,984,345</u>	<u>30,195,616</u>	<u>30,097,116</u>	<u>38,781,564</u>	<u>39,507,240</u>
14,035,556	15,142,690	15,222,642	15,824,203	16,716,784
578,920	232,947	265,339	311,137	2,033,805
(1,082,103)	(428,519)	735,193	1,058,757	1,215,155
<u>13,532,373</u>	<u>14,947,118</u>	<u>16,223,174</u>	<u>17,194,097</u>	<u>19,965,744</u>
35,439,360	37,209,014	37,012,978	42,004,525	42,130,625
3,303,847	2,934,815	3,216,923	2,614,869	5,870,165
4,773,511	4,998,905	6,090,389	11,356,267	11,472,194
<u>43,516,718</u>	<u>45,142,734</u>	<u>46,320,290</u>	<u>55,975,661</u>	<u>59,472,984</u>

CITY OF PALMETTO, FLORIDA
 CHANGES IN NET ASSETS
 LAST EIGHT FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year			
	2003 (1)	2004	2005	2006
Net (Expense)/Revenue				
Government activities	\$ (5,324,169)	(6,081,665)	(5,799,186)	(7,361,841)
Business type activities	959,747	1,492,953	910,994	1,044,237
Total primary government net expense	<u>\$ (4,364,422)</u>	<u>(4,588,712)</u>	<u>(4,888,192)</u>	<u>(6,317,604)</u>
General Revenues and Other Changes in Net Assets				
Government activities:				
Taxes				
Property taxes	\$ 1,877,268	2,425,855	2,770,129	3,299,629
Franchise taxes	1,013,362	1,049,572	1,098,552	1,278,485
Sales taxes	858,587	917,131	925,089	980,876
Utility taxes	675,655	671,709	725,086	750,455
Motor fuel taxes	694,410	913,466	861,918	868,596
Other taxes	246,436	278,864	360,813	368,696
Investment earnings	92,489	83,459	141,493	288,388
Gain (loss) on sale of capital assets	70,782	36,957	-	180,547
Capital contributions from community redevelopment	-	-	-	-
Transfers	924,825	779,010	810,670	1,068,154
Total governmental activities	<u>6,453,814</u>	<u>7,156,023</u>	<u>7,693,750</u>	<u>9,083,826</u>
Business-type activities:				
Investment earnings	23,563	21,719	102,896	279,253
Gain (loss) on sale of capital assets	3,148	(24,978)	33,438	26,867
Transfers	(924,825)	(779,010)	(810,670)	(1,068,154)
Total business-type activities	<u>(898,114)</u>	<u>(782,269)</u>	<u>(674,336)</u>	<u>(762,034)</u>
Total primary government	<u>\$ 5,555,700</u>	<u>6,373,754</u>	<u>7,019,414</u>	<u>8,321,792</u>
Change in Net Assets				
Governmental activities	\$ 1,129,645	1,074,358	1,894,564	1,721,985
Business-type activities	61,633	710,684	236,658	282,203
Total primary government	<u>\$ 1,191,278</u>	<u>1,785,042</u>	<u>2,131,222</u>	<u>2,004,188</u>

(1) GASB 34 was implemented by the City in fiscal year 2003, and, therefore, accrual basis information is not available prior to then.

(2) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

Fiscal Year			
2007	2008	2009	2010
		(2)	
(9,250,202)	(10,131,985)	(12,090,562)	(10,844,017)
1,284,335	1,209,002	800,274	1,351,604
<u>(7,965,867)</u>	<u>(8,922,983)</u>	<u>(11,290,288)</u>	<u>(9,492,413)</u>
4,428,513	4,663,292	9,951,558	8,191,906
1,361,267	1,358,799	1,410,284	1,265,842
915,019	859,157	807,927	809,534
817,117	821,401	841,254	903,826
1,104,761	1,170,680	1,205,131	1,219,376
372,673	363,776	333,337	316,025
393,731	205,031	338,298	253,740
-	-	-	-
-	544,140	-	-
68,392	(153,791)	262,209	(1,390,556)
<u>9,461,473</u>	<u>9,832,485</u>	<u>15,149,998</u>	<u>11,569,693</u>
198,802	114,263	22,231	29,487
-	-	-	-
(68,392)	(88,209)	(262,209)	1,390,556
<u>130,410</u>	<u>26,054</u>	<u>(239,978)</u>	<u>1,420,043</u>
<u>9,591,883</u>	<u>9,858,539</u>	<u>14,910,020</u>	<u>12,989,736</u>
211,271	(299,500)	3,059,436	725,676
1,414,745	1,235,056	560,296	2,771,647
<u>1,626,016</u>	<u>935,556</u>	<u>3,619,732</u>	<u>3,497,323</u>

CITY OF PALMETTO, FLORIDA
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
General fund				
Reserved	\$ 775,592	410,550	2,104,427	2,273,887
Unreserved	2,092,775	2,186,696	1,921,175	3,534,751
Total general fund	<u>\$ 2,868,367</u>	<u>2,597,246</u>	<u>4,025,602</u>	<u>5,808,638</u>
All other governmental funds				
Reserved	\$ 48,732	48,614	1,207,317	1,287,911
Unreserved, reported in:				
Special revenue funds	60,025	--	--	--
Capital projects funds	766,057	801,651	--	--
Total all other governmental funds	<u>\$ 874,814</u>	<u>850,265</u>	<u>1,207,317</u>	<u>1,287,911</u>

(1) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

Fiscal Year					
2005	2006	2007	2008	2009	2010
				(1)	
2,063,927	2,423,319	2,156,783	1,696,641	1,473,190	1,474,449
3,527,178	4,580,605	4,605,911	4,715,179	5,381,549	6,078,172
<u>5,591,105</u>	<u>7,003,924</u>	<u>6,762,694</u>	<u>6,411,820</u>	<u>6,854,739</u>	<u>7,552,621</u>
915,801	1,094,953	1,081,700	1,822,132	3,954,371	3,096,331
--	--	--	--	3,877,606	3,666,272
--	--	--	519	519	670,772
<u>915,801</u>	<u>1,094,953</u>	<u>1,081,700</u>	<u>1,822,651</u>	<u>7,832,496</u>	<u>7,433,375</u>

CITY OF PALMETTO, FLORIDA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	\$ 3,374,924	3,744,653	5,365,718	6,256,597
Licenses and permits	233,033	236,103	336,532	564,021
Intergovernmental	1,208,050	1,600,757	598,580	125,632
Charges for services	129,043	118,337	248,104	453,873
Fines	141,869	88,837	85,968	97,408
Investments earnings	164,130	23,177	92,489	83,459
Impact Fees (3)	--	--	--	--
Miscellaneous	77,052	33,288	79,916	107,699
Total revenues	<u>5,328,101</u>	<u>5,845,152</u>	<u>6,807,307</u>	<u>7,688,689</u>
Expenditures				
General government	1,736,151	1,596,079	852,975	1,308,007
Public safety	2,527,112	2,868,900	2,897,630	3,210,466
Highways and streets	622,619	1,600,495	948,352	744,587
Economic and physical development	170,642	--	1,650,673	1,454,569
Cultural and recreation	594,966	608,651	1,014,361	788,984
Capital outlay	--	--	171,494	408,772
Debt service				
Interest	34,608	31,789	--	140
Principal	66,667	66,667	738,888 ⁽¹⁾	26,461
Total expenditures	<u>5,752,765</u>	<u>6,772,581</u>	<u>8,274,373</u>	<u>7,941,986</u>
Excess of revenues over (under) expenditures	(424,664)	(927,429)	(1,467,066)	(253,297)
Other financing sources (uses)				
Transfers in	1,822,176	1,046,536	1,733,205 ⁽¹⁾	862,657
Transfers out	(255,068)	(414,774)	(69,492)	(83,647)
Loan proceeds	--	--	--	1,337,915
Capital leases	--	--	48,801 ⁽²⁾	347,626
Total other financing sources (uses)	<u>1,567,108</u>	<u>631,762</u>	<u>1,712,514</u>	<u>2,464,551</u>
	<u>\$ 1,142,444</u>	<u>(295,667)</u>	<u>245,448</u>	<u>2,211,254</u>
Debt service as a percentage of noncapital expenditures	1.76%	1.45%	9.12%	0.35%

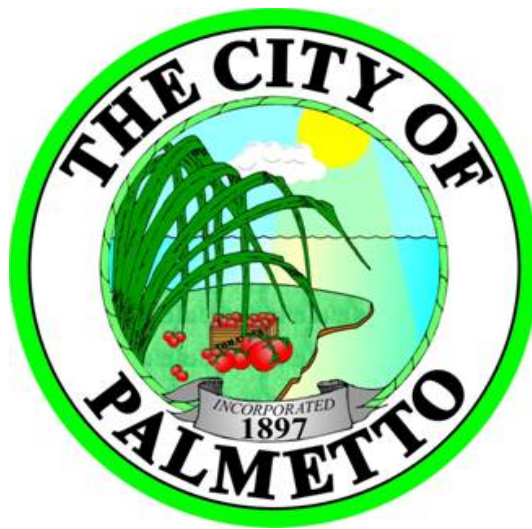
(1) Revenue bonds were issued in fiscal year 1999 for Stormwater projects. During fiscal year 2003, bonds were reassigned to the Stormwater fund and removed from the governmental funds, thus showing an increase to the principal payments and transfers in for the bond payment from Stormwater funds.

(2) A Master Lease Agreement was established in fiscal year 2003 and capital items have been leased in the subsequent years.

(3) Impact Fees for General Government, Public Safety, Highways and Streets, and Recreation established in 2007

(4) During fiscal year 2009, City Commission approved the reorganization of the Community Redevelopment Agency (CRA), declaring itself as the CRA Board changing the presentation of the CRA from a discretely presented component unit of a blended component unit as a special revenue fund included in governmental activities.

Fiscal Year					
2005	2006	2007	2008	2009	2010
				(4)	
6,741,587	7,546,737	8,999,350	9,237,105	14,549,491	12,706,509
967,918	1,194,215	347,625	255,191	299,253	215,939
804,270	281,549	389,436	272,658	102,347	657,471
539,469	912,807	1,419,841	1,304,733	1,738,264	1,485,145
71,741	103,741	167,979	82,813	113,690	161,769
127,011	288,388	393,731	205,031	338,298	253,740
--	--	--	34,300	177,611	245,878
72,315	356,710	457,876	142,855	2,524,862	168,566
<u>9,324,311</u>	<u>10,684,147</u>	<u>12,175,838</u>	<u>11,534,686</u>	<u>19,843,816</u>	<u>15,895,017</u>
2,002,594	2,260,285	3,403,304	3,133,268	3,518,269	3,125,314
3,359,313	3,979,078	4,397,477	4,352,240	4,571,897	4,313,113
582,669	796,872	842,726	696,269	683,448	637,443
976,362	1,067,776	1,169,792	1,192,966	3,395,195	2,865,768
1,017,556	1,063,886	1,287,909	1,200,155	1,098,184	763,796
2,991,300	1,368,806	1,621,230	1,359,257	533,100	1,770,178
41,013	80,693	89,836	126,700	229,943	188,221
126,298	16,883	64,476	419,929	697,993	625,867
<u>11,097,105</u>	<u>10,634,279</u>	<u>12,876,750</u>	<u>12,480,784</u>	<u>14,728,029</u>	<u>14,289,700</u>
(1,772,794)	49,868	(700,912)	(946,098)	5,115,787	1,605,317
975,632	1,068,154	631,475	666,907	1,702,110	597,074
(164,962)	--	(563,083)	(820,698)	(1,815,901)	(1,987,630)
1,096,463	--	--	1,334,000	--	--
244,167	473,949	378,037	155,966	--	84,000
<u>2,151,300</u>	<u>1,542,103</u>	<u>446,429</u>	<u>1,336,175</u>	<u>(113,791)</u>	<u>(1,306,556)</u>
<u>378,506</u>	<u>1,591,971</u>	<u>(254,483)</u>	<u>(943,923)</u>	<u>5,001,996</u>	<u>298,761</u>
2.06%	1.05%	1.37%	4.92%	6.54%	6.50%



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CITY OF PALMETTO, FLORIDA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Tax	Motor Fuel Tax	Other Taxes	Total
2001	1,360,745	900,806	--	615,513	497,860	--	3,374,924
2002	1,524,237	1,031,305	--	641,285	547,826	--	3,744,653
2003	1,877,268	1,013,362	858,587	675,655	694,410	246,436	5,365,718
2004	2,425,855	1,049,572	917,131	671,709	913,466	278,864	6,256,597
2005	2,770,129	1,098,552	925,089	725,086	861,918	360,813	6,741,587
2006	3,299,629	1,278,485	980,876	750,455	868,596	368,696	7,546,737
2007	4,428,513	1,361,267	915,019	817,117	1,104,761	372,673	8,999,350
2008	4,663,292	1,358,799	859,157	821,401	1,170,680	363,776	9,237,105
2009 (2)	9,951,558	1,410,284	807,927	841,254	1,205,131	333,337	14,549,491
2010	8,191,906	1,265,842	809,534	903,826	1,219,376	316,025	12,706,509
Change (1):							
2001 - 2010	502.02%	40.52%	-5.71%	46.84%	144.92%	28.24%	276.50%

(1) For Sales Tax and Other Taxes, the percent of change is based on the difference between 2003 to 2010.

(2) During fiscal year 2009, City Commission approved the reorganization of the Community Redevelopment Agency (CRA), declaring itself as the CRA Board changing the presentation of the CRA from a discretely presented component unit to a blended component unit as a special revenue fund included in governmental activities. Tax Increment Financing (TIF) received by CRA is now listed as property tax revenue.

CITY OF PALMETTO, FLORIDA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year Ended September 30 (1)	Real Property			Personl Property
	Residential Property	Commercial Property	Other	
2001	194,985,420	128,207,601	63,597,184	50,182,516
2002	214,903,487	135,019,689	65,260,885	53,862,795
2003	284,708,142	164,636,310	76,066,205	61,639,716
2004	247,241,476	145,360,403	68,640,819	61,440,975
2005	372,844,325	173,561,286	83,233,508	61,597,284
2006	447,741,658	192,896,139	96,797,427	63,868,871
2007	558,733,963	226,244,545	103,979,945	66,642,416
2008	809,517,595	229,226,826	135,838,492	72,189,561
2009	944,283,089	254,524,487	158,149,860	82,113,719
2010	800,179,028	226,838,156	148,447,421	69,541,573

Source: Manatee County Property Appraiser's Office. All values are net after adjustments, appeals and exemptions.

(1) FY represents the Year in which the City is recognizing the revenue from Property Taxes.

Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
124,130,323	312,842,398	4.1645	314,015,436	99.6%
132,819,961	336,226,895	4.1645	337,331,411	99.7%
171,318,607	415,731,766	4.1645	418,658,688	99.3%
145,451,408	377,232,265	5.1645	377,876,426	99.8%
205,422,414	485,813,989	5.1645	485,251,199	100.1%
247,945,161	553,358,934	5.1645	553,643,553	99.9%
294,990,076	660,610,793	5.1645	661,503,856	99.9%
362,763,582	884,008,892	4.6662	884,008,892	100.0%
410,465,307	1,028,605,848	4.6662	1,028,605,848	100.0%
315,710,987	929,295,191	4.6662	929,295,191	100.0%

CITY OF PALMETTO, FLORIDA
PROPERTY TAX RATES, DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Per \$1,000 of Assessed Value)

Fiscal Year	City Direct Rates (1)	Overlapping Rates		
	General Fund	School District (2)	County (3)	Total
2001	4.16	8.33	8.46	20.95
2002	4.16	8.35	9.20	21.71
2003	5.66	8.30	8.16	22.12
2004	5.16	8.00	8.65	21.81
2005	5.16	7.93	8.46	21.56
2006	5.16	7.61	8.24	21.02
2007	4.67	7.66	7.06	19.39
2008	4.67	7.37	7.08	19.12
2009	4.67	7.54	7.10	19.30
2010	4.67	7.59	7.11	19.37

Source: (1) Office of the City Clerk
(2) Manatee County School Board Administration Office
(3) Manatee County Tax Collector's Office
<http://www.taxcollector.com/documents/currMillage10.pdf>

CITY OF PALMETTO, FLORIDA
 PRINCIPAL PROPERTY TAX PAYERS
 CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Stores East LP	\$ 18,026,355	1	2.38%			
Regatta Pointe Marina	15,115,737	2	1.99%	4,256,033	4	1.27%
Sanctuary Cove (Bradenton) ASLI VI LLLP	12,871,731	3	1.70%			
R D Marina LLC	10,645,967	4	1.40%			
Space Box LLC	9,691,793	5	1.28%			
TBR II Development LLC	8,405,823	6	1.11%			
Pacific Tomato Growers	6,807,715	7	0.90%			
Waterford Palms at Riviera Dunes LLC	6,603,368	8	0.87%			
Florida Power & Light Co	6,403,937	9	0.84%	3,439,442	6	1.02%
Palmetto Dunes LTD	5,750,462	10	0.76%	5,220,218	3	1.55%
Vorbeck, Mick				8,765,426	1	2.61%
Fru-Con Ocean Park, Ltd.				5,590,956	2	1.66%
Palmetto Mobile Home Club				3,646,757	5	1.09%
Bank of America NA				3,371,520	7	1.00%
Manatee Health Properties				2,938,521	8	0.87%
Sandhurst Properties Ltd.				2,866,106	9	0.85%
Colonial Mobile Manor				2,777,939	10	0.83%
Totals	<u>\$ 100,322,888</u>		<u>13.22%</u>	<u>42,872,918</u>		<u>12.76%</u>
Total taxable assessed value	<u>\$ 758,796,522</u>			<u>336,095,393</u>		

Source: Manatee County Property Tax Roll 2010 Tax Roll (Real/Personal Property)



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CITY OF PALMETTO, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (2)	
		Current Tax Collections (1)	Percent of Levy Collected
2001	1,404,702	1,360,745	96.9%
2002	1,573,569	1,524,237	96.9%
2003	1,951,186	1,877,268	96.2%
2004	2,504,315	2,425,855	96.9%
2005	2,857,565	2,770,129	96.9%
2006	3,416,336	3,299,629	96.6%
2007	4,561,037	4,410,731	96.7%
2008	4,800,476	4,663,292	97.1%
2009	5,052,558	4,966,769	98.3%
2010	4,336,277	4,203,070	96.9%

Notes: (1) Florida law allows a percentage discount for prompt payment of taxes. Accordingly, it is unlikely that the amount levied will equal the amount collected.

(2) Manatee County's payment system does not track the year for which the payments are made. Therefore, taxes in subsequent years are undeterminable.

Source: Manatee County Property Appraiser's and Tax Collector's offices and Office of the City Clerk.

CITY OF PALMETTO, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities			
	Bank Qualified Loans	Revenue Bonds	Capital Leases	Bank Qualified Loans	Revenue Bonds	State Revolving Loan Funds	Capital Leases
2001	--	805,555	--	--	--	3,420,600	--
2002	--	738,888	--	--	--	3,420,600	--
2003	--	--	48,801	--	672,221	3,187,192	144,784
2004	1,337,915	--	369,826	2,962,085	--	2,639,475	71,413
2005	1,700,030	--	493,819	9,027,369	--	2,488,449	169,485
2006	1,691,139	--	781,800	7,294,838	--	2,333,138	206,816
2007	1,774,878	--	808,551	6,896,548	--	2,184,580	527,171
2008	3,009,708	--	806,064	10,542,967	--	2,057,650	159,122
2009	6,630,671	--	442,606	10,136,732	--	1,926,841	73,292
2010	6,290,948	--	240,462	9,712,117	--	1,792,033	26,465

Total Primary Government	Percentage of Personal Income	Per Capita
4,226,155	1.04%	336
4,159,488	1.02%	322
4,052,998	0.98%	309
7,380,714	1.71%	563
13,879,152	3.22%	1,057
12,307,731	2.82%	927
12,191,728	2.16%	871
16,575,511	2.81%	1,147
19,210,142	3.30%	1,309
18,062,025	3.10%	1,253

CITY OF PALMETTO, FLORIDA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Population	Assessed Value³	Gross Bonded Debt^{3,4}	Net Bonded Debt³	Percentage of Actual Taxable Value of Property³	Per Capita³
2001 ¹	12,571	337,331,411	805,555	805,555	0.24%	64
2002 ¹	12,921	377,876,426	738,889	738,889	0.20%	57
2003 ⁵	13,109	418,568,688	672,222	672,222	0.16%	51
2004 ⁵	13,109	485,251,199 ⁶	--	--	0.00%	--
2005 ⁵	13,132	553,648,553	--	--	0.00%	--
2006 ⁵	13,035	661,503,856	--	--	0.00%	--
2007 ⁵	14,002	884,008,892	--	--	0.00%	--
2008 ⁵	14,447	1,028,605,848	--	--	0.00%	--
2009 ⁵	14,447	929,295,191	--	--	0.00%	--
2010	14,447	758,796,522	--	--	0.00%	--

Source: ¹ U.S. Census Bureau

² University of Florida Bureau of Economic and Business Research (Estimate)

³ Office of the City Clerk

⁴ Reclassed to Proprietary Fund - Stormwater, Fiscal Year 2003

⁵ Manatee County Economic Development Council

⁶ In 2004, the City obtained a bank qualified loan to retire the bonded debt and fund capital projects. No additional bonded debt has been issued.

CITY OF PALMETTO, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT AND LEGAL DEBT MARGIN
 AS OF SEPTEMBER 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
City of Palmetto	\$ 6,531,410	100%	6,531,410
Overlapping (2):			
Manatee County	14,385,000	3.05%	439,341
Manatee County School Board	311,513,455	2.49%	7,765,981
Total direct and overlapping debt			<u><u>\$ 14,736,732</u></u>

Source: Manatee County Government

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

(2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Palmetto. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF PALMETTO, FLORIDA
 PRINCIPAL EMPLOYERS IN MANATEE COUNTY
 CURRENT YEAR AND NINE YEARS AGO

Employer	2010			2001		
	Employee s (1)	Rank	Percentage of Total County Employment (2)	Employees (1)	Rank	Percentage of Total County Employment (2)
Manatee County School Board	5,300	1	4.19%	5,590	1	4.72%
Manatee County Government	1,860	2	1.47%	1,688	3	1.43%
Beall's Inc	1,500	3	1.19%	821	7	0.69%
Manatee Memorial Hospital	1,500	4	1.19%	1,100	5	0.93%
Tropicana Products, Inc	1,400	5	1.11%	3,200	2	2.70%
Blake Medical Center	1,156	6	0.91%	779	8	0.66%
Manatee County Sheriff's Dept	1,046	7	0.83%	1,141	4	0.96%
Publix	860	8	0.68%	--	--	0.00%
City of Bradenton	529	9	0.42%	600	9	0.51%
Sysco West Coast Florida	520	10	0.41%	--	--	0.00%
Hoveround Corp.	484	--	0.38%	--	--	0.00%
Wellcraft Marine	--	--	0.00%	950	6	0.80%
Hi-Stat Manufacturing, Inc.	--	--	0.00%	600	10	0.51%
Total	<u>16,155</u>		<u>12.77%</u>	<u>16,469</u>		<u>13.91%</u>
Total Manatee County	126,545			118,408		

Source:

(1) Data was unavailable specifically for the City of Palmetto. The above information is based on the county in which the city resides.

(2) Economic Development Council and Florida Research Economic Database - April 2010

(3) Manatee County Clerk of Circuit Court - 2001 Principal Employers

(4) Florida Agency for Workforce Innovation, Labor Market Statistics Center - October 22, 2010



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CITY OF PALMETTO, FLORIDA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Full-time Equivalent Employees as of September 30,										
Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	31	34	33	34	38	41	49	37	40	34
Public safety										
Police										
Officers	31	32	30	30	31	33	36	38	37	35
Civilians	18	19	17	17	18	16	13	13	15	15
Highways and streets										
Engineering	4	4	4	3	3	4	2	3	3	3
Maintenance	9	10	8	8	8	9	3	4	7	7
Sanitation	7	9	7	3	2	1	2	2	2	2
Culture and recreation	19	19	20	19	17	23	17	17	17	10
Water	15	16	16	16	17	20	24	19	14	14
Sewer	3	3	3	3	6	7	5	6	6	6
Total	137	146	138	133	140	154	151	139	141	126

Source: Payroll Reports:Cost Center Analysis

CITY OF PALMETTO, FLORIDA
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2001	2002	2003	2004	2005
Police (1)					
Total arrests	N/A	N/A	N/A	N/A	N/A
Juvenile arrests	N/A	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	N/A	2,207
Traffic warnings	N/A	N/A	N/A	N/A	840
Water					
New connections (2)	85	76	55	124	117
Average daily consumption (3) (million of gallons)	1.41	1.45	1.42	1.47	1.47
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00	2.00
Wastewater					
New connections (2)	76	68	45	25	65
Average daily sewage treatment (3) (million of gallons)	1.34	1.37	1.79	1.18	1.50
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40	2.40
Reuse					
New connections (2)	190	359	64	N/A	274
Average daily consumption (3) (million of gallons)	1.08	1.01	1.07	0.67	0.74
Average daily capacity (3) (million of gallons)	1.86	1.86	1.86	1.86	1.87

N/A Information is not available.

Source: (1) Palmetto PD
 (2) Palmetto Customer Service
 (3) Palmetto Public Works

Fiscal Year				
2006	2007	2008	2009	2010
547	504	511	567	478
112	132	130	112	93
2,823	2,050	2,003	2,450	1,993
869	924	860	1,380	713
76	44	14	17	62
1.50	1.48	1.43	1.29	1.31
2.00	2.00	2.00	2.00	2.00
122	85	27	28	58
1.28	0.95	0.89	1.18	1.14
2.40	2.40	2.40	2.40	2.40
79	125	28	42	-
0.86	0.98	0.89	1.02	0.91
1.87	4.07	4.07	4.07	4.07

CITY OF PALMETTO, FLORIDA
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2001	2002	2003	2004	2005
Public Safety (1)					
Police					
Stations	1	1	1	1	1
Patrol units	21	23	23	36	39
K-9 units	2	2	2	2	1
Highways and Streets (2)					
Streets (miles)	41.17	41.17	41.17	41.09	41.09
Traffic signals	11	11	11	11	11
Streetlights	742	742	742	728	728
Culture and Recreation (3)					
Parks acreage	50.04	50.04	50.04	64.74	64.74
Parks	11	11	11	12	12
Tennis courts	1	1	1	1	1
Utility Infrastructure					
Water mains (miles)	66.06	66.06	66.06	66.06	66.06
Sewer (miles)	46.00	46.00	46.00	46.00	46.00
Storm sewers (miles)	11.76	11.76	11.76	11.76	11.76
Reclaimed water (miles)	16.00	17.80	17.80	17.80	17.80

N/A Information is not available.

Source: (1) Palmetto PD
 (2) Palmetto Public Works
 (3) Palmetto Parks Department

Fiscal Year				
2006	2007	2008	2009	2010
1	1	1	1	1
39	46	49	48	49
1	2	2	1	2
41.20	41.20	42.00	42.00	42.00
11	11	11	11	12
864	864	864	864	864
64.74	64.74	64.74	64.74	95.49
12	12	12	12	12
1	1	1	1	1
66.06	66.06	66.66	66.66	66.66
46.00	46.00	47.60	49.10	49.10
11.76	11.76	11.76	11.90	11.90
22.00	22.00	22.00	22.80	22.80



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Management and Single Audit Section



Riverside Plaza



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

The Honorable Mayor
and Members of the City Commission
City of Palmetto, Florida

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

This report is intended solely for the information and use of management, the City Commission, others within the organization and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates

Bradenton, Florida
March 15, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL
PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

The Honorable Mayor
and Members of the City Commission
City of Palmetto, Florida

Compliance

We have audited the City of Palmetto, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services State Projects Compliance Supplement, that could have a direct and material effect on each of the City's major Federal programs and State financial assistance projects for the year ended September 30, 2010. The City's major Federal programs and State financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State financial assistance projects is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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*, and Chapter 10.550, *Rules of the Auditor General—Local Government Entity Audits*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General—Local Government Entity Audits*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program or State financial assistance project occurred. An audit includes examining, on a test basis, evidence about the City'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 City's compliance with those requirements.

In our opinion, the City 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 and State financial assistance projects for the year ended September 30, 2010.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State financial assistance projects. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program and State financial assistance project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General – Local Government Entity Audits*, 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 City'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 or State financial assistance project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State financial assistance project 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.

This report is intended solely for the information and use of management, the City Commission, others within the organization, and Federal and State awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

CPA Associates

Bradenton, Florida
March 15, 2011

CITY OF PALMETTO, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2010

Part I – Summary of Auditor's Results

Basic Financial Statement Section

Type of auditor's report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Programs and State Projects Section

Dollar threshold used to determine Type A Federal programs: \$300,000

Dollar threshold used to determine Type A State projects: \$237,887

Auditee qualified as low-risk auditee? _____ yes x no

Type of auditor's report on compliance for major Federal programs and State financial assistance projects: Unqualified Opinion

Internal Control over major Federal programs and State projects:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified? _____ yes x no

Any audit findings disclosed that must be reported in accordance with Circular A-133 (Section .510(a)) and/or Chapter 10.550? _____ yes x no

Identification of major Federal programs and State projects:

Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Department of Transportation – Highway Planning and Construction (Federal-Aid Highway Program)

CITY OF PALMETTO, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended September 30, 2010

State Project

CSFA Number(s)	Name of State Project or Cluster
37.039	Florida Department of Environmental Protection– Palmetto Collection System Rehabilitation Program

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 through 5.20 of *Government Auditing Standards*.

No significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the financial statements were noted.

Part III – Schedule of Federal Award or State Financial Assistance Project Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of Federal and State programs, as required to be reported by Circular A-133 Section .510 (a) and Chapter 10.550, *Rules of the Auditor General-Local Governmental Entity Audits*.

No significant deficiencies, material weaknesses, and instances of noncompliance, including known fraud and questioned costs, related to the audit of Federal programs or State financial assistance projects were identified.

Part IV – Summary Schedule of Prior Audit Findings

This section identifies audit findings noted during the prior year audit.

There were no audit findings noted in the prior year.

CITY OF PALMETTO FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Federal/State Agency Federal Program/State Project</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		\$ 4,677
Edward Byrne Memorial Justice Assistance Grant -2009	16.738	2009-DJ-BX-1403	28,252
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government - 2009	16.804	2009-SB-B9-1813 (ARRA)	10,842
Passed through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant - 2010	16.738	2010-JAGC-MANA-1-4X-058	29,154
TOTAL DEPARTMENT OF JUSTICE PROGRAM			<u>72,925</u>
DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation			
Highway Planning and Construction			
10th St. & 14th Ave. Turn Lanes	20.205	FM# 420876-1-58-01	388,920
Recovery Act - 10th W St from 14th W to 8th Ave	20.205	FM# 426728-1-58-01	76,038
Passed through Florida Highway Administration			
Recreational Trails Program	20.219	T28030	14,288
TOTAL DEPARTMENT OF TRANSPORTATION PROGRAM			<u>479,246</u>
DEPARTMENT OF HOMELAND SECURITY			
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Passed through Florida Division of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	08-PA-B9-08-51-13-546	18,376
Tropical Storm Fay			
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 570,547</u>
<u>Federal/State Agency Federal Program/State Project</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
STATE FINANCIAL ASSISTANCE			
DEPARTMENT OF ENVIRONMENTAL PROTECTION			
Florida Recreation Development Assistance Program			
Estuary Enhancement Phase III	37.017	F08113	\$ 267,635
Statewide Surface Water Restoration and Wastewater Projects			
Waste Water Improvement Project	37.039	LP8966	401,267
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>668,902</u>
DEPARTMENT OF TRANSPORTATION			
Transportation Regional Incentive Program			
Business 41 (8th Avenue) & Riverside Dr	55.026	FM# 420981-1	124,057
TOTAL EXPENDITURES OF STATE AWARDS FINANCIAL ASSISTANCE			<u>\$ 792,959</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance of the City of Palmetto, Florida. The City's reporting entity is defined in Note I to the City's Basic Financial Statements for the year ended September 30, 2010.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting, which is described in Note I to the City's Basic Financial Statements for the year ended September 30, 2010. Because 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*, some amounts presented in this schedule may differ from amounts in, or used in, the preparation of the basic financial statements.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor
and Members of the City Commission
City of Palmetto, Florida
Palmetto, Florida

We have audited the financial statements of the City of Palmetto, Florida (the City) as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 15, 2011, which was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *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 also issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated March 15, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which 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 and 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. There were no findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 the 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. There are no matters of this type that require disclosure.
- 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 the management letter, unless disclosed in the notes to the financial statements. The City disclosed the required information in the notes to 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 government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- 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 City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

CPA Associates

Bradenton, Florida
March 15, 2011