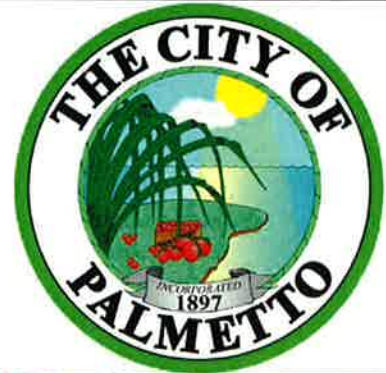


CITY OF PALMETTO, FLORIDA



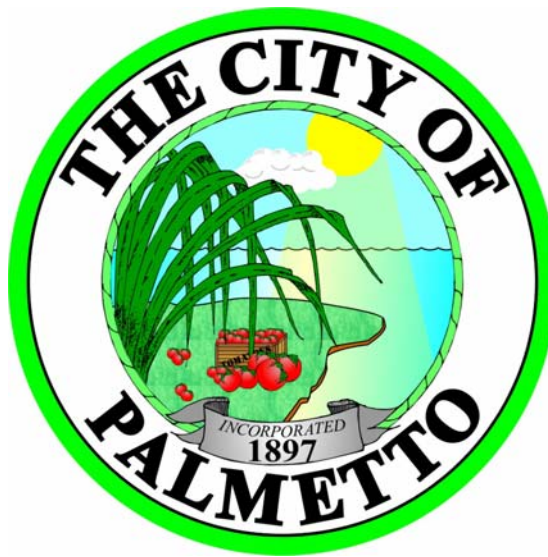
Comprehensive Annual
Financial Report
Fiscal Year Ended September 30, 2011



Comprehensive Annual Financial Report

City of Palmetto Florida

For the Fiscal Year Ended
September 30, 2011



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, 2011

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Phone (941) 723-4570
FAX (941) 723-4576

March 12, 2012

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, 2011.

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, Mauldin & Jenkins, LLC. 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, 2011, 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, 2011, 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, 2010. This was the sixth 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, 2011 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. Despite recent cutbacks, the City has increased the efficiency of our remaining resources to minimize the impact to our citizens. State-wide unemployment has slowly improved during 2011 from 12% in January to just under 10% as of December 2011. Unemployment in North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) showed similar results and is projected to be 9.8% as of December 2011. The City, along with our community leaders has made the commitment to work together and help one another get through this challenging economic environment. Through our Community Redevelopment Agency (CRA) we have implemented a variety of programs to promote growth and economic development. Examples include downtown commercial core incentives for improvements to business properties coupled with additional incentives for hiring local businesses to complete the enhancements. 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 continues to pass legislation that puts additional pressure on local government. In 2007, legislation was passed that was 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. In November 2012, voters will decide by referendum on additional

reductions to property taxes. More specifically, voters will decide on a "super exemption" of up to one half of the taxable value for potential buyers who have not owned a home in the last three years. This exemption cannot exceed the median home price in the respective County. In addition, the cap for non-homestead properties is proposed to be reduced from 10% to 5%. Tax assessments for 2009, 2010 and 2011 were down 13%, 18% and 9% respectively, which made the budget process very difficult. These difficulties will be further compounded if the proposed referendum is passed by the voters in November 2012. Lower assessments means fewer dollars to operate and support existing services that we provide to our residents. 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 fiscally sound programs 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 2011 the City received over \$1.2 million in the form of two energy grants and a Community Development Block Grant (CDBG).

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 2011, Palmetto annexed four properties totaling approximately 6.5 acres. Three of the properties were commercial and one was residential.

Installation of a new emergency generator for City Hall was completed in May of 2011 which will power the entire building. This will help ensure continuity of business operations during natural disasters.

Several energy grant initiatives were completed during 2011. Examples include, City-wide upgrades to all HVAC units in City buildings, retrofits of existing interior lighting to a more energy efficient bulb, installation of variable frequency drives in several wastewater treatment facilities and virtualization of the City IT servers.

The City completed the purchase and installation of a new IP phone system during FY 2011. This new system is projected to save the City money and improve overall reliability. The Police

department also upgraded their Computer Aided Dispatching (CAD) system which will allow greater functionality and increased efficiency for mobile patrol officers.

The grant portion of infrastructure upgrades on the Ward I Phase II project have been completed. 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 remaining portion of the project is scheduled for completion in FY 2012.

During 2011, the CRA awarded eleven storefront grants totaling \$67,000 for exterior renovations on several commercial properties in the district.

It was a busy year for our Purchasing Department as the City issued a total of sixteen procurement proposals. This included eight requests for quotes (RFQs), three request for proposals (RFPs), and 5 invitation to bids (ITBs). Areas of interest included Haben Blvd. improvements, IT virtualization, lighting retrofits, insurance services, and pedestrian walkway improvements, just to name a few.

City Commission approved approximately \$8,668,864 of capital improvements for 2011, of which \$3,261,818 was funded by proceeds from the sale of land to the school board, loan funds and grant dollars. The remaining \$5,407,046 was unfunded and related to the Little League baseball fields, 23rd Street, 10th Ave Extension, WWTP projects and the 13th St. drainage project. Major projects include street resurfacing, and various street re-alignments and construction, improvements to city buildings and facilities, ASR and additional reclaimed water lines on 8th and 9th Streets.

The CRA purchased two new properties at the corner of Business 41 and Riverside drive as part of an initiative to improve the gateways into Palmetto. Future plans call for this property to be redeveloped with a mix of commercial and some residential.

The CRA began a new Residential Rehabilitation Program in 2010, and the first house was completed in 2011.

In January 2011 the new Palmetto Elementary was opened. This state of the art facility is a welcomed addition and a much needed improvement for the youth in Palmetto.

The City received the Certificate of Achievement for Excellence in Financial Reporting for the sixth consecutive year. The City also applied for and received the Distinguished Budget Presentation Award for the 2011 budget. This was the second year in a row the City received the budget award from the Government Finance Officer's Association (GFOA).

The City completed its fifth 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. In 2011, McDonalds also became a sponsor.

For the Future:

The construction of a new Little League baseball complex is still of highest priority for City leadership. In recent months, the County has agreed to take the lead on design and construction of the fields on property they own at Blackstone Park. The City has committed \$800,000 for the project with hopes that the remaining funding can come from grants, partnerships or other government agencies such as the County or School Board.

Intersection improvements for a new Haben Blvd. roundabout began in December 2011 and the project is schedule to be complete my March 2012. This project is being funded with grants and the assistance of the CRA.

Sutton Park will be getting a make-over as part of several enhancements that are projected to be complete before year end. This will include a new Veterans Wall, pavilion, and upgrades to exterior lighting throughout the park.

Design work for a \$1,300,000 5th Street Streetscapes project are in the final stages of completion. The CRA anticipates bids going out in March with construction estimated to begin around May 2012. The City will receive partial funding from Southwest Florida Water Management District (SWFWMD) for certain drainage elements in the project.

Redevelopment plans for the 10th Ave and 8th Ave. corridors have begun. This project will focus on pedestrian friendly enhancements, beautification and congestion management on both corridors.

Initial design plans are also underway for the development of a new MLK park on city-owned property. Contiguous parcels may also be added to enhance the functionality of the park .

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 Mauldin and Jenkins, LLC 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, 2010

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



Linda C. Danison

President

Jeffrey R. Enner

Executive Director



**City of Palmetto, Florida
Fiscal Year Ended September 30, 2011
List of Principal Officials**

Elected Officials

Shirley Groover Bryant	Mayor
Alan Zirkelbach	Vice Mayor, Commissioner At Large
Tamara Cornwell	Commissioner At Large
Mary Lancaster	Commissioner, Ward 1
Tambra Varnadore	Commissioner, Ward 2
Brian Williams	Commissioner, Ward 3

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
Vacant	Superintendent of 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

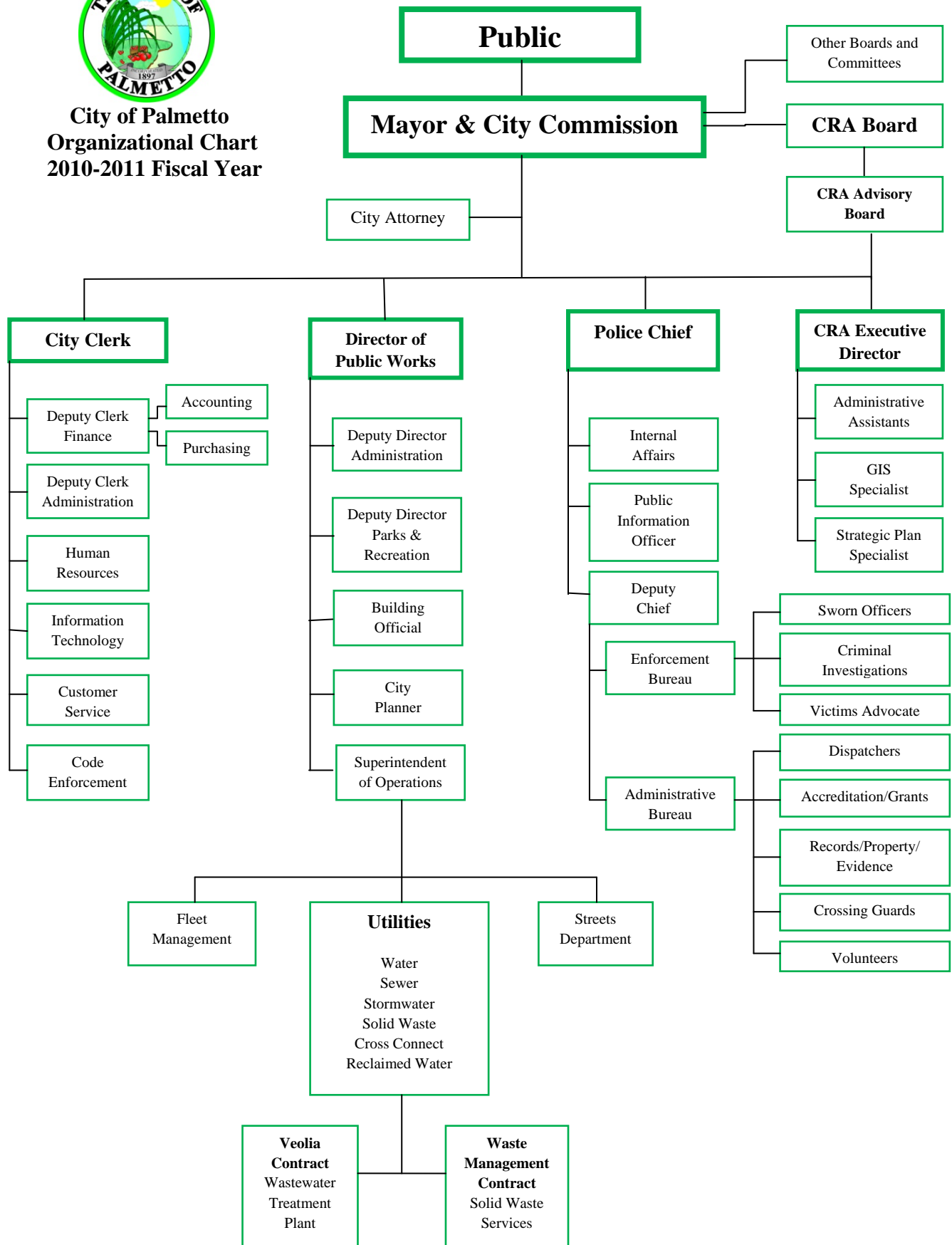
Mark Barnebey	City Attorney
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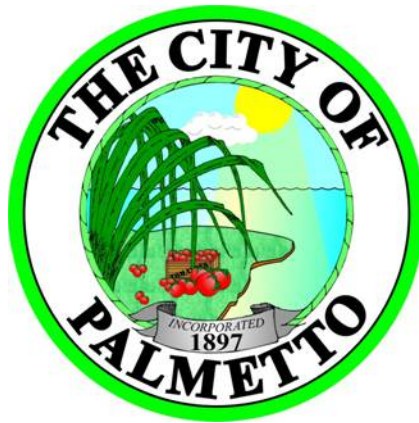
Independent Auditors

Mauldin and Jenkins



**City of Palmetto
Organizational Chart
2010-2011 Fiscal Year**





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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of the City Commission
City of 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, 2011, 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, 2011, 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.

As discussed in Note V, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective October 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post employment benefit schedules on pages 3-19, 93-95 and 98-102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund statements and schedules, Schedule of Expenditures of Federal Awards 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 required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 12, 2012

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, 2011. 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.

Prior Period Adjustments and Reporting Changes:

Certain changes in the financial activities of the City have caused changes within the presentation of the financial statements. These include:

- Accounts receivable for code enforcement fines have drastically increased in recent years. The revenues associated with these fines were reported in the year the fines were levied, however aging reports show the slow turn-over of these receivables. These receivables are now offset by deferred revenues requiring a prior period adjustment to account for an overstatement of revenues in prior years. This change is reported as a prior period adjustment in the Statement of Revenues, Expenditures and Changes in Fund Balances for governmental funds on page 25.
- A prior period adjustment of \$401,267 was necessary for an overstatement in the accounting for capital assets, as well as an understatement in the expenses in the Water and Sewer Fund during fiscal year 2010. This prior period adjustment is reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets for the proprietary funds on page 30 and Statement of Activities for the business-type activities on page 23.
- The City established a new agency fund for payroll and health insurance liabilities. The agency fund is presented on the Statement of Fiduciary Net Assets on page 34.
- The internal service fund for self-insurance previously presented in the proprietary fund statements was allocated between the governmental and business-type activities on the government-wide statement and closed out during the fiscal year.
- Certain General Fund cost centers provide enhanced services to the Community Redevelopment Agency (CRA) District reported as expenditures in the General Fund. When these costs are reimbursed by the CRA Fund to the General Fund, charges for services revenue is recognized in the General Fund and expenditures are recognized in the CRA Fund. To improve the financial reporting of these expenses within the governmental activities of the government-wide statement of activities, an indirect expense allocation is presented to accurately reflect expenses of governmental activities and the costs incurred by the City.

Financial Highlights

At the close of the fiscal year ending September 30, 2011:

- The assets of the City exceeded its liabilities by \$61,915,129 (*net assets*). Of this amount, \$7,744,477 (*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 \$2,843,412, or 4.81% in comparison with the prior year total net assets.
- Total revenues decreased a total of \$1,254,464 or 5.56% in comparison to prior year. Property taxes decreased 1,876,660 due to decreases in residential and commercial property values.
- Total expenses decreased \$1,001,820 or 5.15% in comparison to prior year.
- The City's governmental funds reported combined ending fund balances of \$16,417,340 an increase of \$1,657,248 in comparison with the prior year. Approximately 24.5% of this total amount, \$4,022,971 (*unassigned fund balance*), is available for spending at the City's discretion. Restricted fund balance of \$8,923,098 is restricted for roadway infrastructure, CRA and building department operating expenses, law enforcement special projects, the maintenance of the city's cemetery and impact fees used to fund growth in the City. The committed fund balance in the amount of \$2,884,987 includes \$1,995,228 in the trailer park trust, \$876,752 for the Ward 1 Phase II project and other miscellaneous projects.
- At the end of current fiscal year, unassigned fund balance for the general fund was \$4,022,971 or 42% 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 focus of the *government-wide financial statements* is on the overall financial position and activities of the City of Palmetto. Reporting is similar to that of a private-sector business. The City's government-wide financial statements include the statement of net assets and statement of activities. As described below, these statements do not include the City's fiduciary funds because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary funds are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

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, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and 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, compensated absences 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, 2011 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. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds.

Enterprise 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, reuse, solid waste collection and stormwater utility system. Internal service funds, which previously reported the City's self-insurance activities, were closed out during the current fiscal year.

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, 2011. 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 and an agency fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities and are not reflected in the government-wide financial statements.

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 and other post employment benefits to its employees. Required supplementary information can be found beginning on page 93 of this report.

Included in the required supplementary information are budgetary comparison schedules for the General Fund, Community Redevelopment Fund and the Road and Bridge Fund found on pages 93 through 95.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, begin on page 105.

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 \$61,915,129 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

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
				<u>Restated</u>		<u>Restated</u>
Current and						
other assets	\$ 15,108,243	14,507,542	5,165,072	3,114,384	20,273,315	17,621,926
Internal balances	--	72,931	--	(72,931)	--	--
Restricted assets	2,833,141	1,608,257	2,382,997	4,072,303	5,216,138	5,680,560
Capital assets, net						
of depreciation	31,156,714	31,528,652	27,225,172	26,340,265	58,381,886	57,868,917
Total assets	<u>49,098,098</u>	<u>47,717,382</u>	<u>34,773,241</u>	<u>33,454,021</u>	<u>83,871,339</u>	<u>81,171,403</u>
Current and other						
liabilities	549,394	595,119	1,028,227	344,902	1,577,621	940,021
Non-current						
liabilities	7,290,384	7,615,023	13,088,205	13,544,642	20,378,589	21,159,665
Total liabilities	<u>7,839,778</u>	<u>8,210,142</u>	<u>14,116,432</u>	<u>13,889,544</u>	<u>21,956,210</u>	<u>22,099,686</u>
Net Assets						
Investment in						
capital assets net						
of related debt	27,139,012	25,413,841	17,638,823	16,315,517	44,777,835	41,729,358
Restricted	8,923,098	3,836,360	469,719	2,033,805	9,392,817	5,870,165
Unrestricted	5,196,210	10,257,039	2,548,267	1,215,155	7,744,477	11,472,194
Total net assets	<u>\$ 41,258,320</u>	<u>39,507,240</u>	<u>20,656,809</u>	<u>19,564,477</u>	<u>61,915,129</u>	<u>59,071,717</u>

The overall position of the City improved in both the 2010 and 2011 fiscal years. 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 2010 by \$2,843,412, or 4.8%. Net assets of both the governmental and business-type activities increased primarily as a result of fiscal restraint in operations.

A significant portion of the City's net assets, \$44,777,835 or 72.3% 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, \$9,392,817 or 15.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$7,744,477 or 12.5% 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 \$1,995,228, 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.

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

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u> <u>Restated</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Charges for services	\$ 1,514,186	981,965	7,906,994	7,798,246	9,421,180	8,780,211
Operating grants and contributions	209,731	3,000	--	--	209,731	3,000
Capital grants and contributions	304,488	654,471	912,043	132,575	1,216,531	787,046
General Revenues:						
Property taxes	6,315,246	8,191,906	--	--	6,315,246	8,191,906
Other taxes	3,916,575	4,514,603	--	--	3,916,575	4,514,603
Other	196,277	253,740	29,989	29,487	226,266	283,227
Total Revenues	<u>12,456,503</u>	<u>14,599,685</u>	<u>8,849,026</u>	<u>7,960,308</u>	<u>21,305,529</u>	<u>22,559,993</u>
Expenses:						
Governmental Activities:						
General government	3,464,360	4,036,111	--	--	3,464,360	4,036,111
Public safety	4,256,660	4,648,615	--	--	4,256,660	4,648,615
Highways and streets	960,680	870,116	--	--	960,680	870,116
Culture and recreation	787,011	892,002	--	--	787,011	892,002
Intergovernmental services	1,874,067	1,848,388	--	--	1,874,067	1,848,388
Interest on long-term debt	171,188	188,221	--	--	171,188	188,221
Business-type Activities:						
Solid Waste	--	--	1,974,313	2,008,625	1,974,313	2,008,625
Water and Sewer	--	--	4,193,367	4,196,168	4,193,367	4,196,168
Stormwater	--	--	688,710	686,325	688,710	686,325
Reuse	--	--	91,761	89,366	91,761	89,366
Total Expenses	<u>11,513,966</u>	<u>12,483,453</u>	<u>6,948,151</u>	<u>6,980,484</u>	<u>18,462,117</u>	<u>19,463,937</u>
Increases in net assets before transfers	942,537	2,116,232	1,900,875	979,824	2,843,412	3,096,056
Transfers	808,543	(1,390,556)	(808,543)	1,390,556	--	--
Increase in net assets	<u>1,751,080</u>	<u>725,676</u>	<u>1,092,332</u>	<u>2,370,380</u>	<u>2,843,412</u>	<u>3,096,056</u>
Net assets-beginning of year as restated	<u>39,507,240</u>	<u>38,781,564</u>	<u>19,564,477</u>	<u>17,194,097</u>	<u>59,071,717</u>	<u>55,975,661</u>
Net assets-end of year	<u>\$ 41,258,320</u>	<u>39,507,240</u>	<u>20,656,809</u>	<u>19,564,477</u>	<u>61,915,129</u>	<u>59,071,717</u>

Governmental activities

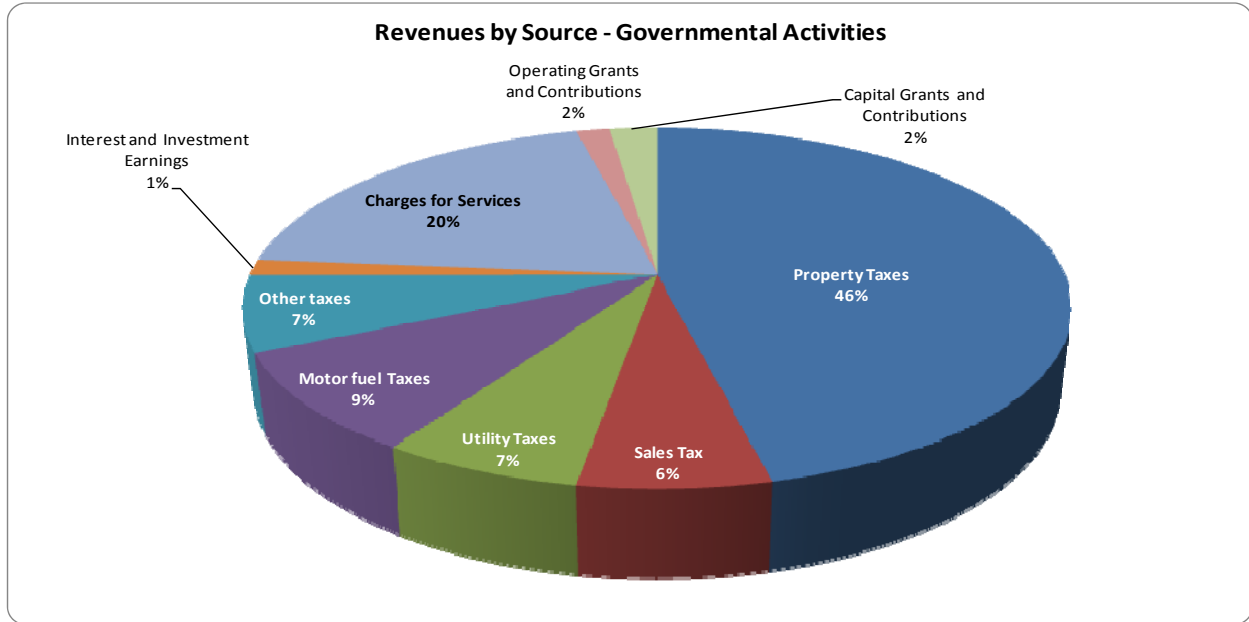
Total revenues for governmental activities decreased \$2,143,182 or 14.68% when compared to the prior year. While some revenues had increases, they were more than offset by other revenues that decreased. The net decrease in revenues for the current year is the result of the following:

- City property tax revenues decreased by \$1,876,660 or 22.9% due to a decrease in property values. These decreases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County.
- Capital grants applicable to governmental activities decreased \$349,983 or 53.5% due to the completion of street projects funded through FDOT grants in fiscal year 2010 and early 2011.
- Franchise fees increased \$93,270 or 12.9% due to the new franchise agreement with Florida Power and Light.
- Investment earnings decreased \$57,463 or 22.6% for the current year. The City's investment program consists of secure certificates of deposit and .5% interest earned at the banking level.

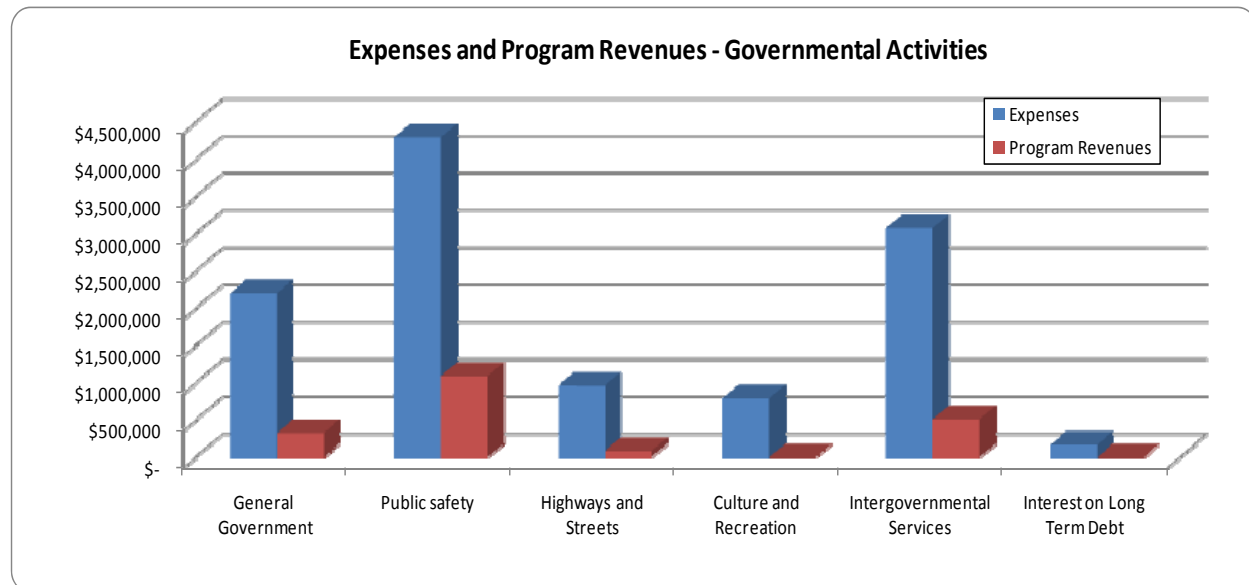
Total expenses for governmental activities decreased \$969,487 or 7.77% in comparison to the prior year. The decrease in the current year expenses is attributed to:

- The City's TIF to the CRA decreased by \$458,614 or 26.9% as a result of decreased property values.
- Seven of the sixteen governmental cost centers reduced operational expenses during the year.
- During the year, four positions were eliminated as part of a reduction in force and several positions were filled at lower salaries due to natural attrition. Both of these personnel changes resulted in costs savings to the City.
- Capital outlay was one of the only expenditures that increased when compared to the prior year. This increase was associated with Estuary Park, Riverside Drive and Ward I Phase II improvements, all of which were funded by the CRA.

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



The following chart compares expenses with program revenues, not including tax revenue, for the City's governmental activities:



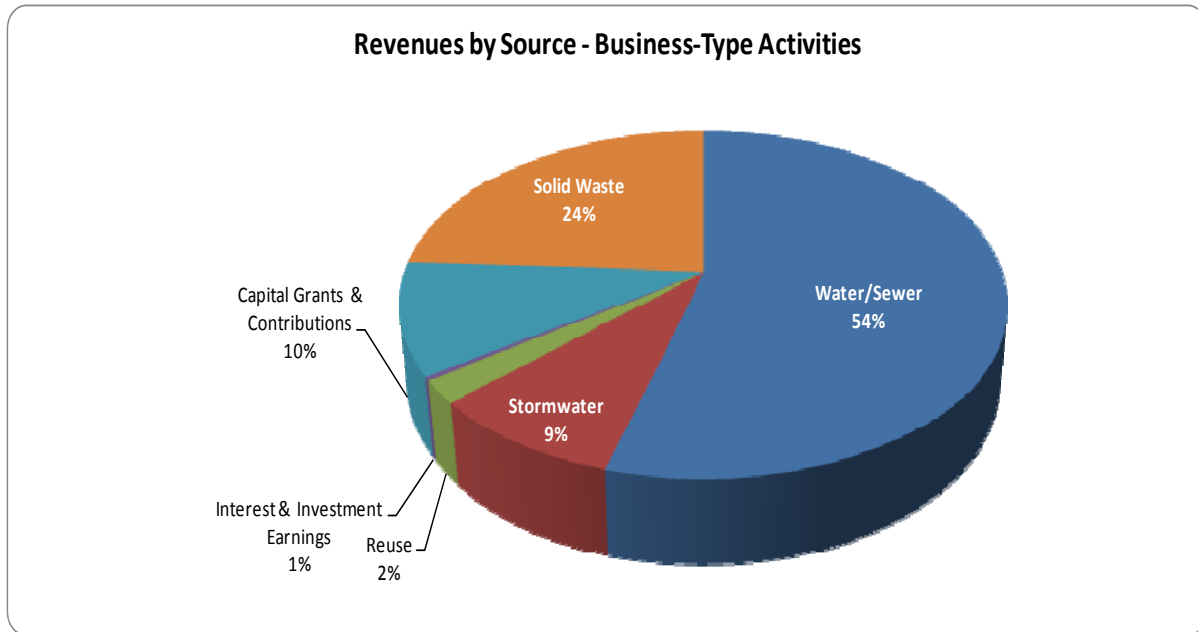
Business-type Activities

Total revenues increased by \$888,718 for the current year. Most of the increase was attributed to increased capital grant revenue resulting largely from the \$750,000 CDBG grant for the Ward I

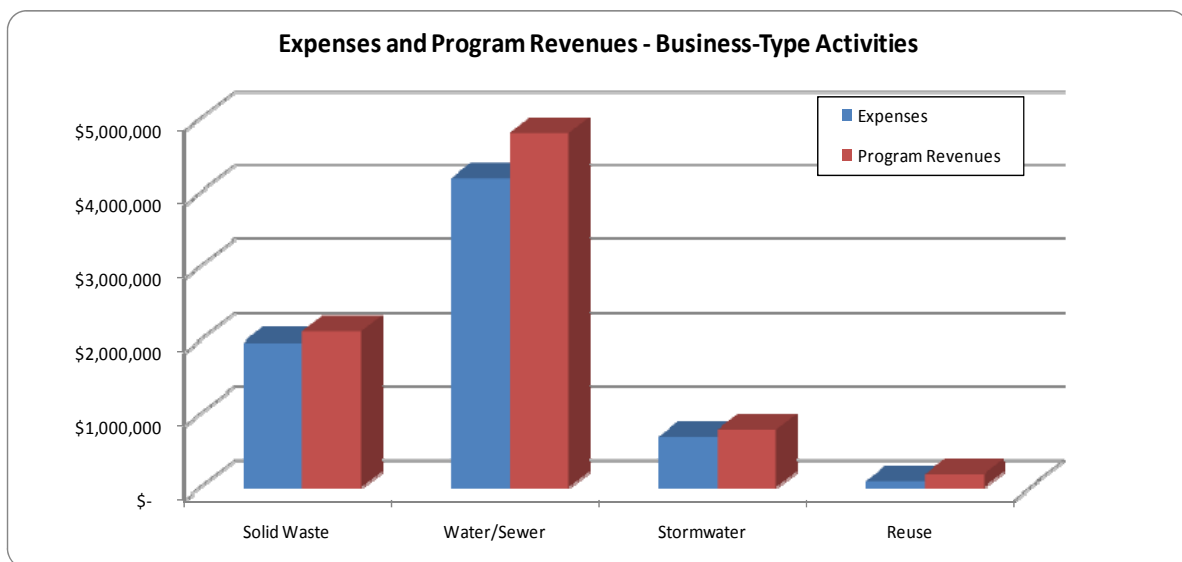
Phase II project. Additional increases came from a \$94,000 reimbursement from the Veolia contract for the management of the wastewater treatment plant.

Total expenses remain flat compared to the prior year, decreasing only \$32,333 or 0.46%.

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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$16,417,340 an increase of \$1,657,248 over the prior year. Approximately 25% of this amount or \$4,022,971 constitutes *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$7,656,516, as compared with \$7,326,717 in the previous year.

The breakdown of fund balance classifications is as follows:

- Unassigned fund balance is \$4,022,971 as compared with an adjusted \$3,975,364 of unreserved fund balance in the prior year. This is an increase of approximately \$47,607.
- Assigned fund balance is \$123,674 for capital improvements and the planting of new trees in the city.
- Committed fund balance is \$2,008,234 which includes \$1.9 million for the Trailer Park Trust.
- Restricted fund balance is \$1,041,681 which includes \$994,509 for the building and police departments and impact fees as required by Florida Statutes.
- Nonspendable fund balance is \$459,956 and includes inventory and a prepaid pension contribution.

Revenues for the General Fund decreased by \$844,448 or 8.5%. This can be attributed to the decreased property values causing a reduction in property taxes of \$770,388 or 72.5% of the total decline in revenues. Other large decreases occurred in grants received and impact fees. The \$597,362 decrease in expenses can be attributed to frugal spending practices, reduction in TIF funding to CRA, and a higher than expected turnover in personnel resulting in vacant and eliminated positions, or positions filled at a lower cost.

Revenues for the CRA, a blended component unit of the City, decreased \$1,061,488 or 26.2% compared to the previous year. TIF dollars from the City and County decreased by \$1,106,272 and were offset by increases in grant funds and other miscellaneous revenue. Expenses decreased by \$532,002 of which the entire amount can be attributed to capital outlay which occurred in fiscal year 2010 and not in 2011. The CRA experienced a positive net change in fund balance of \$540,687.

Revenues in the Road and Bridge and Capital Projects funds remained flat, decreasing less than \$1,000. The expenses increased by \$239,827 due largely to expenses for the Ward 1 Phase II project and increased costs for road repairs and materials.

The Capital Projects fund demonstrated a lesser amount of activity than the previous year. Revenues decreased by \$120,649 from two FDOT grants for the 10th St. and 14th Ave. project that was mostly completed by the end of fiscal year 2010. Revenues for the current year were mostly from a second FDOT grant for the 10th St. and 10th Ave. project. Expenses decreased by \$422,051 mostly from the same FDOT grants.

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 \$20,656,809, an increase of \$1,019,401 in comparison with the prior year. Utility user fee revenue increased \$108,748 or 1.4% with no increases in user fee rates. An additional \$779,468 was received in grant revenue from the CDBG, I&I and Federal Energy Commission grants. These increases in revenue, combined with reductions in interest expense, and a reduction in net transfers contributed to the overall increase in net assets for proprietary funds.

The Solid Waste Fund had operating income of \$124,259 and an increase in net assets of \$93,563. The total net assets at the end of the current fiscal year, is \$487,058 of which all is unrestricted.

The Water and Sewer Fund had operating income of \$796,094 for the year, and an increase in net assets of \$29,893. The unrestricted net assets at the end of current fiscal year are \$2,392,269 and the total net assets are \$14,886,748.

The Stormwater Fund had operating income of \$290,014 and an increase in net assets of \$575,678. 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 \$179,740 which has been improving during the last three years. The total net assets were \$2,955,352. The negative unrestricted net assets improved from fiscal year 2010 by \$300,589. The stormwater fund should continue to improve in the

coming years, however the subsidy will most likely continue in some form unless rates are increased or expenses are further reduced.

The Reuse Fund had operating income of \$144,993 and an increase in net assets of \$320,267. The unrestricted net assets at the end of the current fiscal year reflect a deficit of \$151,320 and the total net assets is \$2,327,651. Although unrestricted net assets are negative, this negative balance was reduced by \$41,356 compared to the prior year.

General Fund Budget and Actual

Differences between the original budget and the final amended budget can be found on page 93. Revenues including other financing sources associated with the original and final amended budget were increased by \$788,270. Increases to the revenue budget were made for additional grants awarded during the year, equipment purchased with a capital lease, and emergency police investigative expenses. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$126,517 after transfers to be funded. This decrease included a non-cash revenue budget of \$106,975 in funding from fund balance reserves for a budget shortfall in the Building Department. The final amended budget anticipated decreasing the General Fund's fund balance per the final amended budget by \$36,984 after transfers. This is attributable to increases and more accurate estimates of anticipated revenues and expenses.

Actual revenues excluding other financing sources were less than final budgetary estimates by \$241,654. Budgeted revenues for intergovernmental, charges for services and fines and forfeitures revenues were the primary reason for the negative revenue variance. Most of the negative revenue variance was associated with energy grant revenues that were not recognized due to delays in the project. These negative revenue variances were somewhat offset by better than expected revenues in sales taxes, utility taxes, permits and fees, and investment earnings. In particular, investment earnings for the trailer park trust (a non-budgeted item) accounted for approximately \$110,000 of this positive revenue variance. Actual expenditures were less than budgetary estimates by \$654,027 or 6.4% 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 the General Fund's fund balance was a positive \$366,783.

Capital Asset and Debt

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$58,381,886 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total increase net of accumulated depreciation in the City's investment in capital assets for the current fiscal year was \$512,969 or 0.89%.

The 2011 Capital Improvement Plan (CIP) was approved by the Commission on February 28, 2011 in the amount of \$8,668,864. In addition, CRA included \$1,793,000 in capital projects in the 2011 budget.

The following projects had 2011 expenditures > \$50,000:

City Capital Projects

- Ward I Phase II construction - \$882,467.
- Waste Water Treatment Plant (WWTP) and Lift Station Upgrades - \$60,291.
- Inflow and Infiltration (I & I) - \$79,137 in grant funding for rehabilitation of lift stations and sanitary sewer manholes.
- Road project for 10th Street & 14th Avenue and 10th Street and 10th Avenue - \$143,713 for the completion of construction started in fiscal year 2010 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.
- 17th Street Utility relocation - \$426,824 for the completion of the project with Manatee County for the relocation of utilities and widening of 17th Street.
- Palmetto Technical Grant - \$100,003 for police technology.

CRA

- Riverside Drive Improvements - \$44,336 to complete the project to widen and construct an additional turn lane.
- Financial funding provided to the Ward 1 Phase II project.
- Began design and engineering on the 5th Street Streetscape project.

City of Palmetto's Capital Assets

(Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u> <u>Restated</u>	<u>2011</u>	<u>2010</u>
Land	\$ 3,835,930	3,835,930	279,415	279,415	4,115,345	4,115,345
Buildings	273,979	361,424	239,244	253,690	513,223	615,114
Improvements other than buildings	--	--	23,690,243	22,634,505	23,690,243	22,634,505
Machinery and equipment	1,529,654	1,627,523	804,080	845,630	2,333,734	2,473,153
Infrastructure	23,624,689	23,960,927	--	--	23,624,689	23,960,927
Construction in progress	1,892,462	1,742,848	2,212,190	2,327,025	4,104,652	4,069,873
Total	<u>\$ 31,156,714</u>	<u>31,528,652</u>	<u>27,225,172</u>	<u>26,340,265</u>	<u>58,381,886</u>	<u>57,868,917</u>

Additional information on the City's capital assets is presented in Notes I thru V beginning on page 37 of this report.

Long-term debt

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$20,378,589 (including compensated absences of \$670,826). 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. An interest rate swap agreement exists with each of these loans which have a liability of \$1,860,564 as of September 30, 2011. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Stormwater revenues, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$258,594 in outstanding capital leases as of September 30, 2011.

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 \$3,296,250 as of September 30, 2011. The loan is secured by a primary pledge of Tax Increment Funds (TIF) and is included in the city's outstanding debt.

City of Palmetto's Loans and Capital Leases Payable

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Bank Qualified Loans						
2004 Loan	\$ 434,776	459,256	1,545,319	1,632,329	1,980,095	2,091,585
2005 Loan	1,051,359	1,104,087	4,231,852	4,444,065	5,283,211	5,548,152
2007 Loan	1,163,337	1,211,605	3,490,882	3,635,723	4,654,219	4,847,328
SRF Loans	--	--	1,653,105	1,792,033	1,653,105	1,792,033
CRA Loan	3,296,250	3,516,000	--	--	3,296,250	3,516,000
Total loans	<u>\$ 5,945,722</u>	<u>6,290,948</u>	<u>10,921,158</u>	<u>11,504,150</u>	<u>16,866,880</u>	<u>17,795,098</u>
Capital Leases	<u>208,150</u>	<u>240,462</u>	<u>50,444</u>	<u>26,465</u>	<u>258,594</u>	<u>266,927</u>
Total loans and leases	<u><u>\$ 6,153,872</u></u>	<u><u>6,531,410</u></u>	<u><u>10,971,602</u></u>	<u><u>11,530,615</u></u>	<u><u>17,125,474</u></u>	<u><u>18,062,025</u></u>

See Note V, F, and G pages 59 through 70.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the North Port/Sarasota/Bradenton area for November 2011 was 10.1%, which is slightly higher than the State and Federal rates of 9.8% and 8.7% as of November 2011 (source: US Department of Labor).

According to the 2010 Census, the City's population is 12,606 compared to 12,571 in 2000. This represents a .3% increase since the last Census in 2000.

The taxable value of commercial and residential property decreased from \$758,796,522 in fiscal year 2011 to \$686,685,657 in fiscal year 2012. This represents a 9.5% decrease in taxable value and is largely attributed to the devaluation of property being experienced statewide. This decrease of 9.5% was less than the 18% decline realized two years ago, but these declines continue to put pressure on the operating budget of the City. We are hopeful that taxable values in the future will remain flat or at least decline 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 \$5.1185 for fiscal year 2012 increased by 0.4523 mils compared to the prior year. The rate of \$5.1185 was equal to the roll-back rate or the rate at which the City would collect the same ad valorem dollars in the current year even though property values declined by 9.5%.

Pension costs have continued to rise during the last five (5) years and remain one of the biggest financial challenges for the City. Poor investment returns have contributed to the increased costs despite other favorable changes that have been made to try and reduce the burden to the City. Health Care costs for the City remain a large expense for the City. However, favorable claims data in fiscal year 2011 resulted in lower premiums for fiscal year 2012. The City also changed insurance agents towards the end of fiscal year 2011 which also led to favorable results.

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. As a result, the City has turned to grant funding and has been quite successful in the last 12 months. The City was awarded approximately \$1.2M for three grants that included two energy grants and a CDBG revitalization grant. All of the remaining loans have been allocated and will most likely be spent in the next 12 months.

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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CITY OF PALMETTO, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,055,903	2,418,401	15,474,304
Receivables (net of allowance for uncollectible)	506,908	1,286,176	1,793,084
Due from other governments	240,181	--	240,181
Inventory	397,585	--	397,585
Prepaid expenses	65,025	9,730	74,755
Deferred charges	409,799	1,450,765	1,860,564
Net pension asset	432,842	--	432,842
Restricted assets			
Cash and investments	2,833,141	2,382,997	5,216,138
Capital assets (net of accumulated depreciation)			
Land	3,835,930	279,415	4,115,345
Buildings	273,979	239,244	513,223
Improvements other than buildings	--	23,690,243	23,690,243
Machinery and equipment	1,529,654	804,080	2,333,734
Infrastructure	23,624,689	--	23,624,689
Construction in progress	1,892,462	2,212,190	4,104,652
Total assets	<u>\$ 49,098,098</u>	<u>34,773,241</u>	<u>83,871,339</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 313,113	946,980	1,260,093
Accrued interest	24,281	80,964	105,245
Unearned revenue	212,000	283	212,283
Noncurrent liabilities			
Due within one year	1,144,370	2,657,835	3,802,205
Due in more than one year	6,146,014	10,430,370	16,576,384
Total liabilities	<u>7,839,778</u>	<u>14,116,432</u>	<u>21,956,210</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,139,012	17,638,823	44,777,835
Restricted	8,923,098	469,719	9,392,817
Unrestricted	5,196,210	2,548,267	7,744,477
Total net assets	<u>41,258,320</u>	<u>20,656,809</u>	<u>61,915,129</u>
Total liabilities and net assets	<u>\$ 49,098,098</u>	<u>34,773,241</u>	<u>83,871,339</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, 2011

		Program Revenues		
Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,464,360	(1,193,940)	330,820	--
Public safety	4,256,660	-	1,095,775	--
Highways and streets	960,680	-	85,349	--
Recreation	787,011	-	2,242	--
Intergovernmental	1,874,067	1,193,940	--	209,731
Interest on long-term debt	171,188	-	--	--
Total governmental activities	11,513,966	-	1,514,186	209,731
Business-type activities				
Solid Waste	1,974,313	-	2,124,827	--
Water and Sewer	4,193,367	-	4,805,767	--
Stormwater	688,710	-	788,920	--
Reuse	91,761	-	187,480	--
Total business-type activities	6,948,151	-	7,906,994	--
Total primary government	\$ 18,462,117	-	9,421,180	209,731
General revenues				
Property taxes				
Sales taxes				
Utility taxes				
Motor fuel taxes				
Other taxes				
Interest and investment earnings				
Transfers				
Total general revenues and transfers				
Increases in net assets				
Net assets - beginning, as originally stated				
Prior period adjustment				
Net assets - beginning, as restated				
Net assets - ending				

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

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Capital Grants and Contributions	Primary Government		Total
	Governmental Activities	Business-type Activities	
--	(1,939,600)	--	(1,939,600)
--	(3,160,885)	--	(3,160,885)
--	(875,331)	--	(875,331)
--	(784,769)	--	(784,769)
304,488	(2,553,788)	--	(2,553,788)
--	(171,188)	--	(171,188)
304,488	(9,485,561)	--	(9,485,561)
--	--	150,514	150,514
803,783	--	1,416,183	1,416,183
108,260	--	208,470	208,470
--	--	95,719	95,719
912,043	--	1,870,886	1,870,886
1,216,531	(9,485,561)	1,870,886	(7,614,675)
	6,315,246	--	6,315,246
	861,772	--	861,772
	909,987	--	909,987
	1,227,138	--	1,227,138
	917,678	--	917,678
	196,277	29,989	226,266
	808,543	(808,543)	--
	11,236,641	(778,554)	10,458,087
	1,751,080	1,092,332	2,843,412
	39,507,240	19,965,744	59,472,984
	--	(401,267)	(401,267)
	39,507,240	19,564,477	59,071,717
\$	41,258,320	20,656,809	61,915,129

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,671,756	3,175,645	2,363,107	845,395	13,055,903
Receivables (net of allowance for uncollectible)	429,680	595	76,633	--	506,908
Due from other governments	97,052	--	--	143,129	240,181
Inventory	397,585	--	--	--	397,585
Prepaid items	62,371	885	1,769	--	65,025
Cash - restricted	425,020	1,973,073	95,985	339,063	2,833,141
Total assets	<u>\$ 8,083,464</u>	<u>5,150,198</u>	<u>2,537,494</u>	<u>1,327,587</u>	<u>17,098,743</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 127,710	49,745	48,168	111,771	337,394
Deposit payable	700	--	--	--	700
Deferred revenue	298,538	--	44,771	--	343,309
Total liabilities	<u>426,948</u>	<u>49,745</u>	<u>92,939</u>	<u>111,771</u>	<u>681,403</u>
Fund balances					
Nonspendable	459,956	885	1,769	--	462,610
Restricted	1,041,681	5,099,568	2,442,786	339,063	8,923,098
Committed	2,008,234	--	--	876,753	2,884,987
Assigned	123,674	--	--	--	123,674
Unassigned	4,022,971	--	--	--	4,022,971
Total fund balances	<u>7,656,516</u>	<u>5,100,453</u>	<u>2,444,555</u>	<u>1,215,816</u>	<u>16,417,340</u>
Total liabilities and fund balances	<u>\$ 8,083,464</u>	<u>5,150,198</u>	<u>2,537,494</u>	<u>1,327,587</u>	
Adjustments for primary government total net assets					
General capital assets net of accumulated depreciation					31,156,714
Net pension asset					432,842
Unearned revenue				(212,000)
Deferred revenue					343,309
Other post-employment benefits				(161,904)
Long term debt for capital lease, compensated absences and loans				(6,717,981)
Total net assets for governmental activities (page 21)				\$	<u>41,258,320</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, 2011

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 3,432,682	2,882,564	--	--	6,315,246
Sales	861,772	--	--	--	861,772
Utility	909,987	--	--	--	909,987
Motor fuel	9,839	--	1,217,299	--	1,227,138
Other	917,678	--	--	--	917,678
Permits, fees and special assessments	1,015,445	--	--	--	1,015,445
Intergovernmental revenues	163,536	57,156	49,770	243,757	514,219
Fines and forfeitures	29,843	--	--	--	29,843
Charges for services	1,320,886	--	84,136	--	1,405,022
Interest and investment earnings	153,299	29,404	12,343	1,231	196,277
Miscellaneous	226,877	18,416	2	--	245,295
Impact fees	2,834	--	1,211	--	4,045
Total revenues	9,044,678	2,987,540	1,364,761	244,988	13,641,967
EXPENDITURES					
Current					
General government	2,728,179	--	--	--	2,728,179
Public safety	4,196,600	--	--	--	4,196,600
Highways and streets	198,827	--	569,938	--	768,765
Recreation	742,296	--	--	--	742,296
Intergovernmental services	1,125,143	1,833,609	--	--	2,958,752
Capital outlay					
Streets	--	44,336	118,220	234,285	396,841
Other	355,759	36,674	9,046	70,991	472,470
Debt service principal and interest	154,056	378,050	182,103	--	714,209
Total expenditures	9,500,860	2,292,669	879,307	305,276	12,978,112
Excess (deficiency) of revenues over (under) expenditures	(456,182)	694,871	485,454	(60,288)	663,855
OTHER FINANCING SOURCES (USES)					
Transfers in	624,748	--	725,955	51,595	1,402,298
Transfers out	--	(158,433)	(407,648)	(8,306)	(574,387)
Capital leases	161,233	4,249	--	--	165,482
Total other financing sources (uses)	785,981	(154,184)	318,307	43,289	993,393
Net change in fund balances	329,799	540,687	803,761	(16,999)	1,657,248
Fund balances - beginning (as originally stated)	7,552,621	4,559,766	1,640,794	1,232,815	14,985,996
Prior period adjustment	(225,904)	--	--	--	(225,904)
Fund balances - beginning (as restated)	7,326,717	4,559,766	1,640,794	1,232,815	14,760,092
Fund balances - ending	\$ 7,656,516	5,100,453	2,444,555	1,215,816	16,417,340

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, 2011

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

Net change in fund balances - total governmental funds (page 25)	\$ 1,657,248
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.	(371,938)
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.	377,538
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.	172,055
Some revenues reported in the statement of activities do not increase current financial resources.	8,476
Close out of the internal service fund.	<u>(92,299)</u>
Changes in net assets of governmental activities (page 23)	<u><u>\$ 1,751,080</u></u>

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities-Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 565,244	1,610,459	162,095	80,603	2,418,401
Receivables (net of allowance for uncollectible)	210,256	920,282	129,229	26,409	1,286,176
Advances to other funds	--	445,000	--	--	445,000
Prepaid expenses	885	6,634	2,211	--	9,730
Total current assets	776,385	2,982,375	293,535	107,012	4,159,307
Noncurrent assets					
Restricted cash and investments					
Cash	--	67,251	592,980	725,022	1,385,253
Loan covenant accounts	--	--	189,034	1,346	190,380
Impact fees	--	279,339	--	--	279,339
Customer deposits	--	528,025	--	--	528,025
Deferred charges	--	800,098	472,862	177,805	1,450,765
	--	1,674,713	1,254,876	904,173	3,833,762
Capital assets					
Land	--	4,815	274,600	--	279,415
Buildings	--	493,516	--	--	493,516
Improvements other than buildings	--	26,306,687	8,561,928	2,544,202	37,412,817
Machinery and equipment	210,517	1,879,533	46,535	--	2,136,585
Construction in progress	--	1,227,651	211,884	772,655	2,212,190
Less accumulated depreciation	(210,517)	(12,658,301)	(2,000,799)	(439,734)	(15,309,351)
Total capital assets (net of accumulated depreciation)	--	17,253,901	7,094,148	2,877,123	27,225,172
Total noncurrent assets	--	18,928,614	8,349,024	3,781,296	31,058,934
Total assets	\$ 776,385	21,910,989	8,642,559	3,888,308	35,218,241

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities-Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 275,170	463,046	53,082	155,682	946,980
Advances from other funds	--	--	350,000	95,000	445,000
Compensated absences	3,079	18,109	5,491	--	26,679
Unearned revenue	--	283	--	--	283
Capital leases payable-current	--	15,090	--	--	15,090
Loans payable-current	--	251,243	301,719	53,218	606,180
Total current liabilities payable from unrestricted assets	278,249	747,771	710,292	303,900	2,040,212
Current liabilities payable from restricted assets					
Customer deposits payable	--	528,025	--	--	528,025
Accrued interest payable	--	31,435	41,879	7,650	80,964
Total current liabilities payable from restricted assets	--	559,460	41,879	7,650	608,989
Total current liabilities	278,249	1,307,231	752,171	311,550	2,649,201
Noncurrent liabilities					
Loans payable	--	4,804,325	4,439,351	1,071,302	10,314,978
Interest rate swap contracts	--	800,098	472,862	177,805	1,450,765
Other post-employment benefits	1,841	22,905	6,350	--	31,096
Compensated absences	9,237	54,328	16,473	--	80,038
Capital leases payable	--	35,354	--	--	35,354
Total noncurrent liabilities	11,078	5,717,010	4,935,036	1,249,107	11,912,231
Total liabilities	289,327	7,024,241	5,687,207	1,560,657	14,561,432
NET ASSETS					
Invested in capital assets, net of related debt	--	12,215,140	2,946,058	2,477,625	17,638,823
Restricted for					
Debt service	--	--	189,034	1,346	190,380
Impact fees	--	279,339	--	--	279,339
Unrestricted	487,058	2,392,269	(179,740)	(151,320)	2,548,267
Total net assets	\$ 487,058	14,886,748	2,955,352	2,327,651	20,656,809

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, 2011

	Business-type Activities-Enterprise Funds	
	Solid Waste	Water and Sewer
Operating revenues		
Charges for sales and services		
Garbage and trash pickup	\$ 2,088,558	--
Water sales	--	2,478,824
Sewer charges	--	2,120,748
Stormwater fees	--	--
Reuse fees	--	--
Installation and connection charges	--	3,300
Penalties and check charges	36,158	105,054
Miscellaneous	111	97,841
Total revenues	<u>2,124,827</u>	<u>4,805,767</u>
Operating expenses		
Cost of sales and services	2,000,361	3,576,922
Depreciation	207	432,751
Total operating expenses	<u>2,000,568</u>	<u>4,009,673</u>
Operating income	<u>124,259</u>	<u>796,094</u>
Nonoperating revenues (expenses)		
Interest earnings	2,658	24,438
Interest expense	--	(226,580)
Loss on sale of capital assets	--	(3,790)
Total nonoperating revenues (expenses)	<u>2,658</u>	<u>(205,932)</u>
Income before capital contributions and transfers	<u>126,917</u>	<u>590,162</u>
Capital contributions - impact fees	--	32,967
Capital contributions - grants	--	770,816
Transfers in	--	43,000
Transfers out	(33,354)	(1,407,052)
Change in net assets	<u>93,563</u>	<u>29,893</u>
Total net assets - beginning, (as originally stated)	393,495	15,258,122
Prior period adjustment	--	(401,267)
Total net asset - beginning (as restated)	<u>393,495</u>	<u>14,856,855</u>
Total net assets - ending	<u>\$ 487,058</u>	<u>14,886,748</u>

Change in net assets from above

Close out of the internal service fund.

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

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

Business-type Activities-Enterprise Funds			Governmental Activities
Stormwater	Reuse	Total	Internal Service Fund
--	--	2,088,558	--
--	--	2,478,824	--
--	--	2,120,748	--
773,987	--	773,987	--
--	182,718	182,718	--
--	--	3,300	--
14,776	4,762	160,750	--
157	--	98,109	--
788,920	187,480	7,906,994	--
350,789	8,372	5,936,444	--
148,117	34,115	615,190	--
498,906	42,487	6,551,634	--
290,014	144,993	1,355,360	--
1,727	1,166	29,989	--
(189,804)	(49,274)	(465,658)	--
--	--	(3,790)	--
(188,077)	(48,108)	(439,459)	--
101,937	96,885	915,901	--
--	--	32,967	--
108,260	--	879,076	--
433,000	223,382	699,382	--
(67,519)	--	(1,507,925)	(19,368)
575,678	320,267	1,019,401	(19,368)
2,379,674	2,007,384	20,038,675	19,368
--	--	(401,267)	--
2,379,674	2,007,384	19,637,408	19,368
2,955,352	2,327,651	20,656,809	--
		\$ 1,019,401	
		72,931	
		\$ 1,092,332	

CITY OF PALMETTO, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Solid Waste	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,127,153	4,875,256
Payments to suppliers	(1,780,112)	(2,639,995)
Payments to employees	(83,808)	(958,468)
Net cash provided by operating activities	<u>263,233</u>	<u>1,276,793</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	--	43,000
Transfers to other funds	(33,354)	(1,407,052)
Net cash provided (used) by noncapital financing activities	<u>(33,354)</u>	<u>(1,364,052)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	--	(677,673)
Capital contributions	--	--
Impact fee capital contributions	--	32,967
Grant capital contributions	--	770,816
Payments paid on capital lease obligations	--	(37,539)
Principal paid on capital debt	--	(240,944)
Interest paid on capital debt	--	(227,757)
Net cash used by capital and related financing activities	<u>--</u>	<u>(380,130)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	2,658	24,438
Net cash provided by investing activities	<u>2,658</u>	<u>24,438</u>
Net increase (decrease) in cash and cash equivalents	232,537	(442,951)
Cash and cash equivalents - October 1	332,707	2,928,025
Cash and cash equivalents - September 30	<u><u>\$ 565,244</u></u>	<u><u>2,485,074</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 124,259	796,094
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	207	432,751
(Increase) decrease in accounts receivable	2,326	(213,818)
(Increase) in prepaid expenses	(885)	(6,634)
Decrease in advances to other funds	--	280,000
Increase (decrease) in accounts payable and accrued liabilities	137,326	(14,907)
Decrease in advances from other funds	--	--
Increase in customer deposits	--	3,307
Total adjustments	<u>138,974</u>	<u>480,699</u>
Net cash provided by operating activities	<u><u>\$ 263,233</u></u>	<u><u>1,276,793</u></u>
Detail of cash and equivalents at September 30:		
Cash and equivalents	\$ 565,244	1,610,459
Restricted cash:		
Cash	--	67,251
Loan covenant accounts	--	--
Impact fees	--	279,339
Customer deposits	--	528,025
Total	<u><u>\$ 565,244</u></u>	<u><u>2,485,074</u></u>
NONCASH CAPITAL ACTIVITIES		
Change in fair market value of interest rate swaps	\$ --	(60,399)
Borrowing under capital lease	--	61,518

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

Stormwater	Reuse	Total
588,347	55,893	7,646,649
(66,470)	(8,372)	(4,494,949)
(280,777)	--	(1,323,053)
<u>241,100</u>	<u>47,521</u>	<u>1,828,647</u>
433,000	223,382	699,382
(67,519)	--	(1,507,925)
<u>365,481</u>	<u>223,382</u>	<u>(808,543)</u>
(79,448)	(135,232)	(892,353)
108,260	--	108,260
--	--	32,967
--	--	770,816
--	--	(37,539)
(290,923)	(51,125)	(582,992)
(192,444)	(49,539)	(469,740)
<u>(454,555)</u>	<u>(235,896)</u>	<u>(1,070,581)</u>
1,727	1,166	29,989
<u>1,727</u>	<u>1,166</u>	<u>29,989</u>
153,753	36,173	(20,488)
790,356	770,798	4,821,886
<u>944,109</u>	<u>806,971</u>	<u>4,801,398</u>
290,014	144,993	1,355,360
148,117	34,115	615,190
(50,573)	(1,587)	(263,652)
(2,211)	--	(9,730)
--	--	280,000
5,753	--	128,172
(150,000)	(130,000)	(280,000)
--	--	3,307
(48,914)	(97,472)	473,287
<u>241,100</u>	<u>47,521</u>	<u>1,828,647</u>
162,095	80,603	2,418,401
592,980	725,022	1,385,253
189,034	1,346	190,380
--	--	279,339
--	--	528,025
<u>944,109</u>	<u>806,971</u>	<u>4,801,398</u>
(33,573)	(14,516)	(108,488)
--	--	61,518

CITY OF PALMETTO, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 694	71,509
Accounts receivable	--	392
Interest and dividends receivable	56,759	--
Investments, at fair value		
Money market funds	701,619	--
U. S. government securities	2,608,456	--
Corporate bonds	2,900,495	--
Corporate stocks	8,570,673	--
Alternative investments	695,951	--
Total investments	<u>15,477,194</u>	<u>--</u>
Total assets	<u>15,534,647</u>	<u>71,901</u>
LIABILITIES		
Accounts payable	<u>319,225</u>	<u>71,901</u>
Total liabilities	<u>319,225</u>	<u>71,901</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 15,215,422</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, 2011

	Pension Trust Funds
ADDITIONS	
Contributions	
Employer	\$ 894,109
Plan members	221,395
State (from the General Fund)	102,428
Miscellaneous	3,178
Total contributions	<u>1,221,110</u>
Investment earnings	
Interest	203,771
Dividends	154,928
Net decrease in the fair value of investments	<u>(187,953)</u>
Total investment earnings	170,746
Less investment expense	<u>112,790</u>
Net investment earnings	57,956
Total additions	<u>1,279,066</u>
DEDUCTIONS	
Benefits	1,207,722
Refunds of contributions	55,703
Administrative expenses	<u>65,295</u>
Total deductions	<u>1,328,720</u>
Change in net assets	(49,654)
Net assets - beginning	<u>15,265,076</u>
Net assets - ending	<u><u>\$ 15,215,422</u></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 seven square miles with a population of 12,606. 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City's fiduciary funds are presented in the fiduciary fund financial statement by type (pension trust and agency funds) but are not included in the government-wide statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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.

Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, they do not have a measurement focus, but do however use the accrual basis of accounting to

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recognize receivables and payables. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities.

Governmental funds report the following major governmental funds:

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the City reports the following fiduciary fund types:

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

The *agency fund* accounts for amounts collected from employees through payroll deduction and are disbursed to governmental agencies and private companies for benefits selected by the City's 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.

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Restricted Assets

Proceeds of the City's loans, as well as other resources set aside in accordance with debt covenants are classified as restricted on the fund level balance sheets. These include the following: loan proceeds for capital improvements, lease proceeds awaiting final invoices, 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 earned 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 earned 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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 2011 was based on taxable assessed property values totaling \$763,433,066.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2010-2011 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 the 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.

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Fund Equity

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of an ordinance, resolution, or other formal action. Only the City Commission may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned:* Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. All net assets not reported as net assets invested in capital assets, net of related debt and restricted net assets, are reported as unrestricted net assets.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net assets are available for use for expenditures/expenses incurred, it is the City’s policy to use

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

NOTE II — PRIOR PERIOD ADJUSTMENTS

A. Code Enforcement Accounts Receivable

A prior period adjustment was necessary in the General Fund to reclassify the revenue from Code Enforcement fines as deferred revenue. This revenue stream from fines and the accumulated receivable became significant in fiscal year 2007, and it has become apparent that it is not reasonable to expect these revenues to be collectible within sixty days and that the revenue should be reported as deferred revenue. This action required a prior period adjustment since most of the revenues creating the accounts receivable has been reported in prior periods and have overstated the fund balance. The fund balance has been restated at October 1, 2010 as follows:

	<u>General Fund</u>
Fund balance at October 1, 2010 – as originally stated	\$ 7,552,621
Prior period adjustment	<u>(225,904)</u>
Fund balance at October 1, 2010 – as restated	<u>\$ 7,326,717</u>

B. Water and Sewer Fund Capital Assets

During fiscal year 2011, it was discovered that the capital assets in the Water and Sewer Fund were overstated in the financial statements for fiscal year 2010. A prior period adjustment of \$401,267 was recorded to reduce the improvements other than buildings category of capital assets in the Water and Sewer Fund. The net assets have been restated at October 1, 2010 as follows:

	<u>Business-type Activities</u>	<u>Water and Sewer Fund</u>
Net assets at October 1, 2010 – as originally stated	\$ 19,965,744	\$ 15,258,122
Prior period adjustment	<u>(401,267)</u>	<u>(401,267)</u>
Net assets at October 1, 2010 – as restated	<u>\$ 19,564,477</u>	<u>\$ 14,856,855</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE III - 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:

1. *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 \$31,156,714 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 3,835,930
Buildings	273,979
Machinery and equipment	1,529,654
Infrastructure	23,624,689
Construction in progress	<u>1,892,462</u>
Net adjustment to increase <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ 31,156,714</u>

2. *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 \$6,717,981 difference are as follows:

2004 loan payable	\$ (434,776)
2005 loan payable	(1,051,359)
2007 loan payable	(1,163,337)
CRA loan payable	(3,296,250)
Capital leases payable	(208,150)
Compensated absences	<u>(564,109)</u>
Net adjustment to decrease <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ (6,717,981)</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE III — 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:* 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 \$371,938 difference are as follows:

Capital outlay	\$ 869,311
Depreciation expense	(1,216,228)
Capital assets sales and other	<u>(25,021)</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><u>\$ (371,938)</u></u>
--	-----------------------------

2. *The issuance and repayment of long-term debt (i.e. loans and capital leases):* The issuance of long-term debt provides current financial resources to governmental funds. 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. The details of this \$377,538 difference are as follows:

Principal repayments	
Principal payments on long-term bank loans	\$ 345,226
Payments on capital leases	197,794
Capital lease additions	<u>(165,482)</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><u>\$ 377,538</u></u>
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CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE III — 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 \$172,055 difference are as follows:

Change in other post-employment benefits	\$(23,008)
Change in the net pension asset	195,617
Changes in compensated absences	<u>(554)</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>\$ 172,055</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 \$8,476 difference are as follows:

Change in deferred revenue	<u>\$ 8,476</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>\$ 8,476</u>

NOTE IV — 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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 committed or assigned 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, 2011, expenditures exceeded appropriations at the departmental level, the legal level of budgetary control for the City Attorney and Building Departments by \$19,425 and \$12,310 respectively. These over-expenditures were funded by net savings in other departments and reserve funds for the Building Department.

NOTE V — 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, 2011, the carrying amount of the City's primary government deposits was \$20,931,286. This amount includes collateralized certificates of deposit valued at \$3,007,833 the SBA investment of \$321,798, the FMIT investment of \$180,134 and \$2,881,442 from the Trailer

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating account was \$14,438,166. The City also had a restricted cash account holding capital lease proceeds in the amount of \$101,913 awaiting receipt of leased equipment and subsequent reimbursement of costs to the City. 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 participating local governments and to operate consistent with Section 215.47 of the Florida Statutes and as a "2a7-like" fund using the Securities and Exchange Commission investment requirements for 2a-7. 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2011, 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	\$ 18,137,650	15,129,817	3,007,833	--	--
State Investment Pool	321,798	321,798	--	--	--
US Agencies	5,670,031	3,465,941	848,002	500,384	855,704
Corporate Bonds	2,900,495	245,176	1,525,798	900,632	228,889
Common Stock	8,570,673	8,570,673	--	--	--
Alternative Investments	695,951	695,951	--	--	--
	<u>\$ 36,296,598</u>	<u>28,429,356</u>	<u>5,381,633</u>	<u>1,401,016</u>	<u>1,084,593</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.

2. *Credit Risk: City Investments.* Credit quality risk results from potential default of investments that are not financially sound. The City invests a large amount of its surplus funds pursuant to Chapter 280 of the Florida Statutes whereby the City is made whole by all participating banks should a principal loss be incurred by the City. This statute limits investing activities to the SBA, certificates of deposits, registered SEC and money market mutual funds. Investments of these types insure the security of the City's surplus funds. The City has invested funds of \$321,798 in the SBA which are not rated by a nationally recognized statistical rating agency as of September 30, 2011 and \$3,007,833 in certificates of deposits held by qualified participating depositories. Investments in the Florida Municipal Investment Trust (FMIT) are rated by Fitch for the 1-3 Year High Quality Bond Fund at AAA/V2, and the Intermediate High Quality Bond Fund at AAA/V3 as of September 30, 2011. The City has investments in these bond funds of \$180,133 and \$2,881,442 respectively.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Credit Risk: Pension Plans. Investments in the 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, \$33,233 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$601,622 is in U.S. Government Agency securities with a rating of AA+ with Standard and Poor's; \$789,473 is in U.S. Government Agency securities which are not rated; \$107,941 is in corporate bonds with a rating of AAA with Standard and Poor's; \$100,203 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$198,640 is in corporate bonds with a rating of AA with Standard and Poor's; \$74,003 is in corporate bonds with a rating of AA- with Standard and Poor's; \$517,125 is in corporate bonds with a rating of A+ with Standard and Poor's; \$245,276 is in corporate bonds with a rating of A with Standard and Poor's; \$197,246 is in corporate bonds with a rating of A- with Standard and Poor's; \$513,161 is in short term investments not rated; and \$4,168,423 is in common stock not rated.

Of the investments the General Employee' Pension Fund holds, \$1,184,128 is in U.S. Government Agency securities unrated with Standard and Poor's; \$105,021 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$118,842 is in corporate bonds with a rating of AA with Standard and Poor's; \$281,962 is in corporate bonds with a rating of AA- with Standard and Poor's; \$418,727 is in corporate bonds with a rating of A+ with Standard and Poor's; \$384,486 is in corporate bonds with a rating of A with Standard and Poor's; \$151,023 is in corporate bonds with a rating of A- with Standard and Poor's; \$245,911 is in short term investments not rated; \$695,951 is in alternative investments not rated; and \$4,402,250 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 investment securities to 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 of cash in banks and certificates of deposit, where the bank is approved by the State of Florida as a qualifies public depository. 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.

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 V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2011 is \$2,090,416 for the City are as shown below:

	Governmental Funds					Pension Trust
	General	CRA	Road & Bridge	Capital Project	Total	
Accounts	\$ 363,450	--	--	--	363,450	--
Special Assessments	64,538	--	44,771	--	109,309	--
Intergovernmental	97,052	--	11,055	--	108,107	--
Interest and dividends	1,692	595	815	--	3,102	56,759
Grants	--	--	19,992	143,129	163,121	--
Gross Receivables	526,732	595	76,633	143,129	747,089	56,759
Less: Allowance for uncollectible	--	--	--	--	--	--
Net Total Receivables	<u>\$ 526,732</u>	<u>595</u>	<u>76,633</u>	<u>143,129</u>	<u>747,089</u>	<u>56,759</u>

	Enterprise Funds				Total	Agency
	Solid Waste	Water and Sewer	Stormwater	Reuse		
Accounts	\$ 306,539	1,036,739	119,753	38,674	1,501,705	392
Special Assessments	--	422	--	--	422	--
Interest	160	1,034	--	--	1,194	--
Grants	--	120,445	47,293	--	167,738	--
Gross Receivables	306,699	1,158,640	167,046	38,674	1,671,059	392
Less: Allowance for uncollectible	(96,443)	(238,358)	(37,817)	(12,265)	(384,883)	--
Net Total Receivables	<u>\$ 210,256</u>	<u>920,282</u>	<u>129,229</u>	<u>26,409</u>	<u>1,286,176</u>	<u>392</u>

C. Inter-fund Receivables, Payables and Transfers

1. Advances To/From Other Funds

The City reports inter-fund balances between funds as advances to/from other funds. The total of all balances agree with the sum of advances 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 V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

At September 30, 2011, the Water and Sewer fund had a \$445,000 receivable from the Stormwater and Reuse funds. This amount represents a loan made to cover a cash deficit in pooled cash within the payable fund at year-end. This balance is a receivable that is expected to be liquidated once the negative cash is eliminated in the Stormwater and Reuse funds.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Water and Sewer	Stormwater	\$ 350,000
Water and Sewer	Reuse	95,000
	Total	<u>\$ 445,000</u>

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, 2011, is as follows:

<u>Transfer Out</u>	<u>Transfer-In Primary General Fund</u>	<u>Transfer-In Capital Projects Fund</u>	<u>Transfer-In Road & Bridge Fund</u>	<u>Transfer-In Water/ Sewer Fund</u>	<u>Transfer-In Stormwater Fund</u>	<u>Transfer-In Reuse Fund</u>	<u>Total Transfers</u>
CRA Fund	\$ 43,812	--	71,621	43,000	--	--	158,433
Road and Bridge Fund	206,053	51,595	--	--	150,000	--	407,648
Capital Projects fund	8,306	--	--	--	--	--	8,306
Internal Service Fund	19,368	--	--	--	--	--	19,368
Solid Waste Fund	33,354	--	--	--	--	--	33,354
Water and Sewer Fund	246,336	--	654,334	--	283,000	223,382	1,407,052
Stormwater Fund	67,519	--	--	--	--	--	67,519
Total	<u>\$ 624,748</u>	<u>51,595</u>	<u>725,955</u>	<u>43,000</u>	<u>433,000</u>	<u>223,382</u>	<u>2,101,680</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Funds				Total
	General	CRA	Road and Bridge	Capital Projects	
Capital Improvement Loan Proceeds	\$ --	--	--	339,063	339,063
CRA Loan Proceeds	--	1,968,824	--	--	1,968,824
Lease Proceeds	36,033	4,249	--	--	40,282
Contributions - Capital Improvements	11,139	--	6,501	--	17,640
Impact Fees	377,848	--	89,484	--	467,332
Total Governmental Restricted Assets	<u>\$ 425,020</u>	<u>1,973,073</u>	<u>95,985</u>	<u>339,063</u>	<u>2,833,141</u>

	Proprietary Funds				Total
	Water and Sewer	Stormwater	Reuse		
Capital Improvement Loan Proceeds	\$ 5,733	592,980	539,932		1,138,645
Pooled Cash - Capital Projects	--	--	185,090		185,090
2011 Lease Proceeds	61,518	--	--		61,518
Loan Covenants	--	189,034	1,346		190,380
Impact Fees	279,339	--	--		279,339
Customer Deposits	528,025	--	--		528,025
Total Proprietary Restricted Assets	<u>\$ 874,615</u>	<u>782,014</u>	<u>726,368</u>		<u>2,382,997</u>

Total Restricted Assets					<u>\$ 5,216,138</u>
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E. Capital Assets

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 were not increased in fiscal year 2011 and total \$108,721.

A prior period adjustment was required to restate the beginning balance for improvements other than buildings in the Water Sewer Fund and is reflected in the Business Activities restated beginning balance.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital asset activity, with the CRA reported separately for illustration purposes, for the year ended September 30, 2011, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,592,955	--	--	2,592,955
Land - CRA	1,242,975	--	--	1,242,975
Construction in progress	1,066,936	423,496	(169,785)	1,320,647
Construction in progress - CRA	675,912	33,995	(138,092)	571,815
Total capital assets, not being depreciated:	<u>5,578,778</u>	<u>457,491</u>	<u>(307,877)</u>	<u>5,728,392</u>
Capital assets, being depreciated:				
Buildings	1,947,385	--	--	1,947,385
Machinery and equipment	6,814,676	353,753	(137,068)	7,031,361
Infrastructure	27,039,679	183,517	--	27,223,196
Infrastructure - CRA	5,048,583	182,427	--	5,231,010
Total capital assets, being depreciated:	<u>40,850,323</u>	<u>719,697</u>	<u>(137,068)</u>	<u>41,432,952</u>
Less accumulated depreciation for:				
Buildings	(1,585,961)	(87,445)	--	(1,673,406)
Machinery and equipment	(5,187,153)	(426,601)	112,047	(5,501,707)
Infrastructure	(7,915,374)	(600,537)	--	(8,515,911)
Infrastructure - CRA	(211,961)	(101,645)	--	(313,606)
Total accumulated depreciation	<u>(14,900,449)</u>	<u>(1,216,228)</u>	<u>112,047</u>	<u>(16,004,630)</u>
Total capital assets, being depreciated, net	<u>25,949,874</u>	<u>(496,531)</u>	<u>(25,021)</u>	<u>25,428,322</u>
Governmental activities capital assets, net	<u>\$ 31,528,652</u>	<u>(39,040)</u>	<u>(332,898)</u>	<u>31,156,714</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Business-type activities:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 279,415	--	--	279,415
Construction in progress	2,327,025	1,334,001	(1,448,836)	2,212,190
Total capital assets, not being depreciated:	<u>2,606,440</u>	<u>1,334,001</u>	<u>(1,448,836)</u>	<u>2,491,605</u>
Capital assets, being depreciated:				
Buildings	493,516	--	--	493,516
Machinery and equipment	2,092,930	59,822	(16,167)	2,136,585
Improvements other than buildings	35,852,905	1,559,912	--	37,412,817
Total capital assets, being depreciated:	<u>38,439,351</u>	<u>1,619,734</u>	<u>(16,167)</u>	<u>40,042,918</u>
Less accumulated depreciation for:				
Buildings	(239,826)	(14,446)	--	(254,272)
Machinery and equipment	(1,247,300)	(96,570)	11,365	(1,332,505)
Improvements other than buildings	(13,218,400)	(504,174)	--	(13,722,574)
Total accumulated depreciation	<u>(14,705,526)</u>	<u>(615,190)</u>	<u>11,365</u>	<u>(15,309,351)</u>
Total capital assets, being depreciated, net	<u>23,733,825</u>	<u>1,004,544</u>	<u>(4,802)</u>	<u>24,733,567</u>
Business-type activities capital assets, net	<u>\$ 26,340,265</u>	<u>2,338,545</u>	<u>(1,453,638)</u>	<u>27,225,172</u>

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

Governmental activities:

General government	\$ 672,323
Public safety	142,064
Streets and roads	196,598
Intergovernmental services	143,266
Recreation	61,977
Total depreciation for governmental activities	<u>\$ 1,216,228</u>

Business-type activities:

Solid waste	\$ 207
Water and sewer	432,751
Stormwater	148,117
Reuse	34,115
Total depreciation for business-type activities	<u>\$ 615,190</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Construction Commitments

The City has various active construction projects that are separate from the CRA. At September 30, 2011, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

<u>Capital Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Ward I Phase II	882,467	1,199,869
10th and 14th	526,122	433
Reclaimed water - ASR well design	526,010	454,475
17th Street Utility Relocation	473,584	66,416
23rd Street Realignment	255,766	837
Waste Water Treatment Plant Upgrades	241,353	31,627
10th and 10th	144,498	191,558
Other Projects	483,039	468,876
	<u>\$ 3,532,839</u>	<u>\$ 2,414,091</u>
<u>CRA Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Ward I Phase II Engineering	392,020	7,980
Haben Boulevard Improvements	91,287	11,188
Riverside Drive Improvements	65,761	1,000
Other Projects	22,745	24,115
	<u>\$ 571,813</u>	<u>\$ 44,283</u>
Total	<u>\$ 4,104,652</u>	<u>\$ 2,458,374</u>

F. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles and video equipment, a valve exerciser, and a city-wide telephone system. 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. Lease proceeds, in the amount of \$61,518, are held in escrow by the bank awaiting delivery of the valve exerciser.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2011, are as follows:

	Year Ended September 30, 2011		
	Governmental Activities	Business-type Activities	Total
Asset:			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 320,639	--	320,639
Office Systems	72,921	--	72,921
Less: Accumulated Depreciation	(107,037)	--	(107,037)
Total leases	<u>\$ 286,523</u>	<u>--</u>	<u>286,523</u>

During the fiscal year ending September 30, 2011, lease payments were made totaling \$245,383 which includes principal payments of \$235,333 and \$10,050 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities	Total
2012	\$ 84,937	16,206	101,143
2013	65,962	16,206	82,168
2014	54,778	16,206	70,984
2015	10,898	4,051	14,949
Total minimum lease payments	216,575	52,669	269,244
Less: amount representing interest	(8,425)	(2,225)	(10,650)
Present value of minimum lease payments	<u>\$ 208,150</u>	<u>50,444</u>	<u>258,594</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. 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.

As of September 30, 2011, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$49,090. 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, 2011, loan payments were made totaling \$5,130 which includes principal payments of \$3,485 and \$1,645 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,526	40	2,566
Total	<u>\$ 49,090</u>	<u>9,906</u>	<u>58,996</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

As of September 30, 2011, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$1,604,015. 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, 2011, loan payments were made totaling \$187,130 which includes principal payments of \$135,443 and \$51,687 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 1,604,015</u>	<u>267,286</u>	<u>1,871,301</u>

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 projects within

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

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, 2011, loan payments were made totaling \$200,028 which includes principal payments of \$111,490 and \$88,538 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, 2011 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, the street related portion of improvements to Fifth, Sixth and Seventh Streets and the City Hall portion of improvements to City buildings. The completed projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets, the installation of the City's reuse system, the Public Works portion of improvements to City buildings, and a portion of the Infiltration and Inflow Project.

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>
2012	\$ 25,727	17,730	91,443	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	23,195	124	81,853	443	105,615
Total	<u>\$ 434,776</u>	<u>124,580</u>	<u>1,545,319</u>	<u>442,987</u>	<u>2,547,662</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — 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, 2011, loan payments were made totaling \$503,466 which includes principal payments of \$264,941 and \$238,525 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, 2011, 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 and the street related portion of improvements to Fifth, Sixth and Seventh Streets. The completed and ongoing projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets, US 301 future utility expansion, seven stormwater projects throughout the City, upgrades to the Waste Water Treatment Plant and a portion of the Infiltration and Inflow Project.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — 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>
2012	\$ 54,828	45,338	220,713	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	10,498	668	42,232	2,691	56,089
Total	<u>\$ 1,051,359</u>	<u>397,840</u>	<u>4,231,852</u>	<u>1,601,361</u>	<u>7,282,412</u>

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, 2011, loan payments were made totaling \$399,227 which includes principal payments of \$193,108 and \$206,119 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 V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The allocation at September 30, 2011, 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, Public Works facility upgrades, city building upgrades and the street related portion of US301 future utility expansion. The completed and ongoing projects from the business-type activities include the Jackson Park drainage, US301 future utility expansion, the Canal Road Phase II project, upgrades to the Waste Water Treatment Plant and a portion of the Infiltration and Inflow Project.

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>
2012	\$ 50,270	49,254	150,849	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	24,606	270	74,655	809	100,340
Total	<u>\$ 1,163,337</u>	<u>460,421</u>	<u>3,490,882</u>	<u>1,381,256</u>	<u>6,495,896</u>

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 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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2011, loan payments were made totaling \$265,618 which includes principal payments of \$219,750 and \$45,868 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 3,296,250</u>	<u>1,256,696</u>	<u>4,552,946</u>

3. Interest Rate Swaps

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.

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 62-66. The fair value and changes in fair value of the interest rate swap contracts are as follows:

	Changes in Fair Value	Fair Value at September 30, 2011	Notional Value at September 30, 2011
Governmental activities			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ (2,635)	(56,206)	434,776
2005 Loan	(11,093)	(155,728)	1,051,359
2007 Loan	<u>(17,359)</u>	<u>(197,865)</u>	<u>1,163,337</u>
Total Governmental activities	<u>(31,087)</u>	<u>(409,799)</u>	<u>2,649,472</u>
Business-type activities			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	(11,349)	(201,282)	1,545,319
2005 Loan	(42,169)	(622,910)	4,231,852
2007 Loan	<u>(54,970)</u>	<u>(626,573)</u>	<u>3,490,882</u>
Total Business-type activities	<u>(108,488)</u>	<u>(1,450,765)</u>	<u>9,268,053</u>
Total interest rate swaps	<u>\$ (139,575)</u>	<u>(1,860,564)</u>	<u>11,917,525</u>

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,860,564 as of September 30, 2011. 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 V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Credit risk – As of September 30, 2011 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, 2011, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$11,601,305.

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, 2011, no amounts were earned that are required to be rebated to the U.S. Treasury for 2011.

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 VI, Section C.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2011:

	<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	\$ 459,256	--	24,480	434,776	25,727
2005 loan	1,104,087	--	52,728	1,051,359	54,828
2007 loan	1,211,605	--	48,268	1,163,337	50,270
CRA loan	3,516,000	--	219,750	3,296,250	219,750
Total long-term bank loans	<u>6,290,948</u>	<u>--</u>	<u>345,226</u>	<u>5,945,722</u>	<u>350,575</u>
Customer deposits	2,450	34,700	36,450	700	--
Interest rate swap contracts	378,712	31,087	--	409,799	--
Other post-employment benefits	138,896	23,008	--	161,904	--
Capital leases	240,462	165,482	197,794	208,150	80,363
Compensated absences	562,399	121,517	125,120	558,796	139,700
Compensated absences - CRA	1,156	4,157	--	5,313	1,329
Total governmental activity long-term liabilities	<u>\$ 7,615,023</u>	<u>379,951</u>	<u>704,590</u>	<u>7,290,384</u>	<u>571,967</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Long-term bank loans					
2004 loan	\$ 1,632,329	--	87,010	1,545,319	91,443
2005 loan	4,444,065	--	212,213	4,231,852	220,713
2007 loan	3,635,723	--	144,841	3,490,882	150,849
Total long-term bank loans	<u>9,712,117</u>	<u>--</u>	<u>444,064</u>	<u>9,268,053</u>	<u>463,005</u>
State revolving loans					
Stormwater	1,739,458	--	135,443	1,604,015	139,578
Reuse	52,575	--	3,485	49,090	3,597
Total state revolving loans	<u>1,792,033</u>	<u>--</u>	<u>138,928</u>	<u>1,653,105</u>	<u>143,175</u>
Total loans payable	<u>11,504,150</u>	<u>--</u>	<u>582,992</u>	<u>10,921,158</u>	<u>606,180</u>
Customer deposits	524,718	102,677	99,370	528,025	--
Interest rate swap contracts	1,342,277	108,488	--	1,450,765	--
Other post-employment benefits	27,105	3,991	--	31,096	--
Capital leases	26,465	61,518	37,539	50,444	15,090
Compensated absences	119,927	4,961	18,171	106,717	26,679
Total business-type activities long-term liabilities	<u>\$ 13,544,642</u>	<u>281,635</u>	<u>738,072</u>	<u>13,088,205</u>	<u>647,949</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Fund Balances

Effective October 1, 2010, the City implemented Governmental Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement is implemented to address issues related to how fund balance was being reported and to clear up any confusion regarding the relationship between reserved fund balance and restricted net assets. The City implemented GASB Statement 54 during fiscal year 2011 and is reporting the fund balance in summary in the Governmental Funds Balance Sheet. The detail of the fund balance is as follows:

- **Nonspendable** – The following fund balances are nonspendable because they are allocated to:

General Fund

Inventories	\$ 397,585
Prepaid Pension Contribution	62,371
General Fund subtotal	\$ 459,956

Community Redevelopment Agency Fund

Prepaid Pension Contribution	\$ 885
Community Redevelopment Agency Fund subtotal	\$ 885

Road and Bridge Fund

Prepaid Pension Contribution	\$ 1,769
Road and Bridge Fund subtotal	\$ 1,769

Total Nonspendable Fund Balances \$ 462,610

- **Restricted** – The following fund balances are restricted for:

General Fund

Building Department - used to fund operations	\$ 612,294
Impact fees - Used to fund growth in General government, Law enforcement and Parks and Recreation	377,848
2011 lease agreement proceeds	36,033
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the city's cemetery	11,139
Special law enforcement reserve	4,367
General Fund subtotal	\$ 1,041,681

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Community Redevelopment Agency Fund

Used to alleviate slum and blight in the city per Florida Statute 163

Loan proceeds - for capital improvements	\$ 1,968,824
2011 lease agreement proceeds	4,249
General operating expenses	<u>3,126,495</u>

Community Redevelopment Agency Fund subtotal \$ 5,099,568

Road and Bridge Fund

Per Florida Statutes, this fund is restricted to the operations, maintenance and capital improvement of the City's roadways.

Capital improvements	\$ 1,108,256
Impact fees - For the growth in transportation	89,484
Bocage legal settlement	6,501
General operating expenses	<u>1,238,545</u>

Road and Bridge Fund subtotal \$ 2,442,786

Capital Projects Fund

Loan Proceeds - for capital improvements	<u>\$ 339,063</u>
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Capital Projects Fund subtotal \$ 339,063

Total Restricted Fund Balances \$ 8,923,098

- **Committed** – The following fund balances are committed to:

General Fund

Trailer Park Trust - City Commission approval required	\$ 1,995,228
Other	<u>13,006</u>

General Fund subtotal \$ 2,008,234

Capital Projects Fund

23rd Street Realignment project	<u>\$ 876,753</u>
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Capital Projects Fund subtotal \$ 876,753

Total Committed Fund Balances \$ 2,884,987

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

- **Assigned** – The following fund balances are assigned to:

General Fund

Funding for Capital Improvement Program	\$ 90,000
Tree reserve - used to replant trees in the City	3,442
Other	<u>30,232</u>

Total Assigned Fund Balance \$ 123,674

- **Unassigned** – The City's policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster.

- I. Encumbered Commitments** – The following table lists the outstanding encumbrances at September 30, 2011. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

Governmental Activities					
	General Fund	CRA Fund	Road and Bridge Fund	Capital Projects Fund	Total
Operating Encumbrances	\$ 79,271	28,603	2,574	--	110,448
Operating Capital Projects	--	25,693	1,238,762	--	1,264,455
Capital Improvement Projects (CIP)	--	--	--	255,743	255,743
Total Encumbrances Outstanding	<u>\$ 79,271</u>	<u>54,296</u>	<u>1,241,336</u>	<u>255,743</u>	<u>1,630,646</u>
Business-Type Activities					
	Solid Waste Fund	Water and Sewer Fund	Stormwater Fund	Reuse Fund	Total
Operating Encumbrances	\$ 15	158,554	22	--	158,591
Operating Capital Projects	--	339,741	163,103	126,217	629,061
Capital Improvement Projects (CIP)	--	300,493	77,218	460,664	838,375
Total Encumbrances Outstanding	<u>\$ 15</u>	<u>798,788</u>	<u>240,343</u>	<u>586,881</u>	<u>1,626,027</u>

NOTE VI — 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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, 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 with the cost paid by employee contributions 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. As of September 30, 2011, no liabilities related to the self-insurance claims exist.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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.

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, 2010	As of Actuarial Report Dated October 1, 2011
Retirees, beneficiaries, and DROP participants receiving benefits	50	58
Terminated employees entitled to, But not yet receiving benefits	4	3
Active Plan Members	69	64
Total	<u>123</u>	<u>125</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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 credited 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 of 2.5% of average final compensation times the years of credited service, providing 10 years of credited service has been attained (5 years for participants hired prior to January 1, 1995).

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, 2011, was \$13,866,925.

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.

At September 30, 2011, seven employees were participating in the DROP program and the total liability was \$244,471.

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. The expense associated with this program during fiscal year 2011 was \$31,732.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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, 2010	As of Actuarial Report Dated October 1, 2011
Retirees, beneficiaries, and DROP participants receiving benefits	22	24
Terminated employees entitled to, But not yet receiving benefits	3	3
Active Plan Members	34	33
Total	<u>59</u>	<u>60</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 credited service with a maximum of 75% of average final compensation if hired after June 7, 1982.

The Plan provides disability benefits for both duty-related and non-duty related disabilities. A service incurred disability 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 incurred disability is computed at the same 3% of AFC as a service incurred 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% of the member's AFC for members 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 at early (reduced) or normal (unreduced) retirement date.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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, 2011, was \$10,273,878.

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, 2011, 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.

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 entry-age normal 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

There were no changes in benefits or actuarial assumptions for both plans during fiscal year 2011.

As of October 1, 2011, the actuarial accrued liability in excess of assets was \$4,806,300 for the Palmetto General Employees' Pension Plan and was \$1,732,739 for the Palmetto Police Officers' Pension Plan, determined as follows:

	<u>PGEPP</u>	<u>PPPP</u>
Total actuarial accrued liability	\$ 13,866,925	10,273,878
Actuarial value of assets	<u>9,060,625</u>	<u>8,541,139</u>
Actuarial accrued liability in excess of assets	<u>\$ 4,806,300</u>	<u>1,732,739</u>
Funding Ratio	65.34%	83.13%

For the actuarial report dated October 1, 2011, the PGEPP experienced a net actuarial loss of \$408,313 and the PPPP experienced a net actuarial gain of \$138,043 in the unfunded actuarial accrued liability.

5. Contributions

City contributions for fiscal year ended September 30, 2011 were determined by actuarial valuations dated October 1, 2009 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 percentage of covered payrolls. Prior to October 1, 2009, 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.

Palmetto General Employees' Pension Plan

For fiscal year 2011, the City was required to contribute to the PGEPP, at the actuarially determined rate of 23.47% 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 actuarial required contribution to the plan for the year ended September 30, 2011, of \$660,373 was computed through an actuarial valuation performed as of October 1, 2009. The contribution was made from the following sources: \$628,629 from the City and \$31,744 from prepaid contributions that existed at September 30, 2010.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— 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.

Palmetto Police Officers' Pension Plan

For fiscal year 2011, the City and State was required to contribute to the PPPP, at an actuarially determined total rate of 24.67%. 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 actuarial required contribution to the plan for the year ended September 30, 2011, of \$398,227 was computed through an actuarial valuation performed as of October 1, 2009. The contribution was made from the following sources: \$265,480 and \$30,879 from the prepaid contributions that existed at September 30, 2010.

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 2011. Contributions from the State totaled \$102,428 for the fiscal year ended September 30, 2011.

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

	<u>Palmetto General Employee's Pension Plan</u>	<u>Palmetto Police Officers' Pension Plan</u>
<u>Contribution rates/amounts for fiscal year ended September 30, 2011:</u>		
<u>Per valuation dated October 1, 2009</u>		
City percentage	23.47%	18.36%
State percentage	N/A	6.31%
Employees	5.00%	5.00%
<u>Actual city contributions for fiscal year ended September 30, 2011</u>		
Actual covered payroll	2,813,689	1,614,214
Contributions made	660,373	296,359
Actual percentage of covered payroll	23.47%	18.36%

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

Additional cost information from the actuarial report dated October 1, 2011 is as follows:

	Palmetto General Employee's <u>Pension Plan</u>	Palmetto Police Officers' <u>Pension Plan</u>
<u>Additional pension data:</u>		
Actuarial valuation date	October 1, 2011	October 1, 2011
Actuarial value of assets	9,060,625	8,541,139
Actuarial accrued liability (AAL)	13,866,925	10,273,878
Unfunded AAL	4,806,300	1,732,739
Funded ratio	65.34%	83.13%
Annual covered payroll per valuation	2,629,733	1,505,965
Unfunded AAL as a % of covered payroll	182.77%	115.06%
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	27 years	27 years
Asset valuation method	4 Year Smooth	4 Year Smooth
<u>Actuarial assumptions:</u>		
Investment rate of return	7.50%	8.00%
Projected salary increase*	6.0% to 7.5%	4.0% to 9.4%
Includes inflation at	3.00%	4.00%
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.

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

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>				
9/30/2009	657,406	640,483	97.4%	(285,848)
9/30/2010	573,265	556,459	97.1%	(269,042)
9/30/2011	676,307	660,373	97.6%	(253,108)
<u>PPPP</u>				
9/30/2009	285,759	288,289	100.9%	(188,880)
9/30/2010	365,337	361,041	98.8%	(184,584)
9/30/2011	403,076	398,226	98.8%	(179,734)

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	2011	2010	2009
Actuarially Determined Contribution	660,373	556,459	639,605
Interest on Net Pension Obligation (NPO)	(20,178)	(21,439)	(22,708)
Adjustment to Actuarially Determined Contribution	(36,112)	(38,245)	(40,509)
Annual Pension Cost (APC)	676,307	573,265	657,406
Contributions made **	660,373	556,459	640,483
Increase (decrease) in NPO	15,934	16,806	16,923
NPO at beginning of year	(269,042)	(285,848)	(302,771)
NPO at end of year	<u>(253,108)</u>	<u>(269,042)</u>	<u>(285,848)</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

PPPP

Employer FYE September	2011	2010	2009
Actuarially Determined Contribution	398,227	361,041	281,987
Interest on Net Pension Obligation (NPO)	(14,767)	(15,110)	(15,374)
Adjustment to Actuarially Determined Contribution	(19,616)	(19,406)	(19,146)
Annual Pension Cost (APC)	403,076	365,337	285,759
Contributions made **	398,226	361,041	288,289
Increase (decrease) in NPO	4,850	4,296	(2,530)
NPO at beginning of year	(184,584)	(188,880)	(186,350)
NPO at end of year	<u>(179,734)</u>	<u>(184,584)</u>	<u>(188,880)</u>

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, 2011 for each of the pension plan investments is as follows:

	PPPP	PGEPP	Total
Investments, at fair value:			
Money market funds	\$ 481,557	220,062	701,619
U. S. government securities	1,424,328	1,184,128	2,608,456
Corporate bonds	1,440,434	1,460,061	2,900,495
Corporate stocks	4,168,423	4,402,250	8,570,673
Alternative investments	<u>--</u>	<u>695,951</u>	<u>695,951</u>
Total investments	<u>\$ 7,514,742</u>	<u>7,962,452</u>	<u>15,477,194</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

Combining fiduciary funds are as follows:

	Police Pension	General Employees Pension	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 600	94	694
Interest and dividends receivable	31,004	25,755	56,759
Investments, at fair value			
Money market funds	481,557	220,062	701,619
U. S. government securities	1,424,328	1,184,128	2,608,456
Corporate bonds	1,440,434	1,460,061	2,900,495
Corporate stocks	4,168,423	4,402,250	8,570,673
Alternative investments	--	695,951	695,951
Total investments	<u>7,514,742</u>	<u>7,962,452</u>	<u>15,477,194</u>
Total assets	<u>7,546,346</u>	<u>7,988,301</u>	<u>15,534,647</u>
LIABILITIES			
Accounts payable	<u>42,027</u>	<u>277,198</u>	<u>319,225</u>
Total liabilities	<u>42,027</u>	<u>277,198</u>	<u>319,225</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u><u>\$ 7,504,319</u></u>	<u><u>7,711,103</u></u>	<u><u>15,215,422</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 265,480	628,629	894,109
Plan members	80,711	140,684	221,395
State (from the General Fund)	102,428	--	102,428
Miscellaneous	2,516	662	3,178
Total contributions	<u>451,135</u>	<u>769,975</u>	<u>1,221,110</u>
Investment earnings			
Interest	105,809	97,962	203,771
Dividends	83,091	71,837	154,928
Net increase (decrease) in the fair value of investments	56,523	(244,476)	(187,953)
Total investment earnings	<u>245,423</u>	<u>(74,677)</u>	<u>170,746</u>
Less investment expenses	33,512	79,278	112,790
Net investment earnings	<u>211,911</u>	<u>(153,955)</u>	<u>57,956</u>
Total additions	<u>663,046</u>	<u>616,020</u>	<u>1,279,066</u>
DEDUCTIONS			
Benefits	479,040	728,682	1,207,722
Refunds of contributions	29,162	26,541	55,703
Administrative expenses	36,905	28,390	65,295
Total deductions	<u>545,107</u>	<u>783,613</u>	<u>1,328,720</u>
Change in net assets	117,939	(167,593)	(49,654)
Net assets - beginning	<u>7,386,380</u>	<u>7,878,696</u>	<u>15,265,076</u>
Net assets - ending	<u>\$ 7,504,319</u>	<u>7,711,103</u>	<u>15,215,422</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — 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 directly makes a contribution in the form of a subsidy to the plan on behalf of the retirees over the age of sixty-five. This explicit subsidy will be eliminated during fiscal year 2012.

Retirees under the age of sixty-five 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

	As of September 30, 2011	As of September 30, 2010
Required contribution rates:		
Employer	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution (ARC)	\$ 54,000	\$ 119,000
Interest on the Net OPEB Obligation	7,000	3,000
Adjustment to the ARC	(14,000)	(5,000)
Annual OPEB Cost	\$ 47,000	\$ 117,000
Employer contributions	(20,000)	(2,000)
Interest on Employer Contributions	--	--
Increase in the Net OPEB	\$ 27,000	\$ 115,000
Net OPEB obligation (beginning of year)	166,000	51,000
Net OPEB obligation (end of year)	\$ 193,000	\$ 166,000

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and previous years were:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2009	\$ 111,000	54%	\$ 51,000
September 30, 2010	117,000	2%	166,000
September 30, 2011	47,000	43%	193,000

Funded Status and Funding Progress

The funded status of the plan as of the July 1, 2011 actuarial valuation:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
October 1, 2007	\$ 0.00	\$ 519,000	519,000	0.0%	\$ 4,485,000	11.6%
July 1, 2011	0.00	338,000	338,000	0.0%	4,380,000	7.7%

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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 required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, 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.

Significant methods and assumptions were as follows:

Actuarial valuation date	7/1/2011
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 2.75%	4.00%
Healthcare cost trend rate	5.00%
Select rates	10% for 2011/2012 graded to 6.0% for 2019/2020
Ultimate rate	5.00%

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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. 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.

F. Subsequent Events

The CRA purchased in January 2012, three parcels of property bordered by 8th Avenue West, 9th Avenue West and Riverside Drive for \$860,461. An option to purchase an adjacent property on 8th Avenue West for \$400,000 was also obtained. The purchase of the property is contingent on the results of environmental studies being performed on the property.

On January 9, 2012, the City Commissioners approved Resolution 2012-02 to contribute up to \$800,000 to Manatee County toward the construction of a Little League ball field complex within the Palmetto city limits. These funds are proceeds from the sale of City property related to the Palmetto Elementary School complex.



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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
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 3,384,361	3,432,550	3,432,682	132
Sales	803,914	803,914	861,772	57,858
Utility	833,000	897,240	909,987	12,747
Motor fuel	7,000	12,645	9,839	(2,806)
Other	890,860	917,639	917,678	39
Permits, fees and special assessments	911,669	944,762	1,015,445	70,683
Intergovernmental revenues	121,786	568,689	163,536	(405,153)
Fines and forfeitures	97,000	70,350	29,843	(40,507)
Charges for services	1,316,676	1,387,340	1,320,886	(66,454)
Interest and investment earnings	38,200	38,730	153,299	114,569
Miscellaneous	170,593	212,473	226,877	14,404
Impact fees	--	--	2,834	2,834
Total revenues	8,575,059	9,286,332	9,044,678	(241,654)
EXPENDITURES				
Current				
General government				
Commission	207,280	201,880	185,560	16,320
City Clerk	1,647,077	1,768,541	1,679,608	88,933
Finance	553,793	553,793	498,610	55,183
Human resources	108,996	119,085	116,620	2,465
City Attorney	228,356	228,356	247,781	(19,425)
Total general government	2,745,502	2,871,655	2,728,179	143,476
Public safety				
Police	3,593,365	3,704,880	3,627,292	77,588
Code enforcement	153,114	156,414	153,371	3,043
Planning and zoning	193,921	197,482	182,220	15,262
Building department	221,102	221,407	233,717	(12,310)
Total public safety	4,161,502	4,280,183	4,196,600	83,583
Highways and streets				
Engineering	184,730	232,818	198,827	33,991
Recreation				
Parks and recreation	801,504	798,608	742,296	56,312
Intergovernmental services				
Information technology	254,546	250,941	240,560	10,381
Public works administration	694,449	690,624	673,171	17,453
Fleet maintenance	215,086	215,086	211,412	3,674
Total intergovernmental services	1,164,081	1,156,651	1,125,143	31,508
Capital outlay	244,424	649,896	355,759	294,137
Debt service	154,407	165,076	154,056	11,020
Total expenditures	9,456,150	10,154,887	9,500,860	654,027
Excess (deficiency) of revenues over (under) expenditures	(881,091)	(868,555)	(456,182)	(412,373)
OTHER FINANCING SOURCES (USES)				
Transfers in	657,074	657,074	624,748	(32,326)
Capital leases	97,500	174,497	161,233	(13,264)
Total other financing sources (uses)	754,574	831,571	785,981	(45,590)
Net change in fund balances	(126,517)	(36,984)	329,799	366,783
Fund balances - beginning (as originally stated)	7,552,621	7,552,621	7,552,621	--
Prior period adjustment	(225,904)	(225,904)	(225,904)	(225,904)
Fund balances - beginning (as restated)	7,326,717	7,326,717	7,326,717	--
Fund balances - ending	\$ 7,200,200	7,289,733	7,656,516	366,783

CITY OF PALMETTO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 3,301,594	2,882,565	2,882,564	(1)
Intergovernmental revenues	150,000	57,156	57,156	--
Interest and investment earnings	75,000	75,000	29,404	(45,596)
Miscellaneous	28,473	17,673	18,416	743
Total revenues	3,555,067	3,032,394	2,987,540	(44,854)
EXPENDITURES				
Intergovernmental services	2,683,876	3,506,915	1,833,609	1,673,306
Capital outlay				
Streets	165,000	44,336	44,336	--
Other	1,000,000	1,317,275	36,674	1,280,601
Debt service principal and interest	2,447,469	2,374,175	378,050	1,996,125
Total expenditures	6,296,345	7,242,701	2,292,669	4,950,032
Excess (deficiency) of revenues over (under) expenditures	(2,741,278)	(4,210,307)	694,871	4,905,178
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,836,812)	(158,433)	(158,433)	--
Capital Leases	--	--	4,249	4,249
Total other financing sources (uses)	(1,836,812)	(158,433)	(154,184)	4,249
Net change in fund balances	(4,578,090)	(4,368,740)	540,687	4,909,427
Fund balances - beginning	4,559,766	4,559,766	4,559,766	--
Fund balances - ending	\$ (18,324)	191,026	5,100,453	4,909,427

CITY OF PALMETTO, FLORIDA

ROAD AND BRIDGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2011

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Motor fuel	\$ 1,070,721	1,078,543	1,217,299	138,756
Intergovernmental revenues	--	666,180	49,770	(616,410)
Charges for services	77,703	84,136	84,136	--
Interest and investment earnings	12,900	12,900	12,343	(557)
Miscellaneous	--	--	2	2
Impact fees	--	--	1,211	1,211
Total revenues	<u>1,161,324</u>	<u>1,841,759</u>	<u>1,364,761</u>	<u>(476,998)</u>
EXPENDITURES				
Highways and streets	589,226	625,306	569,938	55,368
Capital outlay				
Streets	--	1,392,134	118,220	1,273,914
Other	7,416	14,102	9,046	5,056
Debt service principal and interest	<u>193,000</u>	<u>193,000</u>	<u>182,103</u>	<u>10,897</u>
Total expenditures	<u>789,642</u>	<u>2,224,542</u>	<u>879,307</u>	<u>1,345,235</u>
Excess (deficiency) of revenues over (under) expenditures	<u>371,682</u>	<u>(382,783)</u>	<u>485,454</u>	<u>868,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	725,955	725,955	--
Transfers out	<u>(356,053)</u>	<u>(407,648)</u>	<u>(407,648)</u>	<u>--</u>
Total other financing sources (uses)	<u>(356,053)</u>	<u>318,307</u>	<u>318,307</u>	<u>--</u>
Net change in fund balances	15,629	(64,476)	803,761	868,237
Fund balances - beginning	<u>1,640,794</u>	<u>1,640,794</u>	<u>1,640,794</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,656,423</u>	<u>1,576,318</u>	<u>2,444,555</u>	<u>868,237</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.

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)
10/1/2011	9,060	13,867	4,806	65.3%	2,630	182.7%
10/1/2010	9,036	13,474	4,438	67.1%	2,979	149.0%
10/1/2009	8,730	13,243	4,513	65.9%	3,194	141.3%
10/1/2008	8,518	12,698	4,179	67.1%	3,858	108.3%
10/1/2007	8,107	11,176	3,069	72.5%	3,707	82.8%
10/1/2006	7,545	8,895	1,350	84.8%	3,161	42.7%

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 CONTRIBUTIONS FROM THE EMPLOYER

Year Ended September 30,	(1) Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2011	660,373	660,373	100.0%
2010	(2) 556,459	556,459	100.0%
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%

(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.

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)
10/1/2011	8,541	10,274	1,733	83.1%	1,506	115.1%
10/1/2010	8,454	10,238	1,784	82.6%	1,652	108.0%
10/1/2009	8,159	9,570	1,410	85.3%	1,740	81.0%
10/1/2008	7,979	9,059	1,080	88.1%	1,880	57.4%
10/1/2007	7,983	7,969	(14)	100.2%	1,778	-0.8%
10/1/2006	7,485	7,616	131	98.3%	1,653	7.9%

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 CONTRIBUTIONS FROM THE EMPLOYER AND STATE

Year Ended September 30,		Annual Required Contribution (ARC)	City Contribution	State Contribution	Percentage Contributed
2011		398,227	296,359	101,867	100.0%
2010	(1)	361,041	259,174	101,867	100.0%
2009		281,987	186,422	101,867	102.2%
2008		260,206	158,984	101,867	100.2%
2007		167,449	111,600	101,867	127.5%
2006		192,788	143,827	59,560	105.5%

(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.

CITY OF PALMETTO, FLORIDA
OTHER POST EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
October 1, 2007	\$ 0	\$ 519,000	\$ 519,000	0.0%	\$ 4,485,000	11.6%
July 1, 2011	0	338,000	338,000	0.0%	4,380,000	7.7%



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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ 1,208,344	1,208,344	243,757	(964,587)
Interest and investment earnings	--	--	1,231	1,231
Total revenues	<u>1,208,344</u>	<u>1,208,344</u>	<u>244,988</u>	<u>(963,356)</u>
EXPENDITURES				
Capital outlay				
Streets	2,647,449	2,617,838	234,285	2,383,553
Other	<u>50,000</u>	<u>98,850</u>	<u>70,991</u>	<u>27,859</u>
Total expenditures	<u>2,697,449</u>	<u>2,716,688</u>	<u>305,276</u>	<u>2,411,412</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(1,489,105)</u>	<u>(1,508,344)</u>	<u>(60,288)</u>	<u>1,448,056</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	51,595	51,595	--
Transfers out	<u>31,933</u>	<u>112,703</u>	<u>(8,306)</u>	<u>121,009</u>
Total other financing sources (uses)	<u>31,933</u>	<u>164,298</u>	<u>43,289</u>	<u>121,009</u>
Net change in fund balances	<u>(1,457,172)</u>	<u>(1,344,046)</u>	<u>(16,999)</u>	<u>1,569,065</u>
Fund balances - beginning	<u>1,232,815</u>	<u>1,232,815</u>	<u>1,232,815</u>	<u>--</u>
Fund balances - ending	<u><u>\$ (224,357)</u></u>	<u><u>(111,231)</u></u>	<u><u>1,215,816</u></u>	<u><u>1,569,065</u></u>

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2011

	Police Pension	General Employees Pension	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 600	94	694
Interest and dividends receivable	31,004	25,755	56,759
Investments, at fair value			
Money market funds	481,557	220,062	701,619
U. S. government securities	1,424,328	1,184,128	2,608,456
Corporate bonds	1,440,434	1,460,061	2,900,495
Corporate stocks	4,168,423	4,402,250	8,570,673
Alternative investments	--	695,951	695,951
Total investments	<u>7,514,742</u>	<u>7,962,452</u>	<u>15,477,194</u>
Total assets	<u>7,546,346</u>	<u>7,988,301</u>	<u>15,534,647</u>
LIABILITIES			
Accounts payable	<u>42,027</u>	<u>277,198</u>	<u>319,225</u>
Total liabilities	<u>42,027</u>	<u>277,198</u>	<u>319,225</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u><u>\$ 7,504,319</u></u>	<u><u>7,711,103</u></u>	<u><u>15,215,422</u></u>

CITY OF PALMETTO, FLORIDA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2011

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 265,480	628,629	894,109
Plan members	80,711	140,684	221,395
State (from the General Fund)	102,428	--	102,428
Miscellaneous	2,516	662	3,178
Total contributions	<u>451,135</u>	<u>769,975</u>	<u>1,221,110</u>
Investment earnings			
Interest	105,809	97,962	203,771
Dividends	83,091	71,837	154,928
Net increase (decrease) in the fair value of investments	<u>56,523</u>	<u>(244,476)</u>	<u>(187,953)</u>
Total investment earnings	245,423	(74,677)	170,746
Less investment expenses	<u>33,512</u>	<u>79,278</u>	<u>112,790</u>
Net investment earnings	<u>211,911</u>	<u>(153,955)</u>	<u>57,956</u>
Total additions	<u>663,046</u>	<u>616,020</u>	<u>1,279,066</u>
DEDUCTIONS			
Benefits	479,040	728,682	1,207,722
Refunds of contributions	29,162	26,541	55,703
Administrative expenses	<u>36,905</u>	<u>28,390</u>	<u>65,295</u>
Total deductions	<u>545,107</u>	<u>783,613</u>	<u>1,328,720</u>
Change in net assets	<u>117,939</u>	<u>(167,593)</u>	<u>(49,654)</u>
Net assets - beginning	<u>7,386,380</u>	<u>7,878,696</u>	<u>15,265,076</u>
Net assets - ending	<u><u>\$ 7,504,319</u></u>	<u><u>7,711,103</u></u>	<u><u>15,215,422</u></u>

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FIDUCIARY FUNDS - AGENCY FUND
 For the Year Ended September 30, 2011

		Agency Fund			
		October 1, 2010	Additions	Deletions	September 30, 2011
Assets					
Cash	\$	--	2,840,977	(2,769,468)	71,509
Accounts receivable		--	392	--	392
Total Assets		--	2,841,369	(2,769,468)	71,901
Liabilities					
Accounts payable		--	2,841,369	(2,769,468)	71,901
Total Liabilities		--	2,841,369	(2,769,468)	71,901



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 NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
	(1)		
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	<u>\$ 19,840,532</u>	<u>20,914,892</u>	<u>23,377,628</u>
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	<u>\$ 11,148,567</u>	<u>13,013,512</u>	<u>13,250,170</u>
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	<u>\$ 30,989,099</u>	<u>33,928,404</u>	<u>36,627,798</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) 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
- (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	2011
	(2)		(3)		
21,403,804	22,066,324	21,790,336	26,180,322	25,413,841	27,139,012
2,724,927	2,701,868	2,951,584	2,303,732	3,836,360	8,923,098
5,855,614	5,427,424	5,355,196	10,297,510	10,257,039	5,196,210
29,984,345	30,195,616	30,097,116	38,781,564	39,507,240	41,258,320
14,035,556	15,142,690	15,222,642	15,824,203	16,716,784	17,638,823
578,920	232,947	265,339	311,137	2,033,805	469,719
(1,082,103)	(428,519)	735,193	1,058,757	1,215,155	2,548,267
13,532,373	14,947,118	16,223,174	17,194,097	19,965,744	20,656,809
35,439,360	37,209,014	37,012,978	42,004,525	42,130,625	44,777,835
3,303,847	2,934,815	3,216,923	2,614,869	5,870,165	9,392,817
4,773,511	4,998,905	6,090,389	11,356,267	11,472,194	7,744,477
43,516,718	45,142,734	46,320,290	55,975,661	59,472,984	61,915,129

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

	Fiscal Year			
	2003	2004	2005	2006
	(1)			
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	2011
		(2)		(3)
(9,250,202)	(10,131,985)	(12,090,562)	(10,844,017)	(9,485,561)
1,284,335	1,209,002	800,274	1,351,604	1,870,886
<u>(7,965,867)</u>	<u>(8,922,983)</u>	<u>(11,290,288)</u>	<u>(9,492,413)</u>	<u>(7,614,675)</u>
4,428,513	4,663,292	9,951,558	8,191,906	6,315,246
1,361,267	1,358,799	1,410,284	1,265,842	-
915,019	859,157	807,927	809,534	861,772
817,117	821,401	841,254	903,826	909,987
1,104,761	1,170,680	1,205,131	1,219,376	1,227,138
372,673	363,776	333,337	316,025	917,678
393,731	205,031	338,298	253,740	196,277
-	-	-	-	-
-	544,140	-	-	-
68,392	(153,791)	262,209	(1,390,556)	808,543
<u>9,461,473</u>	<u>9,832,485</u>	<u>15,149,998</u>	<u>11,569,693</u>	<u>11,236,641</u>
198,802	114,263	22,231	29,487	29,989
-	-	-	-	-
(68,392)	(88,209)	(262,209)	1,390,556	(808,543)
<u>130,410</u>	<u>26,054</u>	<u>(239,978)</u>	<u>1,420,043</u>	<u>(778,554)</u>
<u>9,591,883</u>	<u>9,858,539</u>	<u>14,910,020</u>	<u>12,989,736</u>	<u>10,458,087</u>
211,271	(299,500)	3,059,436	725,676	1,751,080
1,414,745	1,235,056	560,296	2,771,647	1,092,332
<u>1,626,016</u>	<u>935,556</u>	<u>3,619,732</u>	<u>3,497,323</u>	<u>2,843,412</u>

(3) As of fiscal year 2011, franchise fees are no longer reported as taxes but are included in charges for services as licenses, permits and fees

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

	Fiscal Year			
	2002	2003	2004	2005
General fund				
Reserved	\$ 410,550	2,104,427	2,273,887	2,063,927
Unreserved	2,186,696	1,921,175	3,534,751	3,527,178
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total general fund	<u>\$ 2,597,246</u>	<u>4,025,602</u>	<u>5,808,638</u>	<u>5,591,105</u>
All other governmental funds				
Reserved	\$ 48,614	1,207,317	1,287,911	915,801
Unreserved, reported in:				
Special revenue funds	--	--	--	--
Capital projects funds	801,651	--	--	--
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total all other governmental funds	<u>\$ 850,265</u>	<u>1,207,317</u>	<u>1,287,911</u>	<u>915,801</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.

(2) During FY2012 the City implemented the new fund balance classifications.

Fiscal Year					
2006	2007	2008	2009	2010	2011
			(1)		(2)
2,423,319	2,156,783	1,696,641	1,473,190	1,474,449	--
4,580,605	4,605,911	4,715,179	5,381,549	6,078,172	--
--	--	--	--	--	459,956
--	--	--	--	--	1,041,681
--	--	--	--	--	2,008,234
--	--	--	--	--	123,674
--	--	--	--	--	4,022,971
<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>	<u>7,656,516</u>
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	--
--	--	--	--	--	2,654
--	--	--	--	--	7,881,417
--	--	--	--	--	876,753
--	--	--	--	--	--
--	--	--	--	--	--
<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>	<u>8,760,824</u>

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

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 3,744,653	5,365,718	6,256,597	6,741,587
Permits, fees and special assessments	236,103	336,532	564,021	967,918
Intergovernmental	1,600,757	598,580	125,632	804,270
Charges for services	118,337	248,104	453,873	539,469
Fines	88,837	85,968	97,408	71,741
Investments earnings	23,177	92,489	83,459	127,011
Impact Fees (3)	--	--	--	--
Miscellaneous	33,288	79,916	107,699	72,315
Total revenues	<u>5,845,152</u>	<u>6,807,307</u>	<u>7,688,689</u>	<u>9,324,311</u>
Expenditures				
General government	1,596,079	852,975	1,308,007	2,002,594
Public safety	2,868,900	2,897,630	3,210,466	3,359,313
Highways and streets	1,600,495	948,352	744,587	582,669
Economic and physical development	--	1,650,673	1,454,569	976,362
Cultural and recreation	608,651	1,014,361	788,984	1,017,556
Capital outlay	--	171,494	408,772	2,991,300
Debt service				
Interest	31,789	--	140	41,013
Principal	66,667	738,888 ⁽¹⁾	26,461	126,298
Total expenditures	<u>6,772,581</u>	<u>8,274,373</u>	<u>7,941,986</u>	<u>11,097,105</u>
Excess of revenues over (under) expenditures	(927,429)	(1,467,066)	(253,297)	(1,772,794)
Other financing sources (uses)				
Transfers in	1,046,536	1,733,205 ⁽¹⁾	862,657	975,632
Transfers out	(414,774)	(69,492)	(83,647)	(164,962)
Loan proceeds	--	--	1,337,915	1,096,463
Capital leases	--	48,801 ⁽²⁾	347,626	244,167
Total other financing sources (uses)	<u>631,762</u>	<u>1,712,514</u>	<u>2,464,551</u>	<u>2,151,300</u>
	<u>\$ (295,667)</u>	<u>245,448</u>	<u>2,211,254</u>	<u>378,506</u>
Debt service as a percentage of noncapital expenditures	1.45%	9.12%	0.35%	2.06%

(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 were established in 2007.

Fiscal Year					
2006	2007	2008	2009	2010	2011
			(4)		
7,546,737	8,999,350	9,237,105	14,549,491	12,706,509	10,231,821
1,194,215	347,625	255,191	299,253	215,939 (5)	1,015,445
281,549	389,436	272,658	102,347	657,471	514,219
912,807	1,419,841	1,304,733	1,738,264	1,485,145	1,405,022
103,741	167,979	82,813	113,690	161,769	29,843
288,388	393,731	205,031	338,298	253,740	196,277
--	--	34,300	177,611	245,878	4,045
356,710	457,876	142,855	2,524,862	168,566	245,295
10,684,147	12,175,838	11,534,686	19,843,816	15,895,017	13,641,967
2,260,285	3,403,304	3,133,268	3,518,269	3,125,314	2,728,179
3,979,078	4,397,477	4,352,240	4,571,897	4,313,113	4,196,600
796,872	842,726	696,269	683,448	637,443	768,765
1,067,776	1,169,792	1,192,966	3,395,195	2,865,768	2,958,752
1,063,886	1,287,909	1,200,155	1,098,184	763,796	742,296
1,368,806	1,621,230	1,359,257	533,100	1,770,178	869,311
80,693	89,836	126,700	229,943	188,221	171,189
16,883	64,476	419,929	697,993	625,867	543,020
10,634,279	12,876,750	12,480,784	14,728,029	14,289,700	12,978,112
49,868	(700,912)	(946,098)	5,115,787	1,605,317	663,855
1,068,154	631,475	666,907	1,702,110	597,074	1,402,298
--	(563,083)	(820,698)	(1,815,901)	(1,987,630)	(574,387)
--	--	1,334,000	--	--	--
473,949	378,037	155,966	--	84,000	165,482
1,542,103	446,429	1,336,175	(113,791)	(1,306,556)	993,393
1,591,971	(254,483)	(943,923)	5,001,996	298,761	1,657,248
1.05%	1.37%	4.92%	6.54%	6.50%	5.90%

(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 to a blended component unit as a special revenue fund included in governmental activities.

(5) Beginning in fiscal year 2011, franchise fees are no longer reported as franchise taxes but are reported as permits, fees and special assessments.



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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
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
2011	6,315,246	--	(3) 861,772	909,987	1,227,138	917,678	10,231,821
Change (1):							
2002 - 2011	314.32%	-100.00%	0.37%	41.90%	124.00%	272.38%	173.24%

(1) For Sales Tax and Other Taxes, the percent of change is based on the difference between 2003 to 2011.

(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.

(3) Beginning in fiscal year 2011, franchise fees are no longer reported as taxes but are now reported as permits, fees and special assessments in the fund statements. Communication services taxes previously reported as franchise taxes are now reported as other taxes.

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

Fiscal Year Ended September 30 (1)	Real Property			Personal Property
	Residential Property	Commercial Property	Other	
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
2011	614,168,328	212,722,187	137,320,529	69,641,003
2012	557,754,188	196,427,515	118,572,496	62,585,676

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.

(2) FY2012 represents Property Tax estimated for 2011 Property Tax Roll

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
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%
275,055,525	758,796,522	4.6662	763,433,066	99.4%
248,654,218	686,685,657	5.1185	686,685,657	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
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
2011	5.12	7.96	6.99	20.07

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	2011			2002		
	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	\$ 15,962,130	1	2.09%			
Armed Forces Bank NA	12,005,387	2	1.57%			
Space Box LLC	7,631,774	3	1.00%			
TBR II Development LLC	6,531,427	4	0.86%			
Florida Power & Light Co	6,233,365	5	0.82%			
Pacific Tomato Growers	5,816,419	6	0.76%			
Publix Super Markets Inc.	5,805,024	7	0.76%			
Palmetto Dunes LTD	5,769,819	8	0.76%	5,435,120	2	1.61%
Verizon Florida Inc.	5,229,777	9	0.69%			
39368 LLC	4,911,820	10	0.64%			
Vorbeck, Mick				8,910,428	1	2.64%
Regatta Pointe Marina				4,806,033	3	1.42%
Bank of America NA				4,131,957	4	1.22%
Palmetto Mobile Home Club				3,761,574	5	1.12%
W C Riviera Partners, IC				3,642,349	6	1.08%
Pacific Land LTD				3,582,394	7	1.06%
Manatee Health Properties				3,218,988	8	0.95%
Colonial Mobile Manor				2,994,712	9	0.89%
Schmidt, Robert E., Jr.				2,916,980	10	0.86%
Totals	<u>\$ 75,896,942</u>		<u>9.94%</u>	<u>43,400,535</u>		<u>12.87%</u>

Note

Total taxable assessed value \$ 763,433,066 337,331,411

Source: Manatee County Property Tax Roll 2011 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)		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 1,573,569	1,524,237	96.9%		1,524,237	96.9%
2003	1,951,186	1,877,268	96.2%		1,877,268	96.2%
2004	2,504,315	2,425,855	96.9%		2,425,855	96.9%
2005	2,857,565	2,770,129	96.9%		2,770,129	96.9%
2006	3,416,336	3,299,629	96.6%		3,299,629	96.6%
2007	4,561,037	4,410,731	96.7%	51	4,410,782	96.7%
2008	4,800,476	4,663,292	97.1%	81	4,663,373	97.1%
2009	5,052,558	4,966,769	98.3%	1,444	4,968,213	98.3%
2010	4,336,277	4,203,070	96.9%	20,031	4,223,101	97.4%
2011	3,524,841	3,411,075	96.8%		3,411,075	96.8%

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 started tracking prior year payments in FY2011. Therefore, taxes in prior years are undeterminable.

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

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
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
2011	5,945,722	--	208,150	9,268,053	--	1,653,105	50,444

Total Primary Government	Percentage of Personal Income	Per Capita
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%	1,250
17,125,474	3.43%	1,359

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

Fiscal Year	Population ¹	Assessed Value ²	Gross Bonded Debt ^{3, 4}	Net Bonded Debt ³	Percentage of Actual Taxable Value of Property ³	Per Capita ³
2002	12,921	418,658,688	738,889	738,889	0.18%	57
2003	13,109	377,876,426	672,222	672,222	0.18%	51
2004	13,109	485,251,199 ⁵	--	--	0.00%	--
2005	13,132	553,648,553	--	--	0.00%	--
2006	13,272	661,503,856	--	--	0.00%	--
2007	14,002	884,008,892	--	--	0.00%	--
2008	14,447	1,028,605,848	--	--	0.00%	--
2009	14,447	929,295,191	--	--	0.00%	--
2010	14,447	763,433,066	--	--	0.00%	--
2011	12,606	686,685,657	--	--	0.00%	--

Source: ¹ University of Florida, Bureau of Economic and Business Research. Table 1.25 Population

² Manatee County Property Appraiser's Office

³ Office of the City Clerk

⁴ Reclassed to Proprietary Fund - Stormwater, Fiscal Year 2003

⁵ 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
AS OF SEPTEMBER 30, 2011

<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	\$ 6,153,872	100%	\$ 6,153,872
		Subtotal Direct Debt	6,153,872
Overlapping (2):			
Manatee County	12,045,000	2.89%	348,159
Manatee County School Board	351,992,408	2.07%	7,302,479
		Subtotal Overlapping Debt	7,650,638
Total direct and overlapping debt			\$ 13,804,510

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
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City Population(1)</u>	<u>Personal Income thousand \$(1)</u>	<u>Personal Income Per Capita(2)</u>	<u>Median Age(3)</u>	<u>School Enrollment(4)</u>	<u>Manatee County Unemployment Rate(5)</u>
2002	12,921	408,717	31,632	37.6	38,600	4.9%
2003	13,109	415,149	31,669	37.6	39,800	4.6%
2004	13,109	430,460	32,837	37.6	41,000	4.0%
2005	13,132	431,215	32,837	37.6	42,350	3.4%
2006	13,272	435,813	32,837	37.6	42,572	3.1%
2007	14,002	564,323	40,303	37.6	42,572	4.2%
2008	14,447	589,784	40,824	38.7	42,307	6.9%
2009	14,447	582,980	40,353	36.8	42,075	11.3%
2010	14,447	582,980	40,353	44.6	42,700	12.6%
2011	12,606	499,828	39,650	45.7	43,516	11.0%

Source: (1) University of Florida, Bureau of Economic and Business Research. Table 1.25
Population

(2) University of Florida, Bureau of Economic and Business Research. Per capita income available in 2008. Population figures are estimates Table 5.11

(3) University of Florida, Bureau of Economic and Business Research. Table 1.38 Median Age by County - Manatee April 1, 2009

(4) Manatee County School Board. School enrollment exceeds the city population because the school system serves the entire county.

(5) Bureau of Labor Statistics, Data revised. Data is stated in the actual year.

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

Employer	2011			2002		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Manatee County School Board	5,300	1	4.19%	4,303	1	3.35%
Manatee County Government	1,734	2	1.37%	1,776	3	1.38%
Beall's Inc	1,671	3	1.32%	821	8	0.64%
Manatee Memorial Hospital	1,400	4	1.11%	1,420	4	1.11%
Tropicana Products, Inc	1,300	5	1.03%	3,200	2	2.49%
Blake Medical Center	1,156	6	0.91%	1,200	5	0.94%
Manatee County Sheriff's Dept	1,096	7	0.87%	1,151	6	0.90%
Publix	839	8	0.66%	--	--	0.00%
State College of Florida	485	9	0.38%	--	--	0.00%
Hoverround Corp	484	10	0.38%	860	7	0.67%
Wellcraft Marine	--	--	0.00%	700	9	0.55%
Security Link from Ameritech	--	--	0.00%	602	10	0.47%
Total	15,465		12.22%	16,033		12.50%
Total Manatee County	126,545			128,274		

Source:

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

Manatee County Clerk of Circuit Court - 2002 Principal Employers

Manatee County 2011 CAFR



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

Function	Full-time Equivalent Employees as of September 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	14.0	14.0	17.0	17.0	17.0	19.0	17.5	17.5	17.5	17.8
Intergovernmental	16.0	14.0	14.0	14.5	13.5	17.0	16.5	12.5	13.5	12.0
Public safety										
Police										
Officers	33.0	32.0	29.0	27.0	33.0	36.0	37.0	35.0	35.0	35.0
Civilians	20.0	18.0	20.0	19.3	22.8	24.3	25.8	19.8	20.8	19.0
Highways and streets										
Engineering	3.0	3.0	2.0	3.0	3.0	4.0	3.0	3.0	3.0	-
Maintenance	9.0	9.0	9.0	4.0	5.0	3.0	3.0	4.0	3.0	3.0
Sanitation	14.0	12.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	1.0
Culture and recreation	14.0	16.0	16.0	17.0	15.0	17.0	17.0	13.0	10.0	10.0
Water	8.0	10.0	11.0	15.0	15.0	15.0	15.0	13.0	13.0	14.0
Sewer	4.0	6.0	7.0	5.0	6.0	6.0	6.0	6.0	6.0	4.0
Total	<u>135.0</u>	<u>134.0</u>	<u>127.0</u>	<u>123.8</u>	<u>132.3</u>	<u>143.3</u>	<u>142.8</u>	<u>124.8</u>	<u>123.8</u>	<u>115.8</u>

Source: Payroll Reports:Cost Center Analysis

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

Function	Fiscal Year			
	2002	2003	2004	2005
Police (1)				
Total arrests	N/A	N/A	N/A	N/A
Juvenile arrests	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	2,207.00
Traffic warnings	N/A	N/A	N/A	840.00
Water				
New connections (2)	76.00	55.00	124.00	117.00
Average daily consumption (3) (million of gallons)	1.45	1.42	1.47	1.47
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00
Wastewater				
New connections (2)	68.00	45.00	25.00	65.00
Average daily sewage treatment (3) (million of gallons)	1.37	1.79	1.18	1.50
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40
Reuse				
New connections (2)	359.00	64.00	N/A	274.00
Average daily consumption (3) (million of gallons)	1.01	1.07	0.67	0.74
Average daily capacity (3) (million of gallons)	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	2011
547.00	504.00	511.00	567.00	478.00	473.00
112.00	132.00	130.00	112.00	93.00	100.00
2,823.00	2,050.00	2,003.00	2,450.00	1,993.00	1,419.00
869.00	924.00	860.00	1,380.00	713.00	1,039.00
76.00	44.00	14.00	17.00	62.00	10.00
1.50	1.48	1.43	1.29	1.31	1.31
2.00	2.00	2.00	2.00	2.00	2.00
122.00	85.00	27.00	28.00	58.00	11.00
1.28	0.95	0.89	1.18	1.14	1.07
2.40	2.40	2.40	2.40	2.40	2.40
79.00	125.00	28.00	42.00	-	20.00
0.86	0.98	0.89	1.02	0.91	0.92
1.87	4.07	4.07	4.07	4.07	4.07

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

Function	Fiscal Year				
	2002	2003	2004	2005	2006
Public Safety (1)					
Police					
Stations	1.00	1.00	1.00	1.00	1.00
Patrol units	23.00	23.00	36.00	39.00	39.00
K-9 units	2.00	2.00	2.00	1.00	1.00
Highways and Streets (2)					
Streets (miles)	41.17	41.17	41.09	41.09	41.20
Traffic signals	11.00	11.00	11.00	11.00	11.00
Streetlights	742.00	742.00	728.00	728.00	864.00
Culture and Recreation (3)					
Parks acreage	50.04	50.04	64.74	64.74	64.74
Parks	11.00	11.00	12.00	12.00	12.00
Tennis courts	1.00	1.00	1.00	1.00	1.00
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)	17.80	17.80	17.80	17.80	22.00

N/A Information is not available.

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

Fiscal Year				
2007	2008	2009	2010	2011
1.00	1.00	1.00	1.00	1.00
46.00	49.00	48.00	49.00	44.00
2.00	2.00	1.00	2.00	2.00
41.20	42.00	42.00	42.00	42.00
11.00	11.00	11.00	12.00	12.00
864.00	864.00	864.00	864.00	864.00
64.74	64.74	64.74	95.49	95.49
12.00	12.00	12.00	12.00	12.00
1.00	1.00	1.00	1.00	1.00
66.06	66.66	66.66	66.66	66.66
46.00	47.60	49.10	49.10	49.10
11.76	11.76	11.90	11.90	11.90
22.00	22.00	22.80	22.80	22.80



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**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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Management Letter as Finding 11-01 under the heading *Current Year Findings and Recommendations*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying management letter to be a material weakness.

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*.

Management's response to the finding identified in the Management Letter is included in this report. We did not audit the response and, accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
March 12, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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* that could have a direct and material effect on each of the City's major Federal programs for the year ended September 30, 2011. The City's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the 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 for the year ended September 30, 2011.

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. 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 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, 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

Management's response to the finding identified in the Management Letter is included in this report. We did not audit the response and, accordingly, we express no opinion on it.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
March 12, 2012

CITY OF PALMETTO, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2011

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? x yes no

Significant deficiency(ies) identified? yes x no

Noncompliance material to financial statements noted? yes x no

Federal Programs

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

Auditee qualified as low-risk auditee? yes x no

Type of auditor's report on compliance for major Federal programs: Unqualified Opinion

Internal Control over major Federal programs:

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))? yes x no

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Department of Housing and Urban Development – Florida Small Cities Community Development Block Grant

CITY OF PALMETTO, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended September 30, 2011

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

A material weakness identified during our audit of the basic financial statements is reported in the Management Letter under the heading Current Year Findings and Recommendations.

Part III – Schedule of Federal Award Findings and Questioned Costs

This section identifies significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any abuse findings involving Federal programs that are material to a major program.

No significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, related to the audit of major Federal programs 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
FOR THE YEAR ENDED SEPTEMBER 30, 2011

<u>Federal/State Agency Federal Program/State Project</u>	<u>CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditure</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Community Development Block Grant State's Program	14.228	11DB-L4-08-51-02-N 32	\$ 391,549
DEPARTMENT OF JUSTICE			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government - 2009	16.804	2009-SB-B9-1813 (ARRA)	105,413
DEPARTMENT OF TRANSPORTATION			
Passed through Florida Department of Transportation			
Highway Planning and Construction			
10th & 14th Turn Lanes	20.205	FM# 420876-1-58-01	60,136
Recovery Act - 10th W St from 14th W to 8th Ave	20.205	FM# 426728-1-58-01 (ARRA)	68
Haben Blvd Roundabout	20.205	FM# 420875-1-58-01	15,065
10th & 10th Intersection Improvements	20.205	FM# 423665-1-A8-01	83,052
TOTAL DEPARTMENT OF TRANSPORTATION PROGRAM			<u>158,321</u>
DEPARTMENT OF ENERGY			
Passed through Florida Energy and Climate Commission			
State Energy Program	81.041	17657 (ARRA)	71,531
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 726,814</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards 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, 2011.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards 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, 2011. 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

We have audited the financial statements of the City of Palmetto, Florida, (the "City") as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated March 12, 2012, which was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, dated March 12, 2012, 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. Matters required to be disclosed are reported under the heading *Current Year Findings and 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, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
March 12, 2012

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

11-01 Prior Period Adjustments

During the current year audit, we discovered that an asset was recorded twice in the amount of \$401,267 due to an oversight during the City's reconciliation of capital assets in the prior fiscal year. The effect of the error overstated capital assets and net assets in the Water and Sewer Fund and business-type activities which required a prior period adjustment in the current year. Also during the current year audit, we discovered that revenue related to receivables in which payment was not expected to be received within sixty days after year end was recognized in the prior year financial statements. The cause of the error was due to an oversight in recording the receivables which resulted in a prior period adjustment of \$234,002 to fund balance in the General Fund. We consider these prior period adjustments to be a material weakness.

We recommend the City continue their efforts to improve the accounting process for capital assets and continue to defer revenue on receivables in governmental funds which are not expected to be collected within sixty days.



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March 12, 2012

MANAGEMENT LETTER RESPONSE

11-01 Prior Period Adjustments

Capital Assets

During the current year audit, the City's auditors discovered that an asset was recorded twice in the amount of \$401,267 due to an oversight during the City's reconciliation of capital assets in fiscal year 2010. The error overstated capital assets and net assets in the Water and Sewer Fund and business-type activities in the city-wide statements. A prior period adjustment is required in the current year to correct the overstatement.

The City has experienced an increase in awarded grants for capital projects during the past two years. Capital assets acquired through grants and normal operations were recognized in the general ledger on a monthly basis, however, assets acquired through Capital Improvement Projects (CIP) were recognized at the end of the year as work in progress. In fiscal year 2010 this asset was reported as a grant acquired asset as well as a CIP asset and was booked as work in progress and as improvements other than buildings causing the overstatement.

During fiscal year 2012, a change in procedure has been implemented for the recognition of all capital assets of the City. A reconciliation of capital assets acquired by all sources will be performed monthly to ensure all activity is recognized and reported accurately.

Accounts Receivable

During the current year audit, it was discovered that revenue related to Code Enforcement receivables was not expected to be received within sixty days after the end of the fiscal year. During fiscal year 2010 all of the revenue and receivable was recorded in that year rather than deferring the revenue and recognizing it throughout the year. This resulted in an overstatement of \$234,002 in the General Fund fund balance.

Revenue from code enforcement fines has been increasing over the past three years. Historical data was insufficient to determine the expected length of time for payment of these fines. During the fiscal year 2011 audit it became apparent that most fines would not be paid within sixty days of the end of the fiscal year. A prior period adjustment was necessary to adjust for outstanding receivables that have an uncertain collection date and these receivables are now offset by deferred revenue. This practice will continue and the revenue recognized upon collection.



James R. Freeman
City Clerk