

# City of Palmetto, Florida

## Comprehensive Annual Financial Report

FISCAL YEAR ENDED SEPTEMBER 30, 2012

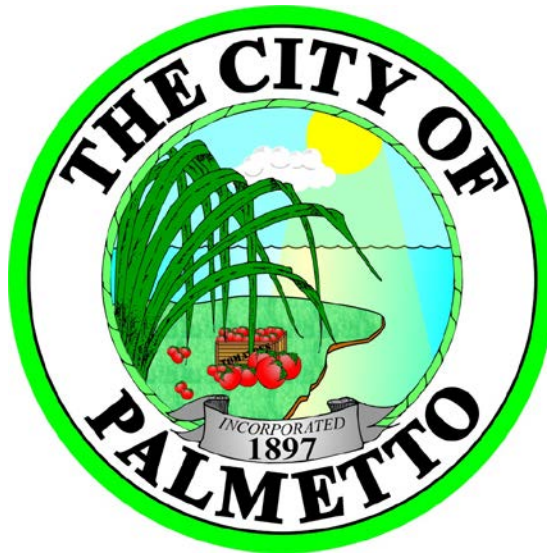




# *Comprehensive Annual Financial Report*

## *City of Palmetto, Florida*

For the Fiscal Year Ended  
September 30, 2012



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, 2012





# Table of Contents

## I INTRODUCTORY SECTION

Letter of Transmittal.....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting.....	7
List of Principal Officials.....	8
Organizational Chart.....	9

## II FINANCIAL SECTION

Independent Auditor's Report.....	11
Management's Discussion and Analysis.....	13

## III BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Assets.....	29
Statement of Activities.....	30
Fund Financial Statements:	
Balance Sheet - Governmental Funds and Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets.....	32
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	35
Statement of Net Assets - Proprietary Funds.....	36
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	38
Statement of Cash Flows - Proprietary Funds.....	39
Statement of Fiduciary Net Assets - Fiduciary Funds.....	40
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	41
Notes to Financial Statements:	
Note I - Summary of Significant Accounting Policies	
A Reporting Entity.....	43
B Government-wide and Fund Financial Statements.....	43
C Measurement Focus, Basis of Accounting and Financial Statement Presentation.....	44
D Assets, Liabilities and Net Assets or Equity.....	46
Note II - Reconciliation of Government-wide and Fund Financial Statements	
A Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets.....	52
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.....	53

# Table of Contents (Continued)

Note III - Stewardship, Compliance and Accountability	
A Budgetary Information.....	54
B Excess of Expenditures over Appropriations.....	55
Note IV - Detailed Notes on All Funds	
A Deposits and Investments.....	55
B Receivables.....	59
C Inter-fund Receivables, Payables and Transfers.....	59
D Restricted Assets.....	61
E Capital Assets.....	61
F Capital Leases.....	64
G Long-term Liabilities.....	66
1. State Revolving Fund Loans.....	66
2. Capital Improvement Revenue Loans.....	67
3. Interest Rate Swaps.....	72
4. Conduit Debt.....	74
5. Other Information.....	74
H Fund Balances.....	76
I Encumbered Commitments.....	78
Note V - Other Information	
A Risk Management.....	78
B Employee Retirement Systems and Pension Plans.....	79
C Other Post Employment Benefits (OPEB).....	90
D Contingent Liabilities.....	92
E Deferred Compensation Plan.....	93
F Subsequent Events.....	93

## IV REQUIRED SUPPLEMENTARY INFORMATION

### GASB Statement 34:

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - General Fund.....	97
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Community Redevelopment Agency Fund.....	98
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Road and Bridge Fund.....	99

### GASB Statements 25 and 27:

Schedule of Funding Progress - General Employee's Pension Plan.....	102
Schedule of Contributions From the Employer - General Employee's Pension Plan.....	103
Schedule of Funding Progress - Police Officer's Pension Plan.....	104
Schedule of Contributions From the Employer and State - Police Officer's Pension Plan.....	105
Other Post-Employment Benefits - Schedule of Funding Progress.....	106



# Table of Contents (Continued)

## V OTHER SUPPLEMENTARY INFORMATION

### Combining Fund Statements and Schedules:

#### Schedule of Revenues, Expenditures and Changes in Fund Balance -

Budget (GAAP Basis) and Actual - Capital Projects Fund.....	109
---	-----

Combining Statement of Fiduciary Net Assets.....	110
--	-----

Combining Statement of Changes in Fiduciary Net Assets.....	111
---	-----

Combining Statement of Changes in Assets and Liabilities - Agency Fund.....	112
---	-----

## VI STATISTICAL SECTION

Net Assets by Component.....	114
------------------------------	-----

Changes in Net Assets.....	116
----------------------------	-----

Fund Balances, Governmental Funds.....	120
--	-----

Changes in Fund Balances of Governmental Funds.....	122
---	-----

Governmental Activities Tax Revenues by Source.....	125
---	-----

Assessed and Estimated Actual Value of Taxable Property.....	126
--	-----

Property Tax Rates, Direct and Overlapping Governments.....	128
---	-----

Principal Property Tax Payers.....	129
------------------------------------	-----

Property Tax Levies and Collections.....	131
--	-----

Ratios of Outstanding Debt by Type.....	132
---	-----

Ratio of General Bonded Debt Outstanding.....	134
---	-----

Computation of Direct and Overlapping Debt.....	135
---	-----

Demographic Statistics.....	136
-----------------------------	-----

Principal Employers in Manatee County.....	137
--	-----

Full-Time Equivalent City Government Employees by Function.....	139
---	-----

Operating Indicators by Function.....	140
---------------------------------------	-----

Capital Asset Statistics by Function.....	142
---	-----

## VII MANAGEMENT SECTION AND SINGLE AUDIT

### 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 <i>Government Auditing Standards</i> .....	145
---	-----

### 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.....	147
--	-----

### Schedule of Findings and Questioned Costs for the

Year Ended September 30, 2012.....	149
------------------------------------	-----

Schedule of Expenditures of Federal Awards for the Year Ended September 30, 2012.....	151
---	-----

Notes to Schedule of Expenditures of Federal Awards .....	152
---	-----

Independent Auditor's Management Letter.....	153
--	-----

City's Response to Management Letter.....	156
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FAX (941) 723-4576

March 19, 2013

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, 2012.

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, 2012, 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, 2012, 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, 2011. This was the seventh 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, storm water 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, 2012 proved to be another difficult year, as development and construction within the City remained weak and property values continued to slide. In addition, foreclosures and abandoned properties are still creating issues for the City, albeit at a slower pace compared to prior years. 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 2012 from 9.6% in January to 8.0% as of December 2012. Unemployment in North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) showed similar improvements during the year and was 7.8% as of December 2012. 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. These efforts are working, as It Works Global announced they are relocating their corporate headquarters to Palmetto along with 50-60 new jobs. In addition, construction of a new mixed use fitness center and residential building is underway. 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 further reduced 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 approved amendments 2, 9 and 11. These amendments provide additional exemptions for disabled veterans, spouses of widowed first responders and the possibility of additional exemptions for low-income seniors who have resided in their homes for 25 years. Property values declined by approximately 38% since their peak in fiscal year 2009 which has made the budget process very difficult. These difficulties will be further compounded by the additional property tax exemptions mentioned above. Lower assessments means fewer dollars to operate and support existing services that we provide to our residents. Although values dipped again for the fiscal year 2013 budget, the decrease was much less compared to previous years. We are hopeful that property values have reached the bottom and it appears the values are starting to rise again. 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.

The economic downturn has created a challenging financial environment, but 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. I am most excited about the construction efforts of our new Aquifer Storage and Recovery (ASR) well. This project has been several years in the making and was made possible through a cooperative effort between the City and the Southwest Florida Water Management District. Ultimately, this ASR well will stabilize the supply of reuse and provide much needed storage for advanced wastewater.

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 2012, Palmetto annexed three properties totaling approximately 5.25 acres. Two of the of the properties were commercial and one was residential.

Intersection improvements for a new Haben Blvd. which began in December 2011 were completed in Spring of 2012. This project was funded with grants and the assistance of the CRA. The new roundabout is a nice addition to the area and the feedback has been very positive.

The improvements to Sutton Park were completed just in time for the annual 4th of July celebration. The additions include a new veterans wall, pavilion, and upgrades to exterior

lighting throughout the park. Additional improvements such as the addition of a covered bandstand area are proposed during the coming year.

Construction of the \$1,300,000 5<sup>th</sup> Street Streetscape project was completed in the Fall of 2012. Improvements include a new pedestrian friendly look which includes sidewalks, pavers, landscaping, low impact design (LID) storm water and a new City parking lot. The City received partial funding from Southwest Florida Water Management District (SWFWMD) for certain drainage elements in the project.

The Ward I Phase II project was completed during early 2013. This project includes rehabilitation and installation of new streets, sidewalks, sewer lines and storm water system. The total cost of improvements is approximately \$2,500,000 and is being funded by the CRA and a \$750,000 CDBG grant.

During 2012, the CRA awarded eight storefront grants totaling \$53,000 for exterior renovations on several commercial properties in the district.

The City issued a total of eight procurement proposals during fiscal year 2012. This included six request for proposals (RFPs), and two requests for qualifications (RFQs). Areas of interest included 5th St. Streetscape, CDBG Grant Administration, Debris Monitoring, Debris Removal, HVAC Replacement, Sutton Park Renovations, Alternate Fuel Vehicles, and Fireworks Display.

The City Commission approved approximately \$8.2M of capital improvements for 2012, of which \$4.6M was fully funded by loan funds, fund balance and grants. Approximately \$3.6M was unfunded, the majority of which was associated with the 23rd St. realignment and the new little league baseball complex. Major funded projects include street improvements to 10th St. and 10th Ave., 13th St. and 28th Ave drainage project, construction of the ASR, additional reclaimed water lines on 8<sup>th</sup> and 9<sup>th</sup> Streets, and utility relocations on 17th Street.

Technology upgrades within our police department continued during fiscal year 2012. The City implemented a dual authentication and single sign-on solution as part of a required mandate from Florida Department of Law Enforcement (FDLE). This is cutting edge technology that will improve the efficiency of our police force. In addition, we continue to implement upgrades to our mobile computer aided dispatch solution and in-car laptops used by the officers.

In late 2012, the City reached a contract agreement with the PBA union. This was the first contract agreement reached with the PBA since they were created in late 2010.

The CRA began a new Residential Rehabilitation Program in 2010 and two houses have been completed since the program started. Two additional houses are scheduled for the coming year.

The City received the Certificate of Achievement for Excellence in Financial Reporting for the seventh consecutive year. The City also applied for and received the Distinguished Budget Presentation Award for the 2012 budget. This was the third year in a row the City received the budget award from the Government Finance Officer's Association (GFOA).

The City completed its sixth 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 completed an interlocal agreement with the County and committed \$800,000 towards the project. The County has agreed to fund the balance of the project along with hopes of other donations from private organizations. Construction is scheduled to start in Spring 2013 with hopes of a grand opening in late 2014 or sooner.

The City is exploring the feasibility of installing Telemetry meters City-wide during 2013. This new technology will improve accuracy, efficiency and overall revenue within the water department of the City. Once implemented, this new technology will allow the City to more effectively manage the service we provide to our citizens.

Later this year we anticipate issuing an RFP for a new City-wide enterprise financial system. This will be a major undertaking for the City, but the overall goal is to improve coordination and functionality across all departments of the City.

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. The City has purchased additional land in the area and has applied for estuary grant monies as part of the Restore Act BP oil spill settlement.

The City anticipates redeveloping the boat ramp located on Riverside Drive later this year. Improvements include adding a second boat ramp, parking upgrades and additional landscaping. This project is being funded by the CRA and West Coast Inland Navigation District (WCIND) grant dollars.

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,

A handwritten signature in cursive script that reads "Shirley Groover Bryant".

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, 2011

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



*Christopher P. Moine*

President

*Jeffrey R. Enen*

Executive Director



**CITY OF PALMETTO, FLORIDA  
FISCAL YEAR ENDED SEPTEMBER 30, 2012  
LIST OF PRINCIPAL OFFICIALS**

**ELECTED OFFICIALS**

<b>SHIRLEY GROOVER BRYANT</b>	<b>MAYOR</b>
<b>BRIAN WILLIAMS</b>	<b>VICE MAYOR, COMMISSIONER, WARD 3</b>
<b>ALAN ZIRKELBACH</b>	<b>COMMISSIONER AT-LARGE</b>
<b>TAMARA CORNWELL</b>	<b>COMMISSIONER AT-LARGE</b>
<b>CHARLES SMITH</b>	<b>COMMISSIONER, WARD 1</b>
<b>TAMBRA VARNADORE</b>	<b>COMMISSIONER, WARD 2</b>

**OFFICE OF THE CITY CLERK**

<b>JAMES R. FREEMAN</b>	<b>CITY CLERK</b>
<b>AMBER FOLEY</b>	<b>ASSISTANT CITY CLERK</b>
<b>KAREN SIMPSON</b>	<b>DEPUTY CLERK - FINANCE</b>

**PUBLIC WORKS**

<b>ALLEN TUSING</b>	<b>DIRECTOR</b>
<b>GRACE JOHNSON</b>	<b>DEPUTY DIRECTOR – ADMINISTRATION</b>
<b>JAVIER VARGAS</b>	<b>SUPERINTENDENT OF OPERATIONS</b>
<b>GEOFF SEGER</b>	<b>DEPUTY DIRECTOR – PARKS AND RECREATION</b>

**POLICE DEPARTMENT**

<b>RICK WELLS</b>	<b>POLICE CHIEF</b>
<b>REX HANNAFORD</b>	<b>DEPUTY POLICE CHIEF</b>

**COMMUNITY REDEVELOPMENT AGENCY**

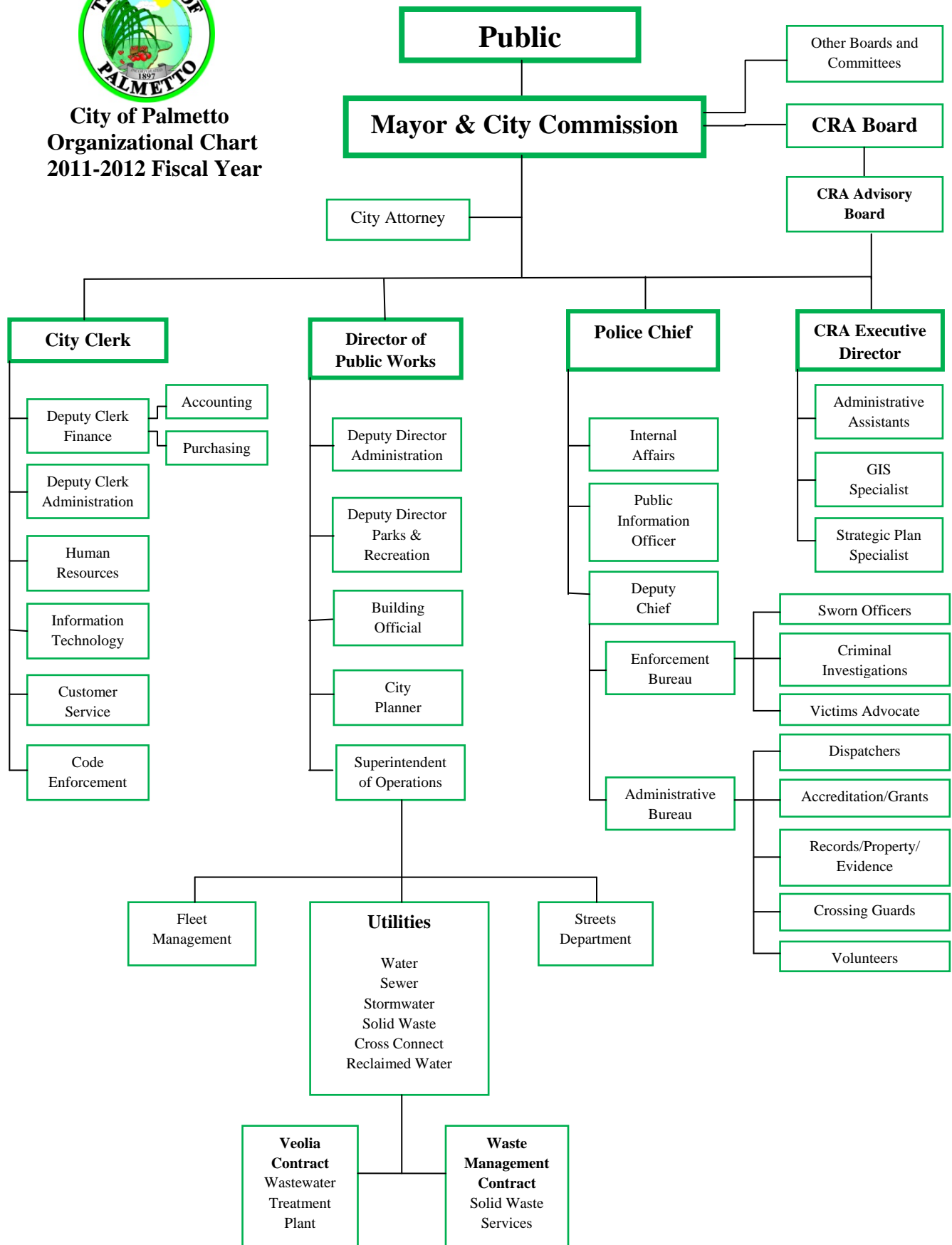
<b>JEFF BURTON</b>	<b>CRA DIRECTOR</b>
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**CITY ATTORNEY**

<b>MARK BARNEBEY</b>	<b>CITY ATTORNEY</b>
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**City of Palmetto  
Organizational Chart  
2011-2012 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2013, 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 13-28, 97-99 and 102-106, 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 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 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 19, 2013



## 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, 2012. 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 29.

### Financial Highlights

At the close of the fiscal year ending September 30, 2012:

- The assets of the City exceeded its liabilities by \$64,911,888 (*net assets*). Of this amount, \$10,077,003 (*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 \$2,996,759, or 4.84% in comparison with the prior year total net assets.
- Total revenues increased a total of \$111,168 or .52% in comparison to prior year. Property taxes, operating grants and other taxes decreased \$208,227, \$209,731 and \$123,015. These decreases were offset by increases in capital grants totaling \$695,826.
- Total expenses decreased \$42,179 or .23% in comparison to prior year.
- The City's governmental funds reported combined ending fund balances of \$13,815,133, a decrease of \$2,602,207 in comparison with the prior year ending balance. Approximately 29.3% of this total amount, \$4,047,702 (*unassigned fund balance*), is available for spending at the City's discretion. Restricted fund balance of \$6,053,851 is restricted for roadway infrastructure, Community Redevelopment Agency (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 \$2,906,347 includes \$1,964,498 in the trailer park trust, and approximately \$800,000 for improvements to the Blackstone Park little league fields.
- At the end of current fiscal year, unassigned fund balance for the general fund was \$4,047,702 or 43% 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 storm water utility system and the reuse utility.

The government-wide financial statements are found on pages 29 through 31 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, 2012 was the Capital Projects fund.

The City's governmental fund financial statements are presented beginning on 32.

### ***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 storm water utility system. The City does not report any internal service funds.

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, storm water utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2012.

The proprietary fund financial statements can be found beginning on page 36 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 40 and 41 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 43 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 97 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 97 through 99.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, begin on page 109.

### **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 \$64,911,888 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Assets found on page 29 of this report:

**City of Palmetto's Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and						
other assets	\$ 14,358,221	15,108,243	4,498,145	5,165,072	18,856,366	20,273,315
Restricted assets	1,315,450	2,833,141	2,324,760	2,382,997	3,640,210	5,216,138
Capital assets, net						
of depreciation	35,959,552	31,156,714	27,670,853	27,225,172	63,630,405	58,381,886
<b>Total assets</b>	<u>51,633,223</u>	<u>49,098,098</u>	<u>34,493,758</u>	<u>34,773,241</u>	<u>86,126,981</u>	<u>83,871,339</u>
Current and other						
liabilities	945,493	550,094	1,017,419	1,556,252	1,962,912	2,106,346
Non-current						
liabilities	7,269,786	7,289,684	11,982,395	12,560,180	19,252,181	19,849,864
<b>Total liabilities</b>	<u>8,215,279</u>	<u>7,839,778</u>	<u>12,999,814</u>	<u>14,116,432</u>	<u>21,215,093</u>	<u>21,956,210</u>
<b>Net Assets</b>						
Investment in						
capital assets net						
of related debt	30,654,831	27,139,012	18,570,910	17,638,823	49,225,741	44,777,835
Restricted	5,078,638	8,923,098	530,506	469,719	5,609,144	9,392,817
Unrestricted	7,684,475	5,196,210	2,392,528	2,548,267	10,077,003	7,744,477
<b>Total net assets</b>	<u>\$ 43,417,944</u>	<u>41,258,320</u>	<u>21,493,944</u>	<u>20,656,809</u>	<u>64,911,888</u>	<u>61,915,129</u>

The overall position of the City improved in 2012. 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 2011 by \$2,996,759 or 4.84%. 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, \$49,225,741 or 75.8% reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$5,609,144 or 8.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$10,077,003 or 15.5% 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 \$1,964,498, 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 30 and 31 of this report:

<b>City of Palmetto's Changes in Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>						
Charges for services	\$ 676,684	695,616	7,880,367	7,906,994	8,557,051	8,602,610
Operating grants and contributions	--	209,731	--	--	--	209,731
Capital grants and contributions	1,700,739	304,488	211,618	912,043	1,912,357	1,216,531
General Revenues:						
Property taxes	6,107,019	6,315,246	--	--	6,107,019	6,315,246
Other taxes	3,793,560	3,916,575	--	--	3,793,560	3,916,575
Other	1,018,422	1,014,847	28,288	29,989	1,046,710	1,044,836
<b>Total Revenues</b>	<u>13,296,424</u>	<u>12,456,503</u>	<u>8,120,273</u>	<u>8,849,026</u>	<u>21,416,697</u>	<u>21,305,529</u>
<b>Expenses:</b>						
Governmental Activities:						
General government	2,667,131	2,270,420	--	--	2,667,131	2,270,420
Public safety	4,432,536	4,256,660	--	--	4,432,536	4,256,660
Highways and streets	827,562	960,680	--	--	827,562	960,680
Culture and recreation	823,114	787,011	--	--	823,114	787,011
Intergovernmental services	2,504,506	3,068,007	--	--	2,504,506	3,068,007
Interest on long-term debt	160,217	171,188	--	--	160,217	171,188
Business-type Activities:						
Solid Waste	--	--	1,990,565	1,974,313	1,990,565	1,974,313
Water and Sewer	--	--	4,258,959	4,193,367	4,258,959	4,193,367
Stormwater	--	--	668,659	688,710	668,659	688,710
Reuse	--	--	86,689	91,761	86,689	91,761
<b>Total Expenses</b>	<u>11,415,066</u>	<u>11,513,966</u>	<u>7,004,872</u>	<u>6,948,151</u>	<u>18,419,938</u>	<u>18,462,117</u>
Increases(decreases) in net assets before transfers	1,881,358	942,537	1,115,401	1,900,875	2,996,759	2,843,412
Transfers	278,266	808,543	( 278,266)	( 808,543)	--	--
<b>Increase in net assets</b>	<u>2,159,624</u>	<u>1,751,080</u>	<u>837,135</u>	<u>1,092,332</u>	<u>2,996,759</u>	<u>2,843,412</u>
Net assets-beginning of year as originally stated	41,258,320	39,507,240	20,656,809	19,965,744	61,915,129	59,472,984
Prior period adjustment	--	--	--	( 401,267)	--	( 401,267)
Net assets-beginning of year as restated	<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>
<b>Net assets-end of year</b>	<u>\$ 43,417,944</u>	<u>41,258,320</u>	<u>21,493,944</u>	<u>20,656,809</u>	<u>64,911,888</u>	<u>61,915,129</u>

## **Governmental activities**

Total revenues for governmental activities increased by \$839,921 or 6.7% when compared to the prior year. Although there were reductions in property taxes and other taxes, these losses were more than offset by a significant increase in revenue associated with capital grants. Revenues associated with charges for services remained relatively flat. The net increase in revenues for the current year is the result of the following:

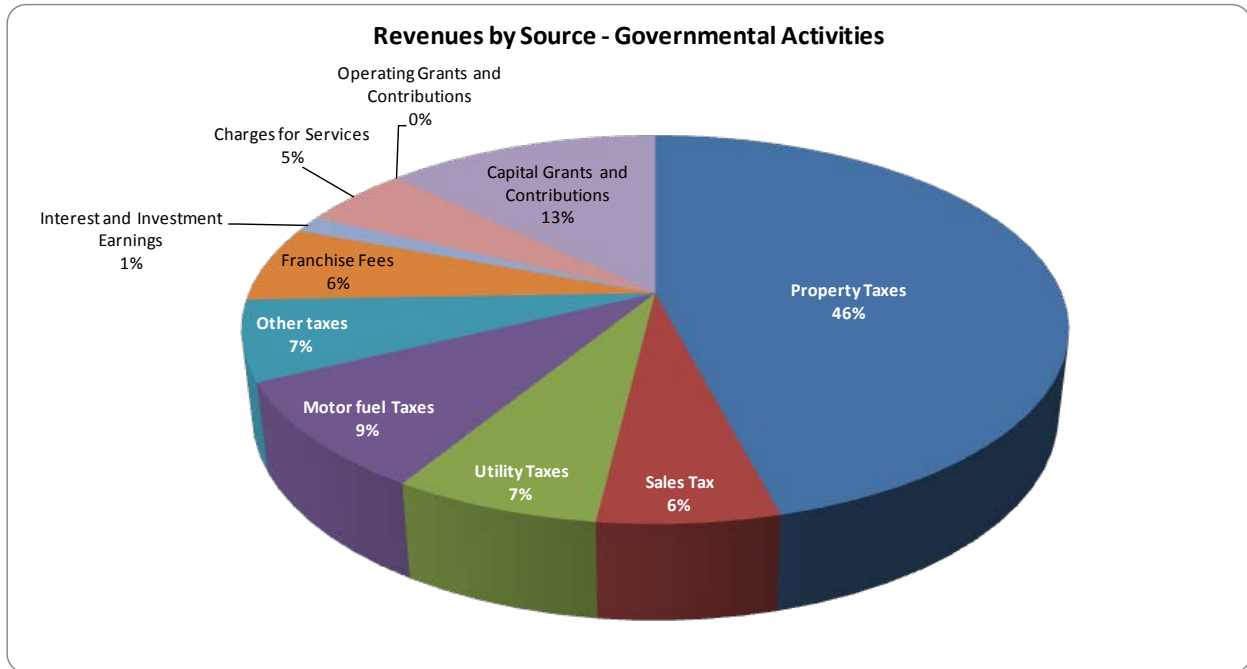
- City property tax revenues declined by \$208,227 or 3.3% due to a decrease in property values. These decreases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County. This was the fourth consecutive year property taxes have declined, but the 3.3% decline was much less than the previous three years.
- Capital grants applicable to governmental activities increased \$1,396,251 or 458% due to several grant related Capital Improvement Plan (CIP) projects that were started or completed during the year. Projects include 5th street revitalization (\$454,000), improvements to 10th St. and 10th Ave.(\$164,000), Haben roundabout (\$351,000), Ward I Phase II (\$268,000) and Energy grants (\$313,000).
- Other taxes decreased \$123,015 to \$3,793,560 compared to the prior year. The half cent sales tax, communication tax, and fuel taxes decreased \$68,000, \$13,000, and \$29,000 respectively.
- Other revenues increased only slightly in comparison to the prior year.

Total expenses for governmental activities decreased \$98,900 or .86% in comparison to the prior year. The decrease in the current year expenses is attributed to:

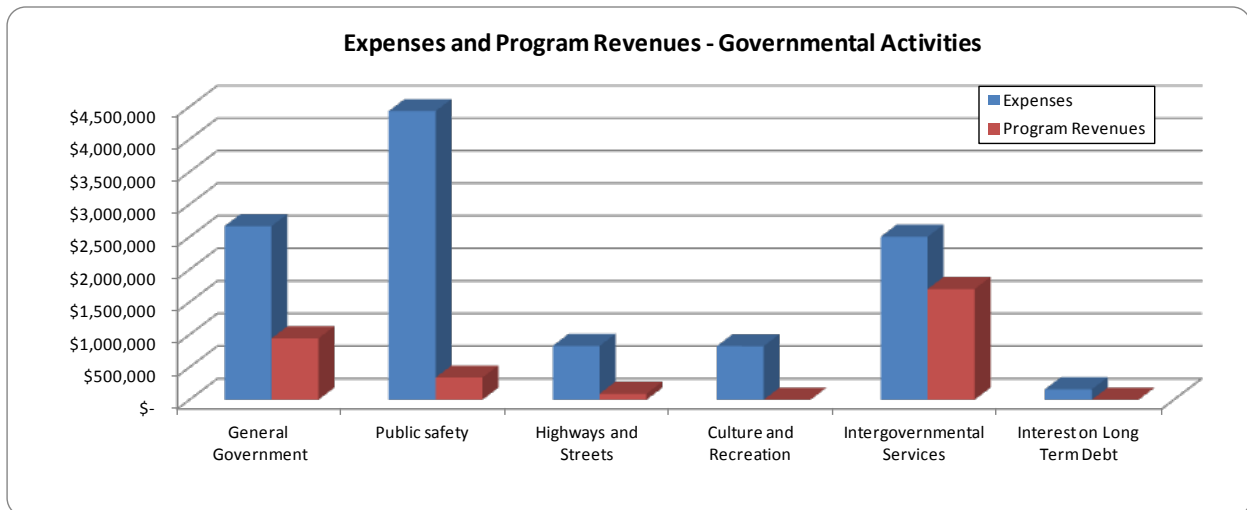
- Reductions in Highways and Streets of \$133,118 accounted for the largest decrease overall. These decreases were largely attributable to the elimination of personnel within the Engineering department.
- Public safety and culture and recreation showed modest increases of \$175,876 and \$36,103 respectively. The increase in public safety was driven by increased pension costs and depreciation for newly acquired police cars and software.
- Remaining expenses related to the general government, intergovernmental services and interest on long term debt categories all showed slight decreases in overall expenses when compared to previous years. These decreases are generally related to frugal spending in overall operating expenses combined with lower interest expenses on debt.



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:



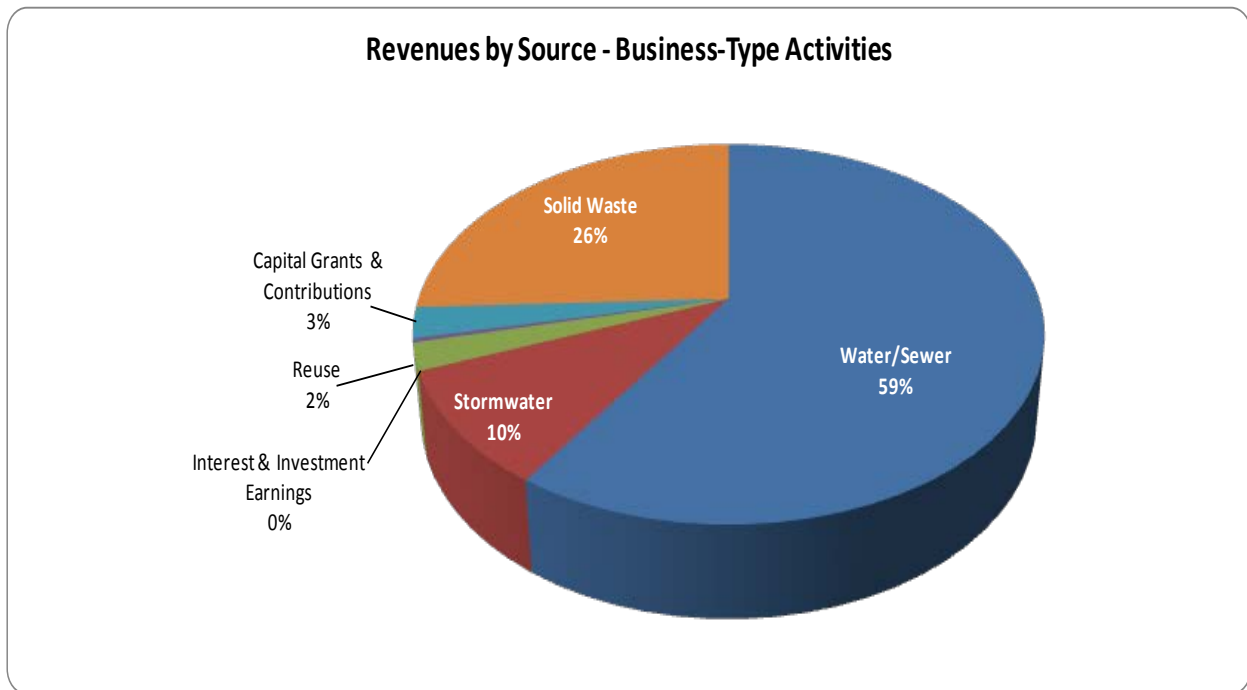
### Business-type Activities

Total revenues decreased by \$728,753 for the current year. This revenue reduction was largely attributed to decreases in capital grant revenue for two grants that were completed last year. Specifically, the Inflow and Infiltration (I&I) grant of \$480,000 and the CDBG grant for Ward I Phase II of \$220,000. Both of these projects received grant revenue last year and did not see any additional revenues or work completed during 2012.

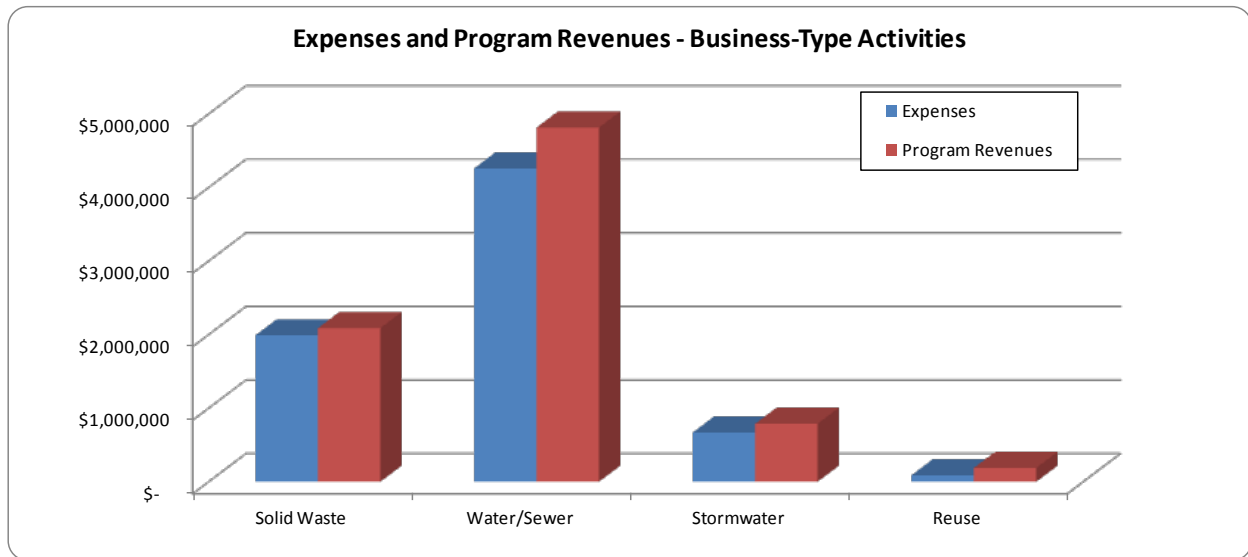
The revenues associated with charges for services and other revenues remained relatively flat in comparison to the prior year.

Total expenses increased by \$56,721 or .82% when compared to the previous year. Expenses in Solid Waste and the Water and Sewer fund were up \$16,252 (.82%) and \$65,592 (1.56%) respectively. CPI increases implemented by Waste Management for garbage and Manatee County for water contributed to the overall increase in expenses. On the other hand, Storm Water and Reuse experienced lower expenses this year primarily due to lower operating and interest expense.

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 32 and 33. 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 \$13,815,133 a decrease of \$2,602,207 compared to the prior year. Approximately 29% of this amount, or \$4,047,702, constitutes *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The CRA fund balance accounted for the majority of the decrease amongst governmental funds and accounted for \$2,234,089 of the \$2,602,207. The reduction in CRA fund balance was anticipated as the spending during the last few years was slower as many projects were in a pre-construction phase. During 2012, these dollars were put to work and monies were spent on projects as anticipated.

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 \$7,616,614, as compared with \$7,656,516 in the previous year.

The breakdown of General Fund fund balance classifications is as follows:

- Unassigned fund balance is \$4,047,702 as compared to \$4,022,971 the previous year.
- Assigned fund balance is \$461,271 of which \$409,860 is assigned for capital improvements such as the new city-wide financial system and facility and security upgrades.
- Committed fund balance is \$1,964,498, all of which is associated with the Trailer Park Trust.
- Restricted fund balance is \$797,181 which includes \$520,959 for the Building department and \$227,204 for impact fees.
- Nonspendable fund balance related inventory is \$345,962.

Revenues for the General Fund decreased by \$336,609 or 3.7%. The largest single decrease in revenue was associated with the CRA reimbursement to the City for certain expenses that are considered above and beyond the normal service provided to residents. This decrease is reflected in the charges for service line and totals \$499,407 in comparison to the prior year. Property taxes also declined in comparison to the previous year, although the decrease was much less drastic compared to prior years. We are hopeful that property values have reached the bottom and we will start to see gradual increases in coming years. The revenue decreases were somewhat offset by increases to certain revenues such as intergovernmental revenues and fines and forfeitures. More specifically, the intergovernmental revenues increased \$227,323 compared to the prior year as a result of additional grant revenues for General Fund projects. In addition fines and forfeitures increased \$71,474 as a result of payments for various liens on distressed properties within the City. Total General Fund expenses decreased by \$88,304 or .9%. This decrease was largely attributable to personnel reductions in the Public Works administration due to vacancy and attrition.

Revenues for the CRA, a blended component unit of the City, decreased \$250,058 or 8.4% compared to the previous year. TIF dollars from the City and County accounted for \$179,155, the majority of this decrease. Total expenses increased by \$2,003,733 to \$4,296,402. Capital outlay for several projects within the CRA accounted for this increase and was expected as many projects began construction during the current year. The total capital outlay increased by \$2,522,723 compared to the previous year. This increase was partially offset by decreases in other expenses such as intergovernmental expenses for reimbursement back to the General Fund for eligible expenses.

Revenues in the Road and Bridge and Capital Projects Funds increased by \$571,200 (41.9%), and \$427,254 (174%) respectively. Both of these increases were attributable to grant revenues for capital projects. Specifically, the Haben roundabout received approximately \$351,000 from FDOT and \$267,000 from CDBG for Ward I phase II. Approximately \$164,000 for 10th Street and 10th Avenue improvements and \$453,000 for the 5th Street revitalization accounted for the increases in the Capital projects fund. Expenses were also up compared to last year in both the Road and Bridge fund and Capital Projects fund. Operating expenses were down and all of the increases were associated with capital outlay for the projects mentioned above.

### **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 36 through 39.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$21,493,944, an increase of \$837,135 in comparison with the prior year. Utility user fee revenue was essentially flat as it was \$26,627 or .34% lower compared to the previous year. Total revenues for the

proprietary funds were \$7,880,367. The gross margin for all enterprise funds decreased from 17.14% last year to 16.63% this year. This slight decrease was a result of lower revenues and slightly higher expenses. Although revenues and expenses remained relatively flat, the overall change in net assets increased by \$837,135 for all proprietary funds.

The Solid Waste Fund had operating income of \$97,995 and an increase in net assets of \$62,333. The total net assets at the end of the current fiscal year, is \$549,391 of which, all is unrestricted.

The Water and Sewer Fund had operating income of \$766,962 for the year, and an increase in net assets of \$380,603. The unrestricted net assets at the end of current fiscal year are \$2,120,555 and the total net assets are \$15,267,351.

The Storm Water Fund had operating income of \$297,606 and an increase in net assets of \$291,675. The storm water 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 \$294,094, which has been improving during the last three years, but declined in the current year. The total net assets are \$3,247,027. The Storm Water 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 \$147,744 and an increase in net assets of \$102,524. The unrestricted net assets at the end of the current fiscal year reflect a positive balance of \$16,676 and the total net assets are \$2,430,175. This is the first time in four years that the unrestricted net assets are positive.

### **General Fund Budget and Actual**

Differences between the original budget and the final amended budget can be found on page 97. Revenues including other financing sources associated with the original and final amended budget were increased by \$113,946. This increase in the revenue budget was associated with approximately \$50,000 more in property taxes and an increase of approximately \$54,000 in miscellaneous revenue due to a refund of insurance premium and the sale of police vehicles. The original General Fund budget anticipated increasing the General Fund's fund balance by \$286,057 after transfers. The final amended budget anticipated decreasing the General Fund's fund balance per the final amended budget by \$433,539 after transfers. This was due to additional capital expenses related to the energy grant that were initially excluded from the original budget. The actual budget ended up decreasing the fund balance by \$39,902 which is much less than anticipated. Lower than expected expenses in capital outlay and Public Works Administration were largely responsible for the favorable variance.

Actual revenues excluding other financing sources were more than final budgetary estimates by \$11,431. Actual revenues for sales taxes, utility taxes, fines and forfeitures, and interest contributed to the positive revenue variance. In particular, investment earnings for the trailer park trust (a non-budgeted item) accounted for approximately \$93,000 of this positive revenue variance for interest and investment income. Actual expenditures were less than budgetary estimates by \$442,699 or 4.5% and can be attributed to position vacancies in Public Works and Police department and conservative spending Citywide.

## **Capital Assets and Debt**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$63,630,405 (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 \$5,248,519 or 8.99%. Factors contributing to the increase in capital assets include the purchase of the old Shell station and the bank-owned Cadence property at the Riverside gateway. In addition the City purchased five new patrol cars, a street sweeper, and installed several HVAC units as part of a energy grant. Infrastructure upgrades of approximately \$800,000 included upgrades to Sutton Park and improvements to 10th St. and 10th Ave.

The 2012 Capital Improvement Plan (CIP) was approved by the Commission on October 17, 2011 in the amount of \$8,298,346.

The CRA also budgeted approximately \$1,900,000 for other capital improvements within the CRA district.

The following projects had 2012 expenditures > \$50,000:

#### **City Capital Projects**

- Ward I Phase II construction - approximately \$1,600,000
- 10<sup>th</sup> Street and 10<sup>th</sup> Avenue - approximately \$164,000 for the completion of construction started in fiscal year 2010 of additional turn lanes, resurfacing and other enhancements.
- Haben Blvd Roundabout- \$400,000 for construction
- Aquafier Storage and Recovery Well (ASR)- \$117,000 for initial design and preliminary construction.
- Waste Water Treatment Plant- \$350,000 for Lift station repairs, treatment plant equipment upgrades and other repairs

#### **CRA**

- 5th Street Streetscape- Approximately \$1,500,000 for streetscape and low impact design storm water improvements. Approximately \$500,000 was paid for by SWFMD as part of a grant.
- Sutton Park- Approximately \$700,000 for improvements to Sutton park which included new lighting, pavers and a raised walkway/stage.
- MLK Park- Approximately \$36,000 for property acquisition and initial engineering for the park design.

**City of Palmetto's Capital Assets**  
(Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 5,197,467	3,835,930	279,415	279,415	5,476,882	4,115,345
Buildings	195,821	273,979	224,798	239,244	420,619	513,223
Improvements other than buildings	--	--	24,020,546	23,690,243	24,020,546	23,690,243
Machinery and equipment	1,940,546	1,529,654	910,521	804,080	2,851,067	2,333,734
Infrastructure	24,478,917	23,624,689	--	--	24,478,917	23,624,689
Construction in progress	4,146,801	1,892,462	2,235,573	2,212,190	6,382,374	4,104,652
Total	<u>\$ 35,959,552</u>	<u>31,156,714</u>	<u>27,670,853</u>	<u>27,225,172</u>	<u>63,630,405</u>	<u>58,381,886</u>

Additional information on the City's capital assets is presented in Notes I thru IV, E beginning on page 61 of this report.

**Long-term debt**

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$19,252,181 (including compensated absences of \$693,303). 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 \$1,917,796 as of September 30, 2012. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Storm Water revenues, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$511,953 in outstanding capital leases as of September 30, 2012.

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 \$3,076,500 as of September 30, 2012. 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Bank Qualified Loans						
2004 Loan	\$ 409,049	434,776	1,453,877	1,545,319	1,862,926	1,980,095
2005 Loan	996,527	1,051,359	4,011,144	4,231,852	5,007,671	5,283,211
2007 Loan	1,113,067	1,163,337	3,340,035	3,490,882	4,453,102	4,654,219
SRF Loans	--	--	1,509,929	1,653,105	1,509,929	1,653,105
CRA Loan	3,076,500	3,296,250	--	--	3,076,500	3,296,250
Total loans	\$ 5,595,143	5,945,722	10,314,985	10,921,158	15,910,128	16,866,880
Capital Leases	472,791	208,150	39,162	50,444	511,953	258,594
Total loans and leases	\$ 6,067,934	6,153,872	10,354,147	10,971,602	16,422,081	17,125,474

See Note IV, F, and G on pages 64 through 75.

### Economic Factors and Next Year's Budget and Rates

The unemployment rate for the North Port/Sarasota/Bradenton area for November 2012 was 9.0%, which is equal to the State unemployment rate for the same time period. The national unemployment rate for the same time period is 7.8% (source: US Department of Labor).

According to the 2010 Census, the City's population was 12,606. As of April 2012, the population is estimated at 12,755, a 1.18% increase since the 2010 census (source: Bureau of Economic and Business Research).

The taxable value of commercial and residential property decreased from \$686,685,657 in fiscal year 2012 to \$652,758,340 for the current FY 2013. This represents a 4.9% decrease in taxable value and is largely attributed to the devaluation of property being experienced statewide. This decrease of 4.9% was less than the 10% decline realized a year ago, but these declines continue to put pressure on the operating budget of the City. Since the City's taxable value peaked in FY 2009, we have seen values decrease by 36% over the last four years. We are hopeful that taxable values in the future will remain flat or even increase slightly based on economic factors and recent trends. The 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 \$5.2171 for fiscal year 2013 increased by 0.0986 mils compared to the prior year. The rate of \$5.2171 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 4.9%.

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 in prior years 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 and fiscal year 2012 resulted in lower premiums for fiscal year 2013. The City also changed

insurance agents towards the end of fiscal year 2011 which also led to favorable results. The City has also enrolled in a new healthcare program through our carrier Blue Cross Blue Shield that will allow the City to receive a refund of premiums paid if claim data remains favorable.

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 several grants during the last year including a \$750,000 grant from Southwest Florida Water Management District (SWFWMD) for low impact storm water design, and a \$500,000 grant for storm water improvements to MLK park. In addition the City received \$300,000 from the West Coast Inland Navigation District (WCIND) for improvements to the boat ramp. The few 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](http://www.palmettofl.org).

CITY OF PALMETTO, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,900,843	1,879,848	13,780,691
Receivables (net of allowance for uncollectible)	781,582	1,123,005	1,904,587
Due from other governments	499,115	--	499,115
Inventory	345,962	--	345,962
Deferred charges	422,504	1,495,292	1,917,796
Net pension asset	408,215	--	408,215
Restricted assets			
Cash and cash equivalents	1,315,450	2,324,760	3,640,210
Capital assets (net of accumulated depreciation)			
Land	5,197,467	279,415	5,476,882
Buildings	195,821	224,798	420,619
Improvements other than buildings	--	24,020,546	24,020,546
Machinery and equipment	1,940,546	910,521	2,851,067
Infrastructure	24,478,917	--	24,478,917
Construction in progress	4,146,801	2,235,573	6,382,374
Total assets	<u>\$ 51,633,223</u>	<u>34,493,758</u>	<u>86,126,981</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	\$ 710,114	402,458	1,112,572
Accrued interest	22,779	74,627	97,406
Unearned revenue	212,000	283	212,283
Customer deposits	600	540,051	540,651
Noncurrent liabilities			
Due within one year	662,591	673,067	1,335,658
Due in more than one year	6,607,195	11,309,328	17,916,523
Total liabilities	<u>8,215,279</u>	<u>12,999,814</u>	<u>21,215,093</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	30,654,831	18,570,910	49,225,741
Restricted	5,078,638	530,506	5,609,144
Unrestricted	7,684,475	2,392,528	10,077,003
Total net assets	<u>43,417,944</u>	<u>21,493,944</u>	<u>64,911,888</u>
Total liabilities and net assets	<u>\$ 51,633,223</u>	<u>34,493,758</u>	<u>86,126,981</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, 2012

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Functions/Programs	Expenses	Indirect Expenses Allocation
<b>Primary government</b>		
Governmental activities		
General government	\$ 3,366,656	(699,525)
Public safety	4,432,536	-
Highways and streets	827,562	-
Recreation	823,114	-
Intergovernmental	1,804,981	699,525
Interest on long-term debt	160,217	-
Total governmental activities	11,415,066	-
Business-type activities		
Solid Waste	1,990,565	-
Water and Sewer	4,258,959	-
Stormwater	668,659	-
Reuse	86,689	-
Total business-type activities	7,004,872	-
Total primary government	\$ 18,419,938	-

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

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities	
243,076	--	--	( 2,424,055)	--	( 2,424,055)
340,888	--	--	( 4,091,648)	--	( 4,091,648)
92,720	--	--	( 734,842)	--	( 734,842)
--	--	--	( 823,114)	--	( 823,114)
--	--	1,700,739	( 803,767)	--	( 803,767)
--	--	--	( 160,217)	--	( 160,217)
676,684	--	1,700,739	( 9,037,643)	--	( 9,037,643)
2,088,560	--	--	--	97,995	97,995
4,815,175	--	181,693	--	737,909	737,909
788,563	--	29,925	--	149,829	149,829
188,069	--	--	--	101,380	101,380
7,880,367	--	211,618	--	1,087,113	1,087,113
8,557,051	--	1,912,357	( 9,037,643)	1,087,113	( 7,950,530)
General revenues					
Property taxes			6,107,019	--	6,107,019
Sales taxes			793,591	--	793,591
Utility taxes			910,783	--	910,783
Motor fuel taxes			1,202,520	--	1,202,520
Other taxes			886,666	--	886,666
Franchise fees			840,158	--	840,158
Interest and investment earnings			178,264	28,288	206,552
Transfers			278,266	( 278,266)	--
Total general revenues and transfers			11,197,267	( 249,978)	10,947,289
Increases in net assets			2,159,624	837,135	2,996,759
Net assets - beginning			41,258,320	20,656,809	61,915,129
Net assets - ending			\$ 43,417,944	21,493,944	64,911,888

CITY OF PALMETTO, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2012

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,770,173	2,297,518	1,904,089	929,063	11,900,843
Receivables (net of allowance for uncollectible)	516,392	1,407	182,688	--	700,487
Due from other governments	99,097	--	168,391	312,722	580,210
Inventory	345,962	--	--	--	345,962
Cash - restricted	238,343	634,409	101,894	340,804	1,315,450
Total assets	<u>\$ 7,969,967</u>	<u>2,933,334</u>	<u>2,357,062</u>	<u>1,582,589</u>	<u>14,842,952</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 103,199	66,970	262,788	299,936	732,893
Compensated absences	8,820	--	--	--	8,820
Deposit payable	600	--	--	--	600
Deferred revenue	240,734	--	44,772	--	285,506
Total liabilities	<u>353,353</u>	<u>66,970</u>	<u>307,560</u>	<u>299,936</u>	<u>1,027,819</u>
Fund balances					
Nonspendable	345,962	--	--	--	345,962
Restricted	797,181	2,866,364	2,049,502	340,804	6,053,851
Committed	1,964,498	--	--	941,849	2,906,347
Assigned	461,271	--	--	--	461,271
Unassigned	4,047,702	--	--	--	4,047,702
Total fund balances	<u>7,616,614</u>	<u>2,866,364</u>	<u>2,049,502</u>	<u>1,282,653</u>	<u>13,815,133</u>
Total liabilities and fund balances	<u>\$ 7,969,967</u>	<u>2,933,334</u>	<u>2,357,062</u>	<u>1,582,589</u>	
Adjustments for primary government total net assets					
General capital assets net of accumulated depreciation					35,959,552
Net pension asset					408,215
Unearned revenue				(	212,000)
Deferred revenue					285,506
Other post-employment benefits				(	183,433)
Long term debt for capital lease, compensated absences and loans				(	6,655,029)
Total net assets for governmental activities (page 29)				\$	<u>43,417,944</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, 2012

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 3,403,610	2,703,409	--	--	6,107,019
Sales	793,591	--	--	--	793,591
Utility	910,783	--	--	--	910,783
Motor fuel	14,361	--	1,188,159	--	1,202,520
Other	886,666	--	--	--	886,666
Permits, fees and special assessments	1,023,579	--	--	--	1,023,579
Intergovernmental revenues	390,859	--	638,946	670,934	1,700,739
Fines and forfeitures	101,317	--	--	--	101,317
Charges for services	821,694	--	86,231	--	907,925
Interest and investment earnings	133,143	27,677	16,136	1,308	178,264
Miscellaneous	221,134	6,396	1,210	--	228,740
Impact fees	7,332	--	5,279	--	12,611
Total revenues	8,708,069	2,737,482	1,935,961	672,242	14,053,754
<b>EXPENDITURES</b>					
Current					
General government	2,723,534	--	--	--	2,723,534
Public safety	4,215,246	--	--	--	4,215,246
Highways and streets	--	--	590,527	--	590,527
Recreation	754,781	--	--	--	754,781
Intergovernmental services	938,463	1,421,325	--	--	2,359,788
Capital outlay					
Streets	--	318,442	1,164,807	1,378,200	2,861,449
Other	631,167	2,285,291	205,952	60,337	3,182,747
Debt service principal and interest	149,365	271,344	206,446	--	627,155
Total expenditures	9,412,556	4,296,402	2,167,732	1,438,537	17,315,227
Excess (deficiency) of revenues over (under) expenditures	( 704,487)	( 1,558,920)	( 231,771)	( 766,295)	( 3,261,473)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	732,217	--	37,621	833,132	1,602,970
Transfers out	( 250,632)	( 675,169)	( 398,903)	--	( 1,324,704)
Capital leases	183,000	--	198,000	--	381,000
Total other financing sources (uses)	664,585	( 675,169)	( 163,282)	833,132	659,266
Net change in fund balances	( 39,902)	( 2,234,089)	( 395,053)	66,837	( 2,602,207)
Fund balances - beginning	7,656,516	5,100,453	2,444,555	1,215,816	16,417,340
Fund balances - ending	\$ 7,616,614	2,866,364	2,049,502	1,282,653	13,815,133

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, 2012

---

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

Net change in fund balances - total governmental funds (page 33)	\$ ( 2,602,207)
--	-----------------

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.	4,802,838
---	-----------

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 the current This amount is the net effect of these differences in the treatment of long-term debt and related payments.	85,938
--	--------

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.	( 69,140)
---	-----------

Some revenues reported in the statement of activities do not increase current financial resources.	<u>( 57,805)</u>
--	------------------

Changes in net assets of governmental activities (page 31)	<u><u>\$ 2,159,624</u></u>
--	----------------------------

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2012

	Business-type Activities-Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 498,743	1,304,578	15,335	61,192	1,879,848
Receivables (net of allowance for uncollectible)	204,407	810,071	80,987	27,540	1,123,005
Advances to other funds	--	250,000	--	--	250,000
Total current assets	703,150	2,364,649	96,322	88,732	3,252,853
Noncurrent assets					
Restricted cash and investments					
Cash - capital projects	--	--	34,240	--	34,240
Loan proceeds	--	225,873	584,969	443,362	1,254,204
Loan covenant accounts	--	--	189,759	1,346	191,105
Impact fees	--	305,160	--	--	305,160
Customer deposits	--	540,051	--	--	540,051
Deferred charges	--	824,821	486,993	183,478	1,495,292
	--	1,895,905	1,295,961	628,186	3,820,052
Capital assets					
Land	--	4,815	274,600	--	279,415
Buildings	--	493,516	--	--	493,516
Improvements other than buildings	--	27,075,463	8,561,928	2,644,004	38,281,395
Machinery and equipment	210,517	2,085,916	52,923	--	2,349,356
Construction in progress	--	934,724	429,113	871,736	2,235,573
Less accumulated depreciation	( 210,517)	( 13,135,178)	( 2,147,065)	( 475,642)	( 15,968,402)
Total capital assets (net of accumulated depreciation)	--	17,459,256	7,171,499	3,040,098	27,670,853
Total noncurrent assets	--	19,355,161	8,467,460	3,668,284	31,490,905
Total assets	\$ 703,150	21,719,810	8,563,782	3,757,016	34,743,758

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

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2012

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 139,957	128,989	93,569	39,943	402,458
Accrued interest payable	--	29,126	38,388	7,113	74,627
Advances from other funds	--	--	225,000	25,000	250,000
Compensated absences	3,011	14,868	6,469	--	24,348
Unearned revenue	--	283	--	--	283
Capital leases payable-current	--	15,374	--	--	15,374
Loans payable-current	--	263,572	314,036	55,737	633,345
Total current liabilities payable from unrestricted assets	142,968	452,212	677,462	127,793	1,400,435
Current liabilities payable from restricted assets					
Customer deposits payable	--	540,051	--	--	540,051
Total current liabilities payable from restricted assets	--	540,051	--	--	540,051
Total current liabilities	142,968	992,263	677,462	127,793	1,940,486
Noncurrent liabilities					
Loans payable	--	4,540,760	4,125,310	1,015,570	9,681,640
Interest rate swap contracts	--	824,821	486,993	183,478	1,495,292
Other post-employment benefits	1,761	26,225	7,582	--	35,568
Compensated absences	9,030	44,602	19,408	--	73,040
Capital leases payable	--	23,788	--	--	23,788
Total noncurrent liabilities	10,791	5,460,196	4,639,293	1,199,048	11,309,328
Total liabilities	153,759	6,452,459	5,316,755	1,326,841	13,249,814
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	--	12,841,635	3,317,122	2,412,153	18,570,910
Restricted for					
Capital improvements	--	--	34,240	--	34,240
Debt service	--	--	189,759	1,346	191,105
Impact fees	--	305,161	--	--	305,161
Unrestricted	549,391	2,120,555	( 294,094)	16,676	2,392,528
Total net assets	\$ 549,391	15,267,351	3,247,027	2,430,175	21,493,944

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, 2012

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Operating revenues					
Charges for sales and services					
Garbage and trash pickup	\$ 2,052,971	--	--	--	2,052,971
Water sales	--	2,514,570	--	--	2,514,570
Sewer charges	--	2,105,171	--	--	2,105,171
Stormwater fees	--	--	772,723	--	772,723
Reuse fees	--	--	--	183,360	183,360
Installation and connection charges	--	7,100	--	--	7,100
Penalties and check charges	35,293	104,255	14,976	4,709	159,233
Miscellaneous	296	84,079	864	--	85,239
Total revenues	<u>2,088,560</u>	<u>4,815,175</u>	<u>788,563</u>	<u>188,069</u>	<u>7,880,367</u>
Operating expenses					
Cost of sales and services	1,990,565	3,571,336	344,691	4,417	5,911,009
Depreciation	--	476,877	146,266	35,908	659,051
Total operating expenses	<u>1,990,565</u>	<u>4,048,213</u>	<u>490,957</u>	<u>40,325</u>	<u>6,570,060</u>
Operating income	<u>97,995</u>	<u>766,962</u>	<u>297,606</u>	<u>147,744</u>	<u>1,310,307</u>
Nonoperating revenues (expenses)					
Interest earnings	3,553	21,834	1,757	1,144	28,288
Interest expense	--	( 212,934)	( 177,702)	( 46,364)	( 437,000)
Gain on sale of capital assets	--	2,188	--	--	2,188
Total nonoperating revenues (expenses)	<u>3,553</u>	<u>( 188,912)</u>	<u>( 175,945)</u>	<u>( 45,220)</u>	<u>( 406,524)</u>
Income before capital contributions and transfers	101,548	578,050	121,661	102,524	903,783
Capital contributions - impact fees	--	23,785	--	--	23,785
Capital contributions - grants	--	157,908	29,925	--	187,833
Transfers in	--	--	242,850	--	242,850
Transfers out	<u>( 39,215)</u>	<u>( 379,140)</u>	<u>( 102,761)</u>	<u>--</u>	<u>( 521,116)</u>
Change in net assets	62,333	380,603	291,675	102,524	837,135
Total net asset - beginning	<u>487,058</u>	<u>14,886,748</u>	<u>2,955,352</u>	<u>2,327,651</u>	<u>20,656,809</u>
Total net assets - ending	<u>\$ 549,391</u>	<u>15,267,351</u>	<u>3,247,027</u>	<u>2,430,175</u>	<u>21,493,944</u>

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

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2012

	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total Proprietary</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 2,094,409	5,118,886	709,422	116,938	8,039,655
Payments to suppliers	( 2,063,358)	( 2,648,210)	( 67,093)	( 4,417)	( 4,783,078)
Payments to employees	( 61,890)	( 912,613)	( 267,859)	--	( 1,242,362)
Net cash provided (used) by operating activities	( 30,839)	1,558,063	374,470	112,521	2,014,215
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Transfers from other funds	--	--	242,850	--	242,850
Transfers to other funds	( 39,215)	( 379,140)	( 102,761)	--	( 521,116)
Net cash provided (used) by noncapital and related financing activities	( 39,215)	( 379,140)	140,089	--	( 278,266)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	--	( 1,014,101)	( 183,130)	( 314,622)	( 1,511,853)
Capital contributions	--	--	29,925	--	29,925
Impact fee capital contributions	--	23,785	--	--	23,785
Grant capital contributions	--	157,908	--	--	157,908
Payments on capital lease obligations	--	( 11,282)	--	--	( 11,282)
Principal paid on capital debt	--	( 251,236)	( 301,724)	( 53,213)	( 606,173)
Interest paid on capital debt	--	( 215,243)	( 181,193)	( 46,901)	( 443,337)
Net cash used by capital and related financing activities	--	( 1,310,169)	( 636,122)	( 414,736)	( 2,361,027)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends received	3,553	21,834	1,757	1,144	28,288
Net cash provided by investing activities	3,553	21,834	1,757	1,144	28,288
Net decrease in cash and cash equivalents	( 66,501)	( 109,412)	( 119,806)	( 301,071)	( 596,790)
Cash and cash equivalents - October 1	565,244	2,485,074	944,109	806,971	4,801,398
Cash and cash equivalents - September 30	\$ 498,743	2,375,662	824,303	505,900	4,204,608
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH \PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income	\$ 97,995	766,962	297,606	147,744	1,310,307
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	--	476,877	146,266	35,908	659,051
(Increase) decrease in accounts receivable	5,849	110,211	48,242	( 1,131)	163,171
Decrease in prepaid expenses	885	6,634	2,211	--	9,730
Decrease in due from other funds	--	195,000	--	--	195,000
Increase (decrease) in accounts payable and accrued liabilities	( 135,568)	( 9,647)	5,145	--	( 140,070)
Decrease in due to other funds	--	--	( 125,000)	( 70,000)	( 195,000)
Increase in customer deposits	--	12,026	--	--	12,026
Total adjustments	( 128,834)	791,101	76,864	( 35,223)	703,908
Net cash provided (used) by operating activities	\$ ( 30,839)	1,558,063	374,470	112,521	2,014,215
Detail of cash and equivalents at September 30:					
Cash and equivalents	\$ 498,743	1,304,578	15,335	61,192	1,879,848
Restricted cash:					
Cash - Capital projects	--	--	34,240	--	34,240
Loan proceeds	--	225,873	584,969	143,362	954,204
Loan covenant accounts	--	--	189,759	1,346	191,105
Impact fees	--	305,160	--	--	305,160
Customer deposits	--	540,051	--	--	540,051
Total	\$ 498,743	2,375,662	824,303	205,900	3,904,608
<b>NONCASH CAPITAL ACTIVITIES</b>					
Change in fair market value of interest rate swaps	\$ --	( 24,723)	( 14,131)	( 5,673)	( 44,527)

CITY OF PALMETTO, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2012

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 600	53,901
Accounts receivable	--	380
Interest and dividends receivable	39,248	--
Investments, at fair value		
Money market funds	740,644	--
U. S. government securities	2,506,330	--
Corporate bonds	2,142,932	--
Corporate stocks	10,861,801	--
Alternative investments	1,739,189	--
Total investments	<u>17,990,896</u>	<u>--</u>
Total assets	<u>18,030,744</u>	<u>54,281</u>
<b>LIABILITIES</b>		
DROP payable	<u>419,490</u>	<u>54,281</u>
Total liabilities	<u>419,490</u>	<u>54,281</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits	<u>\$ 17,611,254</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, 2012

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 960,375
Plan members	202,720
State (from the General Fund)	99,466
Miscellaneous	7,800
Total contributions	<u>1,270,361</u>
Investment earnings	
Interest	197,339
Dividends	220,878
Net increase in the fair value of investments	2,308,309
Total investment earnings	<u>2,726,526</u>
Less investment expense	( 115,619)
Net investment earnings	<u>2,610,907</u>
Total additions	<u>3,881,268</u>
<b>DEDUCTIONS</b>	
Benefits	1,355,755
Refunds of contributions	72,980
Administrative expenses	56,701
Total deductions	<u>1,485,436</u>
Change in net assets	<u>2,395,832</u>
Net assets - beginning	<u>15,215,422</u>
Net assets - ending	<u><u>\$ 17,611,254</u></u>

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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

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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 and 2010. 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

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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

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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 interfund 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.

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. A joint capital projects fund, reported within the capital projects fund, is a sub-fund of the capital projects fund and accounts for the same type of activities that have funding sources from the City, CRA and grants.

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

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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 that 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 not 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 *nonoperating* 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 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 nonoperating 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

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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 interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund 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. Interfund 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

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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 and customer deposits.

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

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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 2012 was based on taxable assessed property values totaling \$686,685,657.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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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 2011-2012 fiscal year, the City levied taxes of 5.1185 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 12	Tentative tax levy set and first public hearing
September 26	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.

The General Fund is typically used to liquidate the liability for compensated absences, net pension obligation and net other postemployment benefit obligations for the governmental funds.

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

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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. These funds are assigned by the City Clerk or his designee.
- *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 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 committed fund balance first then assigned and unassigned.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

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

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

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 \$35,959,552 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 5,197,467
Buildings	195,821
Machinery and equipment	1,940,546
Infrastructure	24,478,917
Construction in progress	<u>4,146,801</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ 35,959,552</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 \$6,655,029 difference are as follows:

2004 loan payable	\$ ( 409,049)
2005 loan payable	( 996,527)
2007 loan payable	( 1,113,067)
CRA loan payable	( 3,076,500)
Capital leases payable	( 472,791)
Compensated absences	<u>( 587,095)</u>
Net adjustment to decrease <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ ( 6,655,029)</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the *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 \$4,802,838 difference are as follows:

Capital outlay	\$ 6,044,196
Depreciation expense	( 1,240,529)
Capital assets sales and other	<u>( 829)</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>\$ 4,802,838</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 \$85,938 difference are as follows:

Principal repayments	
Principal payments on long-term bank loans	\$ 350,579
Payments on capital leases	116,359
Capital lease additions	<u>( 381,000)</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>\$ 85,938</u>
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses, therefore, are not reported as expenditures in governmental funds. The details of this \$69,140 difference are as follows:

Change in other post-employment benefits	\$ ( 21,529)
Change in the net pension asset	( 24,627)
Changes in compensated absences	( <u>22,984</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>\$ ( 69,140)</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 \$57,805 difference are as follows:

Change in deferred revenue	\$ ( <u>57,805</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>\$ ( 57,805)</u>

NOTE III — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

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

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

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE III — 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, 2012, expenditures exceeded appropriations at the departmental level, the legal level of budgetary control for the City Attorney Department by \$15,094. These over-expenditures were funded by net savings in other departments.

NOTE IV — DETAILED NOTES ON ALL FUNDS

**A. Deposits and Investments**

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

At September 30, 2012, the carrying amount of the City's primary government deposits was \$17,475,402. This amount includes collateralized certificates of deposit valued at \$3,026,697 the SBA investment of \$322,644, the FMIT investment of \$181,711 and \$2,974,603 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

operating account was \$10,969,749. All deposits are insured by either the Federal Depositary 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.

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2012, 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	\$ 14,737,088	13,721,696	1,015,392	-	-
State Investment Pool	322,644	322,644	-	-	-
US Agencies	5,662,644	3,571,214	957,644	412,215	721,571
Corporate Bonds	2,142,932	146,230	1,037,800	656,160	302,742
Common Stock	10,861,801	10,861,801	-	-	-
Alternative Investments	713,959	713,959	-	-	-
Realty Investments	1,025,230	1,025,230	-	-	-
	<u>\$ 35,466,298</u>	<u>30,362,774</u>	<u>3,010,836</u>	<u>1,068,375</u>	<u>1,024,313</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 \$322,644 in the SBA which is currently rated by Standard and Poor's at AAAM as of September 30, 2012 and \$3,026,697 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, 2012. The City has investments in these bond funds of \$181,711 and \$2,974,603 respectively.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — 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, \$35,010 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$654,097 is in U.S. Government Agency securities with a rating of AA+ with Standard and Poor's; \$1,009,682 is in U.S. Government Agency securities which are not rated; \$110,538 is in corporate bonds with a rating of AA with Standard and Poor's; \$143,829 is in corporate bonds with a rating of AA- with Standard and Poor's; \$466,018 is in corporate bonds with a rating of A+ with Standard and Poor's; \$168,987 is in corporate bonds with a rating of A with Standard and Poor's; \$341,056 is in corporate bonds with a rating of A- with Standard and Poor's; \$85,024 is in corporate bonds with a rating of BBB with Standard and Poor's; \$326,936 is in short term investments not rated; and \$5,346,482 is in common stock not rated.

Of the investments the General Employee' Pension Fund holds, \$576,515 is in U.S Government Agency securities with a rating of AAA with Standard and Poor's; \$231,026 is in U.S Government Agency securities with a rating of AA+ with Standard and Poor's; \$74,059 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$61,360 is in corporate bonds with a rating of AA with Standard and Poor's; \$130,124 is in corporate bonds with a rating of AA- with Standard and Poor's; \$199,825 is in corporate bonds with a rating of A+ with Standard and Poor's; \$301,605 is in corporate bonds with a rating of A with Standard and Poor's; \$60,507 is in corporate bonds with a rating of A- with Standard and Poor's; \$413,708 is in short term investments not rated; \$1,739,189 is in alternative investments not rated; and \$5,515,319 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 qualified 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 any exposure to this type of risk and therefore has no investment policy related to foreign currency risk.



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables**

Receivables and allowances for uncollectible accounts as of September 30, 2012 is \$2,443,330 for the City are as shown below:

	Governmental Funds					Pension Trust
	General	CRA	Road & Bridge	Capital Project	Total	
Accounts	\$ 447,101	--	--	--	447,101	--
Special Assessments	64,856	--	44,771	--	109,627	--
Intergovernmental	99,097	--	92,218	--	191,315	--
Intergovernmental Restricted	--	--	24,042	47,914	71,956	--
Interest and Dividends	4,435	1,407	2,188	--	8,030	39,248
Grants	--	--	187,860	264,808	452,668	--
Gross Receivables	615,489	1,407	351,079	312,722	1,280,697	39,248
Less: Allowance for Uncollectible	--	--	--	--	--	--
Net Total Receivables	<u>\$ 615,489</u>	<u>1,407</u>	<u>351,079</u>	<u>312,722</u>	<u>1,280,697</u>	<u>39,248</u>

	Enterprise Funds					Agency
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total	
Accounts	\$ 310,723	955,516	123,405	42,154	1,431,798	380
Special Assessments	--	422	--	--	422	--
Interest	463	2,639	--	--	3,102	--
Grants	--	104,243	--	--	104,243	--
Gross Receivables	311,186	1,062,820	123,405	42,154	1,539,565	380
Less: Allowance for Uncollectible	( 106,779)	( 252,749)	( 42,418)	( 14,614)	( 416,560)	--
Net Total Receivables	<u>\$ 204,407</u>	<u>810,071</u>	<u>80,987</u>	<u>27,540</u>	<u>1,123,005</u>	<u>380</u>

**C. Inter-fund Receivables, Payables and Transfers**

1. Advances To/From Other Funds

The City reports interfund 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 IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

At September 30, 2012, the Water and Sewer fund had a \$250,000 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	\$ 225,000
Water and Sewer	Reuse	25,000
	Total	<u>\$ 250,000</u>

2. Interfund Transfers

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the following schedule agrees with the interfund 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 interfund transfers as of September 30, 2012, is as follows:

<b>Transfers Out</b>	<b>Transfers In General Fund</b>	<b>Transfers In Capital Projects Fund</b>	<b>Transfers In Road &amp; Bridge Fund</b>	<b>Transfers In Stormwater Fund</b>	<b>Total Transfers</b>
General Fund	\$ --	250,632		-	250,632
CRA Fund	55,048	582,500	37,621	--	675,169
Road and Bridge Fund	206,053	--	--	192,850	398,903
Solid Waste Fund	39,215	--	--	--	39,215
Water and Sewer Fund	329,140	--	--	50,000	379,140
Stormwater Fund	102,761	--	--	--	102,761
Total	<u>\$ 732,217</u>	<u>833,132</u>	<u>37,621</u>	<u>242,850</u>	<u>1,845,820</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**D. Restricted Assets**

The balances of the restricted asset accounts are as follows:

	<b>Governmental Funds</b>				<b>Total</b>
	<b>General</b>	<b>CRA</b>	<b>Road and Bridge</b>	<b>Capital Projects</b>	
Capital Improvement Loan Proceeds	\$ --	--	--	340,804	340,804
CRA Loan Proceeds	--	634,409	--	--	634,409
Contributions - Capital Improvements	11,139	--	6,501	--	17,640
Impact Fees	227,204	--	95,393	--	322,597
Total Governmental Restricted Assets	<u>\$ 238,343</u>	<u>634,409</u>	<u>101,894</u>	<u>340,804</u>	<u>1,315,450</u>

	<b>Proprietary Funds</b>				<b>Total</b>
	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>		
Capital Improvement Loan Proceeds	\$ 225,873	584,969	443,362		1,254,204
Pooled Cash - Capital Projects	--	34,240	--		34,240
Loan Covenants	--	189,759	1,346		191,105
Impact Fees	305,160	--	--		305,160
Customer Deposits	540,051	--	--		540,051
Total Proprietary Restricted Assets	<u>\$ 1,071,084</u>	<u>808,968</u>	<u>444,708</u>		<u>2,324,760</u>
Total Restricted Assets					<u>\$ 3,640,210</u>

**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 2012 and total \$108,721.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Capital asset activity, with the CRA reported separately for illustration purposes, for the year ended September 30, 2012, was as follows:

**Primary Government:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,592,955	--	--	2,592,955
Land - CRA	1,242,975	1,361,537	--	2,604,512
Construction in progress	1,320,647	1,356,853	( 706,176)	1,971,324
Construction in progress - CRA	571,815	1,622,395	( 18,733)	2,175,477
Total capital assets, not being depreciated:	5,728,392	4,340,785	( 724,909)	9,344,268
Capital assets, being depreciated:				
Buildings	1,947,385	7,700	--	1,955,085
Machinery and equipment	7,031,361	861,200	( 233,741)	7,658,820
Infrastructure	27,223,196	706,475	--	27,929,671
Infrastructure - CRA	5,231,010	852,945	--	6,083,955
Total capital assets, being depreciated:	41,432,952	2,428,320	( 233,741)	43,627,531
Less accumulated depreciation for:				
Buildings	( 1,673,406)	( 85,858)	--	( 1,759,264)
Machinery and equipment	( 5,501,707)	( 449,479)	232,912	( 5,718,274)
Infrastructure	( 8,515,911)	( 667,050)	--	( 9,182,961)
Infrastructure - CRA	( 313,606)	( 38,142)	--	( 351,748)
Total accumulated depreciation	( 16,004,630)	( 1,240,529)	232,912	(17,012,247)
Total capital assets, being depreciated, net	25,428,322	1,187,791	( 829)	26,615,284
Governmental activities capital assets, net	\$ 31,156,714	5,528,576	( 725,738)	35,959,552

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Business-type activities:**

	<b>Restated Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 279,415	--	--	279,415
Construction in progress	2,212,190	877,579	( 854,196)	2,235,573
Total capital assets, not being depreciated:	<u>2,491,605</u>	<u>877,579</u>	<u>( 854,196)</u>	<u>2,514,988</u>
Capital assets, being depreciated:				
Buildings	493,516	--	--	493,516
Machinery and equipment	2,136,585	212,771	--	2,349,356
Improvements other than buildings	37,412,817	868,578	--	38,281,395
Total capital assets, being depreciated:	<u>40,042,918</u>	<u>1,081,349</u>	<u>--</u>	<u>41,124,267</u>
Less accumulated depreciation for:				
Buildings	( 254,272)	( 14,446)	--	( 268,718)
Machinery and equipment	( 1,332,505)	( 106,330)	--	( 1,438,835)
Improvements other than buildings	( 13,722,574)	( 538,275)	--	(14,260,849)
Total accumulated depreciation	<u>( 15,309,351)</u>	<u>( 659,051)</u>	<u>--</u>	<u>(15,968,402)</u>
Total capital assets, being depreciated, net	<u>24,733,567</u>	<u>422,298</u>	<u>--</u>	<u>25,155,865</u>
Business-type activities capital assets, net	<u>\$ 27,225,172</u>	<u>1,299,877</u>	<u>( 854,196)</u>	<u>27,670,853</u>

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

**Governmental activities:**

General government	\$ 617,080
Public safety	192,048
Streets and roads	233,856
Intergovernmental services	135,482
Recreation	62,063
Total depreciation for governmental activities	<u>\$ 1,240,529</u>

**Business-type activities:**

Water and sewer	\$ 476,877
Stormwater	146,266
Reuse	35,908
Total depreciation for business-type activities	<u>\$ 659,051</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Construction Commitments**

The City has various active construction projects that are separate from the CRA. At September 30, 2012, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

<b>Capital Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Ward I Phase II	\$ 2,326,975	146,871
Reclaimed Water - ASR Well Design	643,616	72,561
Haben Boulevard Improvements	418,048	3,981
10th and 10th	308,704	2,455
23rd Street Realignment	257,020	837
13th Street Drainage	118,314	5,931
Other Projects	134,220	69,529
	<u>4,206,897</u>	<u>302,165</u>
<b>CRA Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
5th Street	\$ 1,541,617	204,219
Haben Boulevard Improvements	95,300	--
Ward I Phase II - Engineering	392,020	3,000
Other Projects	146,540	40,640
	<u>2,175,477</u>	<u>247,859</u>
<b>Total</b>	<b><u>\$ 6,382,374</u></b>	<b><u>\$ 550,024</u></b>

**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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2012, are as follows:

	Year Ended September 30, 2012		
	Governmental Activities	Business-type Activities	Total
<b>Asset:</b>			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 503,941	--	503,941
Heavy Duty & Equipment	--	251,886	251,886
Office Systems	72,921	--	72,921
Less: Accumulated Depreciation	( 180,176)	( 19,148)	( 199,324)
Total leases	<u>\$ 396,686</u>	<u>232,738</u>	<u>629,424</u>

During the fiscal year ending September 30, 2012, lease payments were made totaling \$135,536 which includes principal payments of \$127,641 and \$7,895 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities	Total
2013	\$ 164,649	16,206	180,855
2014	153,464	16,206	169,670
2015	120,483	8,103	128,586
2016	49,342	--	49,342
Total minimum lease payments	487,938	40,515	528,453
Less: amount representing interest	( 15,147)	( 1,353)	( 16,500)
Present value of minimum lease payments	<u>\$ 472,791</u>	<u>39,162</u>	<u>511,953</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — 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, 2012, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$45,492. 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, 2012, loan payments were made totaling \$5,130 which includes principal payments of \$3,598 and \$1,532 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>
2013	\$ 3,714	1,417	5,131
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	2,524	40	2,564
Total	<u>\$ 45,492</u>	<u>8,373</u>	<u>53,865</u>



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — 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, 2012, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$1,464,437. 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, 2012, loan payments were made totaling \$187,130 which includes principal payments of \$139,578 and \$47,552 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>
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>\$ 1,464,437</u>	<u>219,734</u>	<u>1,684,171</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 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,

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2012, loan payments were made totaling \$200,423 which includes principal payments of \$117,169 and \$83,254 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, 2012 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:

<b>Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>City-wide</b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ 26,930	16,608	95,717	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	23,186	124	81,863	443	105,616
Total	<u>\$ 409,049</u>	<u>106,850</u>	<u>1,453,877</u>	<u>379,942</u>	<u>2,349,718</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**2005 Bank of America Loan**

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

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

During the fiscal year ending September 30, 2012, loan payments were made totaling \$499,482 which includes principal payments of \$275,540 and \$223,942 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, 2012, 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 IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-wide</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 57,663	43,186	232,125	173,831	506,805
2014	60,128	40,910	242,021	164,668	507,727
2015	62,821	38,540	252,860	155,126	509,347
2016	65,540	36,059	263,806	145,141	510,546
2017	68,388	33,474	275,270	134,737	511,869
2018	71,719	30,784	288,678	123,910	515,091
2019	74,919	27,957	301,559	112,531	516,966
2020	78,140	24,999	314,525	100,625	518,289
2021	81,699	21,921	328,850	88,235	520,705
2022	85,352	18,701	343,554	75,273	522,880
2023	89,114	15,333	358,696	61,719	524,862
2024	93,199	11,822	375,137	47,587	527,745
2025	97,346	8,148	391,831	32,795	530,120
2026	10,499	668	42,232	2,691	56,090
Total	<u>\$ 996,527</u>	<u>352,502</u>	<u>4,011,143</u>	<u>1,418,869</u>	<u>6,779,041</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, 2012, loan payments were made totaling \$393,992 which includes principal payments of \$201,117 and \$192,875 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The allocation at September 30, 2012, 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>
2013	\$ 52,637	47,054	157,950	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	24,616	270	74,647	809	100,342
Total	<u>\$ 1,113,067</u>	<u>411,167</u>	<u>3,340,035</u>	<u>1,233,495</u>	<u>6,097,764</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 5<sup>th</sup> 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 upon the pledged Tax Increment Funding revenues.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2012, loan payments were made totaling \$262,045 which includes principal payments of \$219,750 and \$42,295 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,076,500</u>	<u>1,096,004</u>	<u>4,172,504</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 the financial statements using the accrual basis of accounting and provide transparency in the financial statements by reporting the fair market value of the derivatives.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 66-70. The fair value and changes in fair value of the interest rate swap contracts are as follows:

	<b>Changes in Fair Value</b>	<b>Fair Value at September 30, 2012</b>	<b>Notional Value at September 30, 2012</b>
<b>Governmental activities</b>			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ ( 1,665)	( 57,871)	409,049
2005 Loan	( 4,393)	( 160,121)	996,527
2007 Loan	( 6,647)	( 204,512)	1,113,067
Total Governmental activities	( 12,705)	( 422,504)	2,518,643
<b>Business-type activities</b>			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	( 5,957)	( 207,239)	1,453,877
2005 Loan	( 17,573)	( 640,483)	4,011,144
2007 Loan	( 20,997)	( 647,570)	3,340,035
Total Business-type activities	( 44,527)	( 1,495,292)	8,805,056
Total interest rate swaps	\$ ( 57,232)	( 1,917,796)	11,323,699

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,917,797 as of September 30, 2012. 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.

Credit risk – As of September 30, 2012 the City was not exposed to credit risk because the swap had a negative fair value.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2012, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$11,329,484.

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, 2012, no amounts were earned that are required to be rebated to the U.S. Treasury for 2012.

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

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



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2012:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Governmental activities:</b>					
Long-term bank loans					
2004 loan	\$ 434,776	--	25,727	409,049	26,930
2005 loan	1,051,359	--	54,832	996,527	57,663
2007 loan	1,163,337	--	50,270	1,113,067	52,637
CRA loan	3,296,250	--	219,750	3,076,500	219,750
Total long-term bank loans	<u>5,945,722</u>	<u>--</u>	<u>350,579</u>	<u>5,595,143</u>	<u>356,980</u>
Interest rate swap contracts	409,799	12,705	--	422,504	--
Other post-employment benefits	161,904	21,529	--	183,433	--
Capital leases	208,150	381,000	116,359	472,791	156,632
Compensated absences	558,796	67,129	37,143	588,782	147,196
Compensated absences - CRA	5,313	1,820	--	7,133	1,783
Total governmental activity					
long-term liabilities	<u>\$ 7,289,684</u>	<u>484,183</u>	<u>504,081</u>	<u>7,269,786</u>	<u>662,591</u>
	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
<b>Business-type activities:</b>					
Long-term bank loans					
2004 loan	\$ 1,545,319	--	91,442	1,453,877	95,717
2005 loan	4,231,852	--	220,708	4,011,144	232,125
2007 loan	3,490,882	--	150,847	3,340,035	157,950
Total long-term bank loans	<u>9,268,053</u>	<u>--</u>	<u>462,997</u>	<u>8,805,056</u>	<u>485,792</u>
State revolving loans					
Stormwater	1,604,015	--	139,578	1,464,437	143,839
Reuse	49,090	--	3,598	45,492	3,714
Total state revolving loans	<u>1,653,105</u>	<u>--</u>	<u>143,176</u>	<u>1,509,929</u>	<u>147,553</u>
Total loans payable	<u>10,921,158</u>	<u>--</u>	<u>606,173</u>	<u>10,314,985</u>	<u>633,345</u>
Interest rate swap contracts	1,450,765	44,527	--	1,495,292	--
Other post-employment benefits	31,096	4,472	--	35,568	--
Capital leases	50,444	--	11,282	39,162	15,374
Compensated absences	106,717	13,890	23,219	97,388	24,348
Total business-type activities					
long-term liabilities	<u>\$ 12,560,180</u>	<u>62,889</u>	<u>640,674</u>	<u>11,982,395</u>	<u>673,067</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — 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	\$ 345,962
<b>General Fund subtotal</b>	<b>\$ 345,962</b>
<b>Total Nonspendable Fund Balances</b>	<b>\$ 345,962</b>

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

***General Fund***

Building Department - used to fund operations	\$ 520,959
Impact fees - used to fund growth in General Government, Law Enforcement and Parks and Recreation	227,204
Special law enforcement reserve	33,599
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the city's cemetery	11,139
Grant related encumbrances	4,280
<b>General Fund subtotal</b>	<b>\$ 797,181</b>

***Community Redevelopment Agency Fund***

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

Loan proceeds - for capital improvements	\$ 634,409
General operating expenses	2,231,955
<b>Community Redevelopment Agency Fund subtotal</b>	<b>\$ 2,866,364</b>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

***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	\$ 352,162
Impact fees - for the growth in transportation	95,393
Bocage legal settlement	6,501
General operating expenses	<u>1,595,446</u>

**Road and Bridge Fund subtotal** \$ 2,049,502

***Capital Projects Fund***

Loan Proceeds - for capital improvements	<u>\$ 340,804</u>
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**Capital Projects Fund subtotal** \$ 340,804

**Total Restricted Fund Balances** \$ 6,053,851

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

***General Fund***

Trailer Park Trust - City Commission approval required	<u>\$ 1,964,498</u>
--	---------------------

**General Fund subtotal** \$ 1,964,498

***Capital Projects Fund***

23rd Street Realignment project	\$ 856,855
Other projects	<u>84,994</u>

**Capital Projects Fund subtotal** \$ 941,849

**Total Committed Fund Balances** \$ 2,906,347

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

***General Fund***

Funding for capital improvements	\$ 409,860
Tree reserve - used to replant trees in the City	3,442
Outstanding encumbrances	16,469
Other contingencies	<u>31,500</u>

**Total Assigned Fund Balance** \$ 461,271

- **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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**I. Encumbered Commitments** – The following table lists the outstanding encumbrances at September 30, 2012. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

<b>Governmental Activities</b>					
	<b>General</b>		<b>Road and</b>	<b>Capital</b>	
	<b>Fund</b>	<b>CRA Fund</b>	<b>Bridge</b>	<b>Projects</b>	<b>Total</b>
			<b>Fund</b>	<b>Fund</b>	
Operating Encumbrances	\$ 22,653	90,553	4,533	--	117,739
Operating Capital Projects	--	346,554	200,993	238,974	786,521
Capital Improvement Projects (CIP)	--	--	--	21,411	21,411
Total Encumbrances Outstanding	<u>\$ 22,653</u>	<u>437,107</u>	<u>205,526</u>	<u>260,385</u>	<u>925,671</u>
<b>Business-Type Activities</b>					
	<b>Solid</b>	<b>Water</b>			
	<b>Waste</b>	<b>and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
Operating Encumbrances	\$ --	86,198	188	--	86,386
Operating Capital Projects	--	28,617	72,480	35,204	136,301
Capital Improvement Projects (CIP)	--	331,876	34,340	331,313	697,529
Total Encumbrances Outstanding	<u>\$ --</u>	<u>446,691</u>	<u>107,008</u>	<u>366,517</u>	<u>920,216</u>

NOTE V — OTHER INFORMATION

**A. Risk Management**

The City is exposed to risks of loss through various operations such as police, streets, water, sewer, and garbage operations and loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City carries commercial insurance.

The City purchases insurance through carriers, primarily, the Florida League of Cities' Florida Municipal Insurance Trust Fund, for large risks, and retains certain risks directly and through the use of deductibles on the insurance policy. The City's limits of insurance are based on the statutory limits of liability of \$100,000, with layering to a maximum of \$1,000,000, 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

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.

**B. Employee Retirement Systems and Pension Plans**

1. Plan Description, Accounting Policies and Contribution Information

The City maintains two single-employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members and administrative expenses of the respective plans. The Plans are administered by a separate Board of Trustees.

The City Commission approves all plan provisions and amendments. These plans are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law requires contributions to be determined by actuarial studies at least every three years; however, the City has elected to obtain these studies each year. Stand-alone financial reports are not issued. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The Plans have adopted Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as amended by Statement No. 50, *Pension Disclosures*. In addition to other disclosures, the GASB requires for the current year and each of the two preceding years, annual pension cost, percentage of annual pension cost contributed and the net pension obligation at the end of the year. This information is presented later in this note.

A schedule of funding progress and employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP)

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

	<u>As of September 30, 2011</u>	<u>As of September 30, 2012</u>
Retirees, beneficiaries, and DROP participants		
receiving benefits	58	61
Terminated employees entitled to,		
But not yet receiving benefits	3	3
Active Plan Members	<u>64</u>	<u>66</u>
Total	<u><u>125</u></u>	<u><u>130</u></u>

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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

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, 2012, eight employees were participating in the DROP program and the total liability was \$365,016.

Effective May 19, 2008, the City approved an ordinance creating a partial lump sum option plan (PLOP). This plan allows a retiree to elect to receive 10%, 15%, 20% or 25% of the total value of his retirement benefit as a lump sum with the remaining value of the benefit used to determine the monthly annuity benefit. Since this option is actuarially equal to other options, there is no funding impact in adding this option. This option is an alternative to the Deferred Retirement Option Plan (DROP). The member is not permitted to elect both the DROP and PLOP since such an election would result in a large payment from the plan and would dramatically reduce the monthly lifetime benefit payment to the retiree. There was no expense associated with this program during fiscal year 2012.

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:

	<b><u>As of September 30, 2011</u></b>	<b><u>As of September 30, 2012</u></b>
Retirees, beneficiaries, and DROP participants receiving benefits	24	25
Terminated employees entitled to, But not yet receiving benefits	3	4
Active Plan Members	<u>33</u>	<u>31</u>
Total	<u><u>60</u></u>	<u><u>60</u></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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

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.

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 \$10,377,766.

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, 2012, two sworn officers are participating in the DROP program.

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



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

4. Funding Status and Progress

The amount shown below as the actuarial accrued liability is a measure intended to help users assess (a) a pension fund's funded status on a going concern basis, and (b) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the 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.

There were no changes in benefits or actuarial assumptions for both plans during fiscal year 2012.

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 \$1,836,627 for the Palmetto Police Officers' Pension Plan, determined as follows:

	<u>PGEPP</u>	<u>PPPP</u>
Total actuarial accrued liability	\$ 13,866,925	10,377,766
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>1,836,627</u>
Funding Ratio	65.34%	82.30%

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, 2012 were determined by actuarial valuations dated October 1, 2010 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V— OTHER INFORMATION (CONTINUED)

**Palmetto General Employees' Pension Plan**

For fiscal year 2012, the City was required to contribute to the PGEPP, at the actuarially determined rate of 24.62% 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, 2012, of \$626,711 was computed through an actuarial valuation performed as of October 1, 2010 and the amount of covered payroll. The contribution was made from the following sources: \$593,984 from the City and \$32,727 from prepaid contributions that existed at September 30, 2011.

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 2012, the City and State was required to contribute to the PPPP, at an actuarially determined total rate of 28.59%. 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, 2012, of \$433,130 was computed through an actuarial valuation performed as of October 1, 2009. The contribution was made from the following sources: \$291,637 from the City, \$99,466 from the casualty insurance premiums and \$42,027 from the prepaid contributions that existed at September 30, 2011.

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 2012. Contributions from the State totaled \$99,466 for the fiscal year ended September 30, 2012.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

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

	Palmetto General Employee's <u>Pension Plan</u>	Palmetto Police Officers' <u>Pension Plan</u>
<u>Contribution rates/amounts for fiscal year ended September 30, 2012:</u>		
<u>Per valuation dated October 1, 2010</u>		
City percentage	24.62%	21.83%
State percentage	N/A	6.76%
Employees	5.00%	5.00%
<u>Actual city contributions for fiscal year ended September 30, 2012</u>		
Actual covered payroll	2,540,947	1,512,350
Contributions made	626,711	333,664
Actual percentage of covered payroll	24.66%	22.06%

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

<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	10,377,766
Unfunded AAL	4,806,300	1,836,627
Funded ratio	65.34%	82.30%
Annual covered payroll per valuation	2,629,733	1,505,965
Unfunded AAL as a % of covered payroll	182.77%	121.96%
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 V— OTHER INFORMATION (CONTINUED)

6. Pension Three Year Trend Information as of the latest actuarial valuation:

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Actual Contributions</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
<b><u>PGEPP</u></b>				
9/30/2010	\$ 573,265	\$ 556,459	97.1%	( 269,042)
9/30/2011	676,307	660,373	97.6%	( 253,108)
9/30/2012 *	645,548	626,182	97.0%	( 233,742)
<b><u>PPPP</u></b>				
9/30/2010	\$ 365,337	\$ 361,041	98.8%	( 184,584)
9/30/2011	403,076	398,226	98.8%	( 179,734)
9/30/2012 *	438,391	433,130	98.8%	( 174,473)

\* Amounts for fiscal year 2012 have been estimated pending the receipt of the actuarial data. Calculations are included in Section 8 on page 86.

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

7. Additional information as of the latest actuarial valuation:

**PGEPP**

<b>Employer FYE September</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
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 V— OTHER INFORMATION (CONTINUED)

**PPPP**

<b>Employer FYE September</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
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. City Estimations of NPO

The City estimates the net pension obligation (NPO) as follows:

<b>Employer FYE September 30, 2012</b>	<b>PGEPP</b>	<b>PPPP</b>
Actuarially Determined Contribution	\$ 626,182	433,130
Interest on Net Pension Obligation (NPO)	(18,983)	( 14,379)
Adjustment to Actuarially Determined Contribution	38,349	19,640
Annual Pension Cost (APC)	645,548	438,391
Contributions made	626,182	433,130
Increase (decrease) in NPO	19,366	5,261
NPO at beginning of year	(253,108)	( 179,734)
NPO at end of year	<u>\$ (233,742)</u>	<u>( 174,473)</u>

9. 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, 2012 for each of the pension plan investments is as follows:

	<b>PPPP</b>	<b>PGEPP</b>	<b>Total</b>
Investments, at fair value:			
Money market funds	\$ 326,936	413,708	740,644
U. S. government securities	1,698,789	807,541	2,506,330
Corporate bonds	1,315,452	827,480	2,142,932
Corporate stocks	5,346,482	5,515,319	10,861,801
Alternative investments	--	1,739,189	1,739,189
Total investments	<u>\$ 8,687,659</u>	<u>9,303,237</u>	<u>17,990,896</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

10. Combining state of fiduciary net assets and statement of changes in fiduciary net assets for the defined benefit pension plans are as follows:

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 600	--	600
Interest and dividends receivable	24,169	15,079	39,248
Investments, at fair value			
Money market funds	326,936	413,708	740,644
U. S. government securities	1,698,789	807,541	2,506,330
Corporate bonds	1,315,452	827,480	2,142,932
Corporate stocks	5,346,482	5,515,319	10,861,801
Alternative investments	--	1,739,189	1,739,189
Total investments	<u>8,687,659</u>	<u>9,303,237</u>	<u>17,990,896</u>
Total assets	<u>8,712,428</u>	<u>9,318,316</u>	<u>18,030,744</u>
<b>LIABILITIES</b>			
DROP payable	<u>54,474</u>	<u>365,016</u>	<u>419,490</u>
Total liabilities	<u>54,474</u>	<u>365,016</u>	<u>419,490</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 8,657,954</u>	<u>8,953,300</u>	<u>17,611,254</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 333,664	626,711	960,375
Plan members	75,625	127,095	202,720
State (from the General Fund)	99,466	--	99,466
Miscellaneous	2,802	4,998	7,800
Total contributions	<u>511,557</u>	<u>758,804</u>	<u>1,270,361</u>
Investment earnings			
Interest	109,280	88,059	197,339
Dividends	131,186	89,692	220,878
Net increase in the fair value of investments	1,059,386	1,248,923	2,308,309
Total investment earnings	<u>1,299,852</u>	<u>1,426,674</u>	<u>2,726,526</u>
Less investment expenses	39,258	76,361	115,619
Net investment earnings	<u>1,260,594</u>	<u>1,350,313</u>	<u>2,610,907</u>
Total additions	<u>1,772,151</u>	<u>2,109,117</u>	<u>3,881,268</u>
<b>DEDUCTIONS</b>			
Benefits	543,972	811,783	1,355,755
Refunds of contributions	33,972	39,008	72,980
Administrative expenses	40,572	16,129	56,701
Total deductions	<u>618,516</u>	<u>866,920</u>	<u>1,485,436</u>
Change in net assets	1,153,635	1,242,197	2,395,832
Net assets - beginning	<u>7,504,319</u>	<u>7,711,103</u>	<u>15,215,422</u>
Net assets - ending	<u><u>\$ 8,657,954</u></u>	<u><u>8,953,300</u></u>	<u><u>17,611,254</u></u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

**C. Other Post-Employment Benefits (OPEB)**

**Plan Description**

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

**Funding Policy and Annual OPEB Cost**

Prior to fiscal year 2012, the City directly made 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 was 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. There is no implied subsidy for dental and life insurance since dental insurance costs for covered individuals do not increase with age and life insurance premiums are age-specific.

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 V — OTHER INFORMATION (CONTINUED)

	<b>As of September 30, 2012</b>	<b>As of September 30, 2011</b>
Required contribution rates:		
Employer	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution (ARC)	\$ 56,000	\$ 54,000
Interest on the Net OPEB Obligation	8,000	7,000
Adjustment to the ARC	(17,000)	(14,000)
Annual OPEB Cost	47,000	\$ 47,000
Employer contributions	(21,000)	(20,000)
Interest on Employer Contributions	-	--
Increase in the Net OPEB	\$ 26,000	\$ 27,000
Net OPEB obligation (beginning of year)	193,000	166,000
Net OPEB obligation (end of year)	\$ 219,000	\$ 193,000

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:

<b>Fiscal year ended</b>	<b>Annual OPEB</b>	<b>Percentage of</b>	<b>Net OPEB</b>
September 30, 2010	\$ 117,000	2%	\$ 166,000
September 30, 2011	47,000	43%	193,000
September 30, 2012	47,000	45%	219,000

**Funded Status and Funding Progress**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As % of Covered Payroll</b>
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

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NOTE V — 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

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NOTE V — 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**

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. On February 4, 2013, the City Commission approved the interlocal agreement with Manatee County to remit the funds by April 1, 2013.

On January 7, 2013 the City Commissioners approved Resolution 2013-03 to tentatively end an impasse between the City and the Police Benevolent Association who represents the bargaining unit for the Palmetto Police Department sworn officers. The agreement was sent to, and passed by, the bargaining unit members. The agreement was then ratified by City Commission on February 4, 2013.



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#### REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement 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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 3,355,598	3,404,743	3,403,610	( 1,133)
Sales	752,069	752,069	793,591	41,522
Utility	872,000	872,000	910,783	38,783
Motor fuel	10,000	14,361	14,361	--
Other	890,927	890,927	886,666	( 4,261)
Permits, fees and special assessments	1,024,375	1,042,135	1,023,579	( 18,556)
Intergovernmental revenues	438,368	441,551	390,859	( 50,692)
Fines and forfeitures	53,525	61,748	101,317	39,569
Charges for services	998,563	959,394	821,694	( 137,700)
Interest and investment earnings	36,000	43,750	133,143	89,393
Miscellaneous	151,267	205,755	221,134	15,379
Impact fees	--	8,205	7,332	( 873)
Total revenues	8,582,692	8,696,638	8,708,069	11,431
EXPENDITURES				
Current				
General government				
Commission	203,311	203,311	189,197	14,114
City Clerk	1,600,539	1,695,401	1,650,993	44,408
Finance	503,288	503,714	492,617	11,097
Human resources	108,247	108,247	92,593	15,654
City Attorney	242,040	283,040	298,134	( 15,094)
Total general government	2,657,425	2,793,713	2,723,534	70,179
Public safety				
Police	3,644,403	3,713,887	3,668,388	45,499
Code enforcement	155,970	158,970	156,188	2,782
Planning and zoning	167,028	167,028	158,485	8,543
Building department	223,556	241,316	232,185	9,131
Total public safety	4,190,957	4,281,201	4,215,246	65,955
Recreation				
Parks and recreation	759,680	766,322	754,781	11,541
Intergovernmental services				
Information technology	283,355	285,415	282,915	2,500
Public works administration	676,449	643,259	443,583	199,676
Fleet maintenance	215,024	215,024	211,965	3,059
Total intergovernmental services	1,174,828	1,143,698	938,463	205,235
Capital outlay	312,593	693,459	631,167	62,292
Debt service	176,862	176,862	149,365	27,497
Total expenditures	9,272,345	9,855,255	9,412,556	442,700
Excess (deficiency) of revenues over (under) expenditures	( 689,653)	( 1,158,617)	( 704,487)	454,130
OTHER FINANCING SOURCES (USES)				
Transfers in	792,217	792,217	732,217	( 60,000)
Transfers out	--	( 250,632)	( 250,632)	--
Capital leases	183,493	183,493	183,000	( 493)
Total other financing sources (uses)	975,710	725,078	664,585	( 60,493)
Net change in fund balances	286,057	( 433,539)	( 39,902)	393,637
Fund balances - beginning	7,656,516	7,656,516	7,656,516	--
Fund balances - ending	\$ 7,942,573	7,222,977	7,616,614	393,637

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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 2,709,461	2,703,409	2,703,409	--
Interest and investment earnings	20,000	29,950	27,677	( 2,273)
Miscellaneous	716,763	719,763	6,396	( 713,367)
Total revenues	3,446,224	3,453,122	2,737,482	( 715,640)
EXPENDITURES				
Intergovernmental services	2,041,932	2,485,453	1,421,325	1,064,128
Capital outlay				
Streets	1,107,500	575,000	318,442	256,558
Other	837,500	3,050,199	2,285,291	764,908
Debt service principal and interest	2,273,479	867,877	271,344	596,533
Total expenditures	6,260,411	6,978,529	4,296,402	2,682,127
Excess (deficiency) of revenues over (under) expenditures	( 2,814,187)	( 3,525,407)	( 1,558,920)	1,966,487
OTHER FINANCING USES				
Transfers out	( 55,048)	( 675,169)	( 675,169)	--
Total other financing uses	( 55,048)	( 675,169)	( 675,169)	--
Net change in fund balances	( 2,869,235)	( 4,200,576)	( 2,234,089)	1,966,487
Fund balances - beginning	5,100,453	5,100,453	5,100,453	--
Fund balances - ending	\$ 2,231,218	899,877	2,866,364	1,966,487



## 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, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Motor fuel	\$ 1,205,810	1,205,810	1,188,159	( 17,651)
Intergovernmental revenues	367,000	621,387	638,946	17,559
Charges for services	79,131	85,520	86,231	711
Interest and investment earnings	6,100	16,249	16,136	( 113)
Miscellaneous	654	1,210	1,210	--
Impact fees	--	4,846	5,279	433
Total revenues	1,658,695	1,935,022	1,935,961	939
EXPENDITURES				
Highways and streets	642,374	665,173	590,527	74,646
Capital outlay				
Streets	367,000	1,311,573	1,164,807	146,766
Other	200,000	207,359	205,952	1,407
Debt service principal and interest	226,936	226,936	206,446	20,490
Total expenditures	1,436,310	2,411,041	2,167,732	243,309
Excess (deficiency) of revenues over (under) expenditures	222,385	( 476,019)	( 231,771)	244,248
OTHER FINANCING SOURCES (USES)				
Transfers in	--	37,621	37,621	--
Transfers out	( 356,053)	( 398,903)	( 398,903)	--
Capital leases	200,000	200,000	198,000	( 2,000)
Total other financing sources (uses)	( 156,053)	( 161,282)	( 163,282)	( 2,000)
Net change in fund balances	66,332	( 637,301)	( 395,053)	242,248
Fund balances - beginning	2,444,555	2,444,555	2,444,555	--
Fund balances - ending	\$ 2,510,887	1,807,254	2,049,502	242,248



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#### REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement 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

---

<b>Year Ended September 30,</b>	<b>(1) Annual Required Contribution (ARC)</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
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	10,378	1,837	82.3%	1,506	122.0%
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

---

<b>Year Ended September 30,</b>		<b>Annual Required Contribution (ARC)</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contributed</b>
2011		398,227	296,359	101,867	100.0%
2010	(1)	361,041	259,174	101,867	100.0%
2009		288,289	186,422	101,867	100.0%
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

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As % of Covered Payroll</b>
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 AND SCHEDULES

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 FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2012

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 1,213,111	1,800,611	670,934	( 1,129,677)
Interest and investment earnings	--	--	1,308	1,308
Total revenues	<u>1,213,111</u>	<u>1,800,611</u>	<u>672,242</u>	<u>( 1,128,369)</u>
<b>EXPENDITURES</b>				
Capital outlay				
Streets	2,732,662	3,320,162	1,378,200	1,941,962
Other	<u>222,113</u>	<u>472,745</u>	<u>60,337</u>	<u>412,408</u>
Total expenditures	<u>2,954,775</u>	<u>3,792,907</u>	<u>1,438,537</u>	<u>2,354,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 1,741,664)</u>	<u>( 1,992,296)</u>	<u>( 766,295)</u>	<u>1,226,001</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,218,493	2,051,625	833,132	( 1,218,493)
Issuance of debt	<u>80,770</u>	<u>80,770</u>	<u>--</u>	<u>( 80,770)</u>
Total other financing sources	<u>1,299,263</u>	<u>2,132,395</u>	<u>833,132</u>	<u>( 1,299,263)</u>
Net change in fund balances	<u>( 442,401)</u>	<u>140,099</u>	<u>66,837</u>	<u>( 73,262)</u>
Fund balances - beginning	<u>1,215,816</u>	<u>1,215,816</u>	<u>1,215,816</u>	<u>--</u>
Fund balances - ending	<u>\$ 773,415</u>	<u>1,355,915</u>	<u>1,282,653</u>	<u>( 73,262)</u>

CITY OF PALMETTO, FLORIDA  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2012

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 600	--	600
Interest and dividends receivable	24,169	15,079	39,248
Investments, at fair value			
Money market funds	326,936	413,708	740,644
U. S. government securities	1,698,789	807,541	2,506,330
Corporate bonds	1,315,452	827,480	2,142,932
Corporate stocks	5,346,482	5,515,319	10,861,801
Alternative investments	--	1,739,189	1,739,189
Total investments	<u>8,687,659</u>	<u>9,303,237</u>	<u>17,990,896</u>
Total assets	<u>8,712,428</u>	<u>9,318,316</u>	<u>18,030,744</u>
<b>LIABILITIES</b>			
DROP payable	<u>54,474</u>	<u>365,016</u>	<u>419,490</u>
Total liabilities	<u>54,474</u>	<u>365,016</u>	<u>419,490</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u><u>\$ 8,657,954</u></u>	<u><u>8,953,300</u></u>	<u><u>17,611,254</u></u>

CITY OF PALMETTO, FLORIDA  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Year Ended September 30, 2012

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 333,664	626,711	960,375
Plan members	75,625	127,095	202,720
State (from the General Fund)	99,466	--	99,466
Miscellaneous	2,802	4,998	7,800
Total contributions	<u>511,557</u>	<u>758,804</u>	<u>1,270,361</u>
Investment earnings			
Interest	109,280	88,059	197,339
Dividends	131,186	89,692	220,878
Net increase in the fair value of investments	<u>1,059,386</u>	<u>1,248,923</u>	<u>2,308,309</u>
Total investment earnings	1,299,852	1,426,674	2,726,526
Less investment expenses	<u>39,258</u>	<u>76,361</u>	<u>115,619</u>
Net investment earnings	<u>1,260,594</u>	<u>1,350,313</u>	<u>2,610,907</u>
Total additions	<u>1,772,151</u>	<u>2,109,117</u>	<u>3,881,268</u>
<b>DEDUCTIONS</b>			
Benefits	543,972	811,783	1,355,755
Refunds of contributions	33,972	39,008	72,980
Administrative expenses	<u>40,572</u>	<u>16,129</u>	<u>56,701</u>
Total deductions	618,516	866,920	1,485,436
Change in net assets	<u>1,153,635</u>	<u>1,242,197</u>	<u>2,395,832</u>
Net assets - beginning	<u>7,504,319</u>	<u>7,711,103</u>	<u>15,215,422</u>
Net assets - ending	<u><u>\$ 8,657,954</u></u>	<u><u>8,953,300</u></u>	<u><u>17,611,254</u></u>

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND - AGENCY FUND  
For the Year Ended September 30, 2012

<b>Agency Fund</b>				
	<b><u>October 1, 2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>September 30, 2012</u></b>
Assets				
Cash	\$ 71,509	2,591,854	( 2,609,462)	53,901
Accounts receivable	<u>392</u>	<u>455</u>	<u>( 467)</u>	<u>380</u>
Total Assets	<u>\$ 71,901</u>	<u>2,592,309</u>	<u>( 2,609,929)</u>	<u>54,281</u>
Liabilities				
Accounts payable	\$ 71,901	2,421,041	( 2,438,661)	54,281
Total Liabilities	<u>\$ 71,901</u>	<u>2,421,041</u>	<u>( 2,438,661)</u>	<u>54,281</u>



## 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 TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 14,557,836	15,145,102	17,560,157
Restricted	3,311,744	2,261,062	2,189,592
Unrestricted	1,970,952	3,508,728	3,627,879
Total governmental activities net assets	<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) During fiscal year 2007 the City recorded "pre-fiscal-year 2003" general governmental infrastructure assets in the Statement of Net Assets through the restatement of Net Assets at October 1, 2006.
- (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.



<b>Fiscal Year</b>						
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	(1)		(2)			
21,403,804	22,066,324	21,790,336	26,180,322	25,413,841	27,139,012	30,654,831
2,724,927	2,701,868	2,951,584	2,303,732	3,836,360	8,923,098	5,078,638
5,855,614	5,427,424	5,355,196	10,297,510	10,257,039	5,196,210	7,684,475
<u>29,984,345</u>	<u>30,195,616</u>	<u>30,097,116</u>	<u>38,781,564</u>	<u>39,507,240</u>	<u>41,258,320</u>	<u>43,417,944</u>
14,035,556	15,142,690	15,222,642	15,824,203	16,716,784	17,638,823	18,570,910
578,920	232,947	265,339	311,137	2,033,805	469,719	530,506
( 1,082,103)	( 428,519)	735,193	1,058,757	1,215,155	2,548,267	2,392,528
<u>13,532,373</u>	<u>14,947,118</u>	<u>16,223,174</u>	<u>17,194,097</u>	<u>19,965,744</u>	<u>20,656,809</u>	<u>21,493,944</u>
35,439,360	37,209,014	37,012,978	42,004,525	42,130,625	44,777,835	49,225,741
3,303,847	2,934,815	3,216,923	2,614,869	5,870,165	9,392,817	5,609,144
4,773,511	4,998,905	6,090,389	11,356,267	11,472,194	7,744,477	10,077,003
<u>43,516,718</u>	<u>45,142,734</u>	<u>46,320,290</u>	<u>55,975,661</u>	<u>59,472,984</u>	<u>61,915,129</u>	<u>64,911,888</u>

CITY OF PALMETTO, FLORIDA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(continued on subsequent pages)

	Fiscal Year			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities:				
General government (net of indirect allocation)	787,986	1,396,588	2,981,693	4,075,661
Public safety	2,808,793	3,007,137	3,428,503	3,907,346
Highways and streets	726,209	658,110	771,667	857,423
Recreation	661,953	429,782	1,039,920	1,043,437
Intergovernmental (net of indirect allocation)	1,666,347	3,613,236	3,638,131	--
Interest on long-term debt	--	--	--	131,386
Total governmental activities expenses	\$ 6,651,288	9,104,853	11,859,914	10,015,253
Business-type activities:				
Solid Waste	1,337,059	1,459,239	1,585,078	1,906,150
Water and Sewere	3,943,543	3,433,266	4,279,563	3,834,184
Stormwater	496,221	250,831	536,781	947,434
Reuse	190,649	49,541	100,434	161,881
Total business-type activities expenses	5,967,472	5,192,877	6,501,856	6,849,649
Total primary government expenses	\$ 12,618,760	14,297,730	18,361,770	16,864,902
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	149,145	98,614	138,457	204,406
Public safety	410,372	661,429	1,039,659	1,297,956
Highways and streets	49,968	69,559	95,172	91,527
Recreation	15,344	8,785	57,833	161,100
Intergovernmental	--	1,748,469	3,619,497	--
Operating grants and contributions	127,566	411,332	357,364	639,740
Capital grants and contributions	574,724	25,000	752,746	258,683
Total governmental activities program revenues	1,327,119	3,023,188	6,060,728	2,653,412
Business-type activities:				
Charges for services:				
Solid Waste	1,520,343	1,596,682	1,545,791	1,902,409
Water and Sewere	4,103,942	4,483,508	4,974,057	4,607,750
Stormwater	348,993	304,669	311,182	337,507
Reuse	79,163	75,907	117,090	179,257
Operating grants and contributions	187,000	1,500	--	--
Capital grants and contributions	687,778	223,564	464,730	866,963
Total business-type activities program revenues	6,927,219	6,685,830	7,412,850	7,893,886
Total primary government program revenues	8,254,338	9,709,018	13,473,578	10,547,298
<b>Net (Expense)/Revenue</b>				
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	\$ ( 4,364,422)	( 4,588,712)	( 4,888,192)	( 6,317,604)

Note: This statistical table is continued on the next page.

Fiscal Year					
2007	2008	2009	2010	2011	2012
		(1)		(2)	
5,339,790	5,327,528	4,495,082	4,036,111	2,270,420	2,667,131
4,368,584	4,543,046	4,776,464	4,648,615	4,256,660	4,432,536
814,556	1,004,720	895,995	870,116	960,680	827,562
1,277,409	1,299,642	1,180,146	892,002	787,011	823,114
--	--	3,440,725	3,151,831	3,068,007	2,504,506
248,752	155,583	229,944	188,221	171,188	160,217
12,049,091	12,330,519	15,018,356	13,786,896	11,513,966	11,415,066
2,108,258	2,138,301	2,041,362	2,008,625	1,974,313	1,990,565
4,059,466	4,368,485	4,489,574	3,794,901	4,193,367	4,258,959
729,909	971,958	675,366	686,325	688,710	668,659
87,150	147,375	85,519	89,366	91,761	86,689
6,984,783	7,626,119	7,291,821	6,579,217	6,948,151	7,004,872
19,033,874	19,956,638	22,310,177	20,366,113	18,462,117	18,419,938
152,740	297,739	1,667,917	1,646,668	330,820	243,076
515,604	338,004	412,943	414,139	277,205	340,888
193,103	92,672	247,958	137,268	85,349	92,720
448,272	123,862	496,629	87,333	2,242	--
--	--	--	--	--	--
1,139,797	1,081,897	48,000	3,000	209,731	--
349,373	264,360	54,347	654,471	304,488	1,700,739
2,798,889	2,198,534	2,927,794	2,942,879	1,209,835	2,377,423
2,118,189	2,127,525	2,120,933	2,155,751	2,124,827	2,088,560
4,620,521	4,826,409	4,689,607	4,653,542	4,805,767	4,815,175
535,429	708,504	824,822	804,251	788,920	788,563
168,656	183,824	188,115	184,702	187,480	188,069
--	--	223,712	--	--	--
826,323	988,859	44,906	132,575	912,043	211,618
8,269,118	8,835,121	8,092,095	7,930,821	8,819,037	8,091,985
11,068,007	11,033,655	11,019,889	10,873,700	10,028,872	10,469,408
( 9,250,202)	( 10,131,985)	( 12,090,562)	( 10,844,017)	( 10,304,131)	( 9,037,643)
1,284,335	1,209,002	800,274	1,351,604	1,870,886	1,087,113
( 7,965,867)	( 8,922,983)	( 11,290,288)	( 9,492,413)	( 8,433,245)	( 7,950,530)

- (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) As of fiscal year 2011, franchise fees are no longer reported as taxes.

CITY OF PALMETTO, FLORIDA  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(Continued from previous pages)

	Fiscal Year			
	2003	2004	2005	2006
<b>Net (Expense)/Revenue</b>				
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>
<b>General Revenues and Other Changes in Net Assets</b>				
Government activities:				
Taxes				
Property taxes	\$ 1,877,268	2,425,855	2,770,129	3,299,629
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
Franchise fees	1,013,362	1,049,572	1,098,552	1,278,485
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	--	--	--	--
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>
<b>Change in Net Assets</b>				
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>

Fiscal Year					
2007	2008	2009	2010	2011	2012
		(1)			
( 9,250,202)	( 10,131,985)	( 12,090,562)	( 10,844,017)	( 10,304,131)	( 9,037,643)
1,284,335	1,209,002	800,274	1,351,604	1,870,886	1,087,113
( 7,965,867)	( 8,922,983)	( 11,290,288)	( 9,492,413)	( 8,433,245)	( 7,950,530)
4,428,513	4,663,292	9,951,558	8,191,906	6,315,246	6,107,019
915,019	859,157	807,927	809,534	861,772	793,591
817,117	821,401	841,254	903,826	909,987	910,783
1,104,761	1,170,680	1,205,131	1,219,376	1,227,138	1,202,520
372,673	363,776	333,337	316,025	917,678	886,666
1,361,267	1,358,799	1,410,284	1,265,842	818,570	840,158
393,731	205,031	338,298	253,740	196,277	178,264
--	--	--	--	--	--
--	544,140	--	--	--	--
68,392	47,209	262,209	( 1,390,556)	808,543	278,266
9,461,473	10,033,485	15,149,998	11,569,693	12,055,211	11,197,267
198,802	114,263	22,231	29,487	29,989	28,288
--	--	--	--	--	--
( 68,392)	( 47,209)	( 262,209)	1,390,556	( 808,543)	( 278,266)
130,410	67,054	( 239,978)	1,420,043	( 778,554)	( 249,978)
9,591,883	10,100,539	14,910,020	12,989,736	11,276,657	10,947,289
211,271	( 98,500)	3,059,436	725,676	1,751,080	2,159,624
1,414,745	1,276,056	560,296	2,771,647	1,092,332	837,135
1,626,016	1,177,556	3,619,732	3,497,323	2,843,412	2,996,759

(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.

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

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	\$ 2,104,427	2,273,887	2,063,927	2,423,319
Unreserved	1,921,175	3,534,751	3,527,178	4,580,605
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total general fund	<u>\$ 4,025,602</u>	<u>5,808,638</u>	<u>5,591,105</u>	<u>7,003,924</u>
All other governmental funds				
Reserved	\$ 1,207,317	1,287,911	915,801	1,094,953
Unreserved, reported in:				
Special revenue funds	--	--	--	--
Capital projects funds	--	--	--	--
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total all other governmental funds	<u>\$ 1,207,317</u>	<u>1,287,911</u>	<u>915,801</u>	<u>1,094,953</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 FY2011 the City implemented the new fund balance classifications.

Fiscal Year					
2007	2008	2009	2010	2011	2012
		(1)		(2)	
2,156,783	1,696,641	1,473,190	1,474,449	--	--
4,605,911	4,715,179	5,381,549	6,078,172	--	--
--	--	--	--	459,956	345,962
--	--	--	--	1,041,681	797,181
--	--	--	--	2,008,234	1,964,498
--	--	--	--	123,674	461,271
--	--	--	--	4,022,971	4,047,702
<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>	<u>7,616,614</u>
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	5,256,670
--	--	--	--	876,753	941,849
--	--	--	--	--	--
--	--	--	--	--	--
<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>	<u>6,198,519</u>

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

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenues</b>				
Taxes	\$ 5,365,718	6,256,597	6,741,587	7,546,737
Permits, fees and special assessments	336,532	564,021	967,918	1,194,215
Intergovernmental	598,580	125,632	804,270	281,549
Charges for services	248,104	453,873	539,469	912,807
Fines	85,968	97,408	71,741	103,741
Investments earnings	92,489	83,459	127,011	288,388
Impact Fees (3)	--	--	--	--
Miscellaneous	79,916	107,699	72,315	356,710
Total revenues	<u>6,807,307</u>	<u>7,688,689</u>	<u>9,324,311</u>	<u>10,684,147</u>
<b>Expenditures</b>				
General government	852,975	1,308,007	2,002,594	2,260,285
Public safety	2,897,630	3,210,466	3,359,313	3,979,078
Highways and streets	948,352	744,587	582,669	796,872
Intergovernmental services	1,650,673	1,454,569	976,362	1,067,776
Recreation	1,014,361	788,984	1,017,556	1,063,886
Capital outlay	171,494	408,772	2,991,300	1,368,806
Debt service				
Interest	--	140	41,013	80,693
Principal	738,888 <sup>(1)</sup>	26,461	126,298	16,883
Total expenditures	<u>8,274,373</u>	<u>7,941,986</u>	<u>11,097,105</u>	<u>10,634,279</u>
Excess of revenues over (under) expenditures	( 1,467,066)	( 253,297)	( 1,772,794)	49,868
<b>Other financing sources (uses)</b>				
Transfers in	1,733,205 <sup>(1)</sup>	862,657	975,632	1,068,154
Transfers out	( 69,492)	( 83,647)	( 164,962)	--
Loan proceeds	--	1,337,915	1,096,463	--
Capital leases	48,801 <sup>(2)</sup>	347,626	244,167	473,949
Total other financing sources (uses)	<u>1,712,514</u>	<u>2,464,551</u>	<u>2,151,300</u>	<u>1,542,103</u>
	<u>\$ 245,448</u>	<u>2,211,254</u>	<u>378,506</u>	<u>1,591,971</u>
Debt service as a percentage of noncapital expenditures	9.12%	0.35%	2.06%	1.05%

(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					
2007	2008	2009	2010	2011	2012
		(4)			
8,999,350	9,237,105	14,549,491	12,706,509	10,231,821	9,900,579
347,625	255,191	299,253	215,939	1,015,445	1,023,579
389,436	272,658	102,347	657,471	514,219	1,700,739
1,419,841	1,304,733	1,738,264	1,485,145	1,405,022	907,925
167,979	82,813	113,690	161,769	29,843	101,317
393,731	205,031	338,298	253,740	196,277	178,264
--	34,300	177,611	245,878	4,045	12,611
457,876	142,855	2,524,862	168,566	245,295	228,740
12,175,838	11,534,686	19,843,816	15,895,017	13,641,967	14,053,754
3,403,304	3,133,268	3,518,269	3,125,314	2,728,179	2,723,534
4,397,477	4,352,240	4,571,897	4,313,113	4,196,600	4,215,246
842,726	696,269	683,448	637,443	768,765	590,527
1,169,792	1,192,966	3,395,195	2,865,768	2,958,752	2,359,788
1,287,909	1,200,155	1,098,184	763,796	742,296	754,781
1,621,230	1,359,257	533,100	1,770,178	869,311	6,044,196
89,836	126,700	229,943	188,221	171,189	466,938
64,476	419,929	697,993	625,867	543,020	160,217
12,876,750	12,480,784	14,728,029	14,289,700	12,978,112	17,315,227
( 700,912)	( 946,098)	5,115,787	1,605,317	663,855	( 3,261,473)
631,475	666,907	1,702,110	597,074	1,402,298	1,602,970
( 563,083)	( 820,698)	( 1,815,901)	( 1,987,630)	( 574,387)	( 1,324,704)
--	1,334,000	--	--	--	--
378,037	155,966	--	84,000	165,482	381,000
446,429	1,336,175	( 113,791)	( 1,306,556)	993,393	659,266
( 254,483)	390,077	5,001,996	298,761	1,657,248	( 2,602,207)
1.37%	4.92%	6.54%	6.50%	5.90%	5.56%

(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 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)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Sales Tax</b>	<b>Utility Tax</b>	<b>Motor Fuel Tax</b>	<b>Other Taxes</b>	<b>Total</b>
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	(1) 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	(2) --	861,772	909,987	1,227,138	917,678	10,231,819
2012	6,107,019	--	793,591	910,783	1,202,520	886,666	9,900,579
Change:							
2003 - 2012	225.31%	-100.00%	-7.57%	34.80%	73.17%	259.80%	84.52%

(1) 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 funds. Tax Increment Financing (TIF) received by CRA is now listed as property tax revenue.

(2) 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 fees 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	
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
2013	529,454,692	177,147,023	117,865,188	58,154,531

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

(1) Fiscal year represents the year in which the City is recognizing the revenue from property taxes.

(2) Fiscal year 2013 represents the property tax estimated for the 2012 property tax roll.

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<b>Less Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
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%
229,863,094	652,758,340	5.2171	652,758,340	100.0%

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

<b>Fiscal Year</b>	<b>City Direct Rates (1)</b>		<b>Overlapping Rates</b>		
	<b>General Fund</b>	<b>School District (2)</b>	<b>County (3)</b>	<b>Total</b>	
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	21.55	
2006	5.16	7.61	8.24	21.01	
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	19.31	
2010	4.67	7.59	7.11	19.37	
2011	5.12	7.96	6.99	20.07	
2012	5.22	7.59	6.99	19.80	

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/MillageRates.pdf>

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

Taxpayer	2012			2003		
	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	\$ 14,199,507	1	2.07%			
Space Box LLC	7,452,887	2	1.09%			
Sanctuary Cove	6,785,651	3	0.99%			
39638 LLC	6,502,047	4	0.95%			
Florida Power & Light Co	6,375,876	5	0.93%	5,178,884	5	1.24%
Palmetto Dunes LTD	5,858,212	6	0.85%	5,809,101	3	1.39%
Pacific Tomato Growers	5,415,067	7	0.79%			
Armed Forces Bank, NA	5,240,354	8	0.63%			
Palmetto Mobile Home Club	4,864,669	9	0.71%			
TBR II Development LLC	4,306,126	10	0.76%			
Tropical Isles Co-Op Inc				8,342,071	1	1.99%
Verizon Florida, Inc				7,933,308	2	1.89%
Twan Subsidiary LLC				5,451,437	4	1.30%
Westra Construction Co Inc				5,099,078	6	1.22%
Florida State of				4,972,350	7	1.19%
Albertson, Inc				4,828,444	8	1.15%
Taylor & Fulton Inc				4,772,232	9	1.14%
First Lexington Land Holdings				4,695,250	10	1.12%
Totals	<u>\$ 67,000,396</u>		<u>9.76%</u>	<u>57,082,155</u>		<u>13.63%</u>

Note

Total taxable assessed value	<u>\$ 686,685,657</u>	<u>418,658,688</u>
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Source: Manatee County Property Tax Roll 2012 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
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%	51	3,299,680	96.6%
2007	4,561,037	4,410,731	96.7%	81	4,410,812	96.7%
2008	4,800,476	4,663,292	97.1%	1,149	4,664,441	97.2%
2009	5,052,558	4,966,769	98.3%	19,859	4,986,628	98.7%
2010	4,336,277	4,203,070	96.9%	17,591	4,220,661	97.3%
2011	3,524,841	3,411,075	96.8%		3,411,075	96.8%
2012	3,422,787	3,386,486	98.9%		3,386,486	98.9%

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

(2) Manatee County's payment system started tracking prior year payments in fiscal year 2011. Therefore, taxes for prior years are only determinable if remitted in fiscal year 2011 or later.

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

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

Fiscal Year	Governmental Activities			Business-type Activities			
	Bank Qualified Loans	Revenue Bonds	Capital Leases	Bank Qualified Loans	Revenue Bonds	State Revolving Loan Funds	Capital Leases
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
2012	5,595,143	--	472,791	8,805,056	--	1,509,929	39,162

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<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
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
16,422,081	3.17%	1,288

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

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Assessed Value <sup>2</sup></b>	<b>Gross Bonded Debt <sup>3,4</sup></b>	<b>Net Bonded Debt <sup>3</sup></b>	<b>Percentage of Actual Taxable Value of Property <sup>3</sup></b>	<b>Per Capita <sup>3</sup></b>
2003	13,109	377,876,426	672,222	672,222	0.18%	51
2004	13,109	485,251,199 <sup>5</sup>	--	--	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%	--
2012	12,755	652,758,340	--	--	0.00%	--

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

<sup>2</sup> Manatee County Property Appraiser's Office

<sup>3</sup> Office of the City Clerk

<sup>4</sup> Reclassed to Proprietary Fund - Stormwater, Fiscal Year 2003

<sup>5</sup> 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, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct:</b>			
City of Palmetto	\$ 6,067,934	100%	\$ 6,067,934
		<b>Subtotal Direct Debt</b>	<u>6,067,934</u>
<b>Overlapping (2):</b>			
Manatee County	121,860,000	2.81%	3,420,132
Manatee County School Board	324,419,651	2.81%	<u>9,105,188</u>
		<b>Subtotal Overlapping Debt</b>	<u>12,525,320</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 18,593,254</u></u>

Source: Manatee County Government

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

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

**CITY OF PALMETTO, FLORIDA**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

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<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>
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	10.9%
2012	12,755	518,848	40,678	45.8	45,050	9.0%

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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 2010. Population figures are estimates Table 5.11

(3) Personal income is a calculated amount based on population and per capita person income.

(4) Manatee County School Board. School enrollment exceeds the city population because  
the school system serves the entire county via Manatee County CAFR pg 162

(5) Florida Department of Labor and Employment Security via Manatee County CAFR pg 162

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Manatee County School Board	5,200	1	4.05%	5,590	1	4.31%
Manatee County Government	1,703	2	1.33%	1,827	3	1.41%
Beall's Inc	1,701	3	1.32%	821	8	0.63%
Manatee Memorial Hospital	1,445	4	1.12%	1,100	6	0.85%
Tropicana Products, Inc	1,200	5	0.93%	3,200	2	2.47%
Blake Medical Center	1,100	6	0.86%	1,200	4	0.92%
Manatee County Sheriff's Dept	1,095	7	0.85%	1,135	5	0.87%
Publix	881	8	0.69%	--	--	0.00%
Pierce Manufacturing	569	9	0.44%	--	--	0.00%
IMG Academies	493	10	0.38%	--	--	0.00%
Wellcraft Marine	--	--	0.00%	825	7	0.64%
SecurityLink from Ameritech/ADT	--	--	0.00%	700	9	0.54%
Security Link from Ameritech	--	--	0.00%	620	10	0.48%
Total	15,387		11.98%	17,018		13.12%
Total Manatee County	128,472			129,750		

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 - 2003 Principal Employers

Manatee County 2012 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,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	14.0	17.0	17.0	17.0	19.0	17.5	17.5	17.5	17.8	17.8
Intergovernmental	14.0	14.0	14.5	13.5	17.0	16.5	12.5	13.5	12.0	13.3
Public safety										
Police										
Officers	32.0	29.0	27.0	33.0	36.0	37.0	35.0	35.0	35.0	35.8
Civilians	18.0	20.0	19.3	22.8	24.3	25.8	19.8	20.8	19.0	20.8
Highways and streets										
Engineering	3.0	2.0	3.0	3.0	4.0	3.0	3.0	3.0	-	-
Maintenance	9.0	9.0	4.0	5.0	3.0	3.0	4.0	3.0	3.0	5.0
Sanitation	12.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	1.0	1.0
Culture and recreation	16.0	16.0	17.0	15.0	17.0	17.0	13.0	10.0	10.0	9.0
Water	10.0	11.0	15.0	15.0	15.0	15.0	13.0	13.0	14.0	12.0
Sewer	6.0	7.0	5.0	6.0	6.0	6.0	6.0	6.0	4.0	7.0
<b>Total</b>	<b>134.0</b>	<b>127.0</b>	<b>123.8</b>	<b>132.3</b>	<b>143.3</b>	<b>142.8</b>	<b>124.8</b>	<b>123.8</b>	<b>115.8</b>	<b>121.7</b>

Source: Payroll Reports:Cost Center Analysis

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

Function	Fiscal Year			
	2003	2004	2005	2006
<b>Police (1)</b>				
Total arrests	N/A	N/A	N/A	547.00
Juvenile arrests	N/A	N/A	N/A	112.00
Traffic violations	N/A	N/A	2,207.00	2,823.00
Traffic warnings	N/A	N/A	840.00	869.00
<b>Water</b>				
New connections (2)	55.00	124.00	117.00	76.00
Average daily consumption (3) (million of gallons)	1.42	1.47	1.47	1.50
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00
<b>Wastewater</b>				
New connections (2)	45.00	25.00	65.00	122.00
Average daily sewage treatment (3) (million of gallons)	1.79	1.18	1.50	1.28
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40
<b>Reuse</b>				
New connections (2)	64.00	N/A	274.00	79.00
Average daily consumption (3) (million of gallons)	1.07	0.67	0.74	0.86
Average daily capacity (3) (million of gallons)	1.86	1.86	1.87	1.87

N/A Information is not available.

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
504.00	511.00	567.00	478.00	473.00	470.00
132.00	130.00	112.00	93.00	100.00	99.00
2,050.00	2,003.00	2,450.00	1,993.00	1,419.00	2,120.00
924.00	860.00	1,380.00	713.00	1,039.00	1,844.00
44.00	14.00	17.00	62.00	10.00	19.00
1.48	1.43	1.29	1.31	1.31	1.28
2.00	2.00	2.00	2.00	2.00	2.00
85.00	27.00	28.00	58.00	11.00	13.00
0.95	0.89	1.18	1.14	1.07	1.20
2.40	2.40	2.40	2.40	2.40	2.40
125.00	28.00	42.00	-	20.00	39.00
0.98	0.89	1.02	0.91	0.92	0.96
4.07	4.07	4.07	4.07	4.07	3.25

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

Function	Fiscal Year			
	2003	2004	2005	2006
<b>Public Safety (1)</b>				
Police				
Stations	1.00	1.00	1.00	1.00
Patrol units	23.00	36.00	39.00	39.00
K-9 units	2.00	2.00	1.00	1.00
<b>Highways and Streets (2)</b>				
Streets (miles)	41.17	41.09	41.09	41.20
Traffic signals	11.00	11.00	11.00	11.00
Streetlights	742.00	728.00	728.00	864.00
<b>Culture and Recreation (3)</b>				
Parks acreage	50.04	64.74	64.74	64.74
Parks	11.00	12.00	12.00	12.00
Tennis courts	1.00	1.00	1.00	1.00
<b>Utility Infrastructure</b>				
Water mains (miles)	66.06	66.06	66.06	66.06
Sewer (miles)	46.00	46.00	46.00	46.00
Storm sewers (miles)	11.76	11.76	11.76	11.76
Reclaimed water (miles)	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	2012
1.00	1.00	1.00	1.00	1.00	1.00
46.00	49.00	48.00	49.00	44.00	45.00
2.00	2.00	1.00	2.00	2.00	2.00
41.20	42.00	42.00	42.00	42.00	42.00
11.00	11.00	11.00	12.00	12.00	12.00
864.00	864.00	864.00	864.00	864.00	864.00
64.74	64.74	64.74	95.49	95.49	95.49
12.00	12.00	12.00	12.00	12.00	12.00
1.00	1.00	1.00	1.00	1.00	1.00
66.06	66.66	66.66	66.66	66.66	66.66
46.00	47.60	49.10	49.10	49.10	49.10
11.76	11.76	11.90	11.90	11.90	11.90
22.00	22.00	22.80	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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the 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.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in our Management Letter included in this report. Management's response to these matters identified in the Management Letter are also included in this report. We did not audit the City's 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 City, 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 19, 2013



**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, 2012. 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, 2012.

## 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.

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 19, 2013

CITY OF PALMETTO, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2012

**Part I – Summary of Auditor's Results**

**Basic Financial Statement Section**

Type of auditor's report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?            yes       x       no

Significant deficiency(ies) identified?            yes       x       none reported

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       none reported

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>
20.205	Department of Transportation–Highway Planning and Construction
81.041	Department of Energy–State Energy Program

CITY OF PALMETTO, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
For the Year Ended September 30, 2012

**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*.

No significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements were noted.

**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.

During the year ended September 30, 2011, a material weakness was identified during the audit of the basic financial statements related to prior period adjustments being reported for an asset recognized twice and receivables recognized in governmental funds that were not expected to be received within sixty days of year-end. Both of these matters were resolved in the 2011 fiscal year and there were no prior period adjustments reported in the current year audit.

CITY OF PALMETTO, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<b>Federal/State Agency</b> <b><u>Federal Program/State Project</u></b>	<b><u>CFDA</u></b> <b><u>Number</u></b>	<b><u>Contract/Grant</u></b> <b><u>Number</u></b>	<b><u>Expenditures</u></b>
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant State's Program	14.228	32	<u>\$ 358,452</u>
<b>DEPARTMENT OF JUSTICE</b>			
Bulletproof Vest Partnership Program	16.607		1,426
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government - 2010	16.804	2010-DJ-BX-1407	27,600
Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government - 2012	16.804	2012-DJ-BX-2706	17,645
<b>TOTAL DEPARTMENT OF JUSTICE PROGRAM</b>			<u>46,671</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed through Florida Department of Transportation</b>			
Highway Planning and Construction			
Haben Blvd Roundabout	20.205	FM# 420875-1-58-01	351,935
10th & 10th Intersection Improvements	20.205	FM# 423665-1-A8-01	164,207
<b>TOTAL DEPARTMENT OF TRANSPORTATION PROGRAM</b>			<u>516,142</u>
<b>DEPARTMENT OF ENERGY</b>			
<b>Passed through Florida Energy and Climate Commission</b>			
State Energy Program	81.041	17657 (ARRA)	178,306
State Energy Program	81.041	17676 (ARRA)	258,484
<b>TOTAL DEPARTMENT OF ENERGY PROGRAM</b>			<u>436,790</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,358,055</u></u>

CITY OF PALMETTO, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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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, 2012.

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, 2012. 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 reported 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, 2012, and have issued our report thereon dated March 19, 2013, 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 19, 2013, 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 or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address 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. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in 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, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

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

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 19, 2013



## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

### **12-01 City Purchasing Policy**

The City's purchasing policy determines that the procurement of goods and services in excess of \$50,000 requires sealed bids, proposals or formal quotes solicited through formal advertisement in a newspaper of local or area circulation. In 2009, the City Commission approved the use of a vendor in accordance with City policy for purchases less than \$50,000 via an informal quote for services to be performed not in excess of \$40,000. During the current year audit, we discovered that services were performed by this vendor in excess of \$50,000 for which there was no sealed bid, proposal or formal quote solicited through formal advertisement in a newspaper of local or area circulation and no subsequent approval by the City Commission of the additional services due to City personnel not initially anticipating the services to exceed the \$50,000 threshold. Ultimately, this led to services being provided to the City without following the City's purchasing policy. We recommend the City develop policies and procedures for when such a situation occurs to ensure that purchasing policies are followed and proper approval is obtained for purchases and payment for services.

### **12-02 Personnel Files**

Personnel files are used by the City to maintain documents required by Federal and State laws. During the current year audit, we discovered numerous instances in which personnel files were not complete. Although forms were completed and authorized at one time, the forms were either not retained or misplaced by the City. Items identified as missing in our initial investigation include W-4 forms, an I-9 form, direct deposit approval forms, and employee status request forms which document the approval of changes in pay. When these forms are properly executed, they provide support for amounts paid and deductions from employee checks and provide a measure of liability protection to the City. We recommend the City review all personnel files for completeness and create a checklist for new personnel files to ensure all appropriate information is properly retained.

### **12-03 Authorization of Time Sheets**

City policy requires timesheets be approved by an employee's supervisor or department head. During the current year audit, we discovered two instances in which time sheets were not properly approved due to lack of oversight. Time sheets are the source document for employee attendance and hours worked and should be reviewed and approved by a supervisor or department head to ensure wages are paid for work actually performed. We recommend the City establish a control procedure to ensure that every time sheet is properly approved prior to payment.



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Web: [www.palmettofl.org](http://www.palmettofl.org)

March 19, 2013

## **Management Letter Response**

### **12-01 City Purchasing Adjustments**

In 2009 the City began outsourcing Information Technology (IT) services and obtained quotes for this work in accordance with the purchasing policy for expenditures less than \$50,000. Expenditures for IT services are billed to the City on a per hour basis. The City does not have a guaranteed amount that will be paid to any specific IT vendor and we utilize more than one IT vendor depending on the type of work being performed. The City has undertaken several technology projects which have required extensive IT resources from our primary IT vendor. Due to the amount and nature of the IT projects, payments to our primary vendor have exceeded the \$50,000 threshold. The City anticipates a continued need for IT services and the possibility exists, that one vendor might exceed the \$50,000 threshold. As such, before the end of the current fiscal year, the City will complete a formal bid process for IT services in accordance with the purchasing policy.

### **12-02 Personnel Files**

Before the end of the fiscal year, the Human Resource (HR) department will complete a review of all personnel files to ensure the appropriate documentation, such as W-4 forms, I-9 forms, and direct deposit forms, etc., are contained in each file. In addition, a checklist will be created and reviewed by HR personnel for all new employees to ensure the appropriate documents are contained in each file.

### **12-03 Authorization of Time Sheets**

The Human Resource (HR) department will conduct training with all departments to notify supervisors of the requirements to review and sign employee time sheets at the end of every pay period. In addition, the payroll department will perform a secondary review prior to completing the payroll process to verify the appropriate signatures have been obtained. This training and secondary review will be completed before the end of this fiscal year.

James R. Freeman  
City Clerk