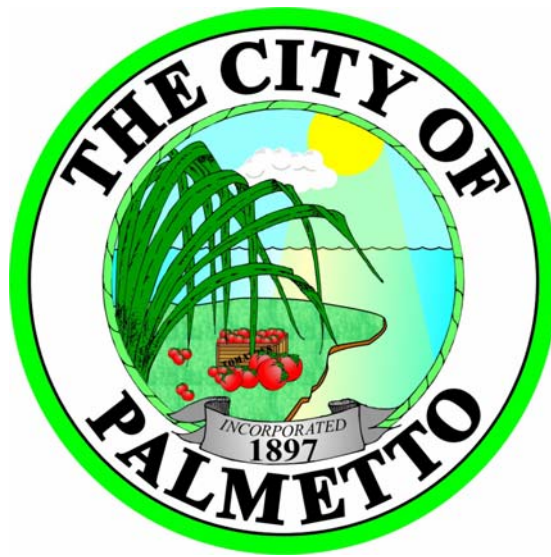


*Comprehensive Annual  
Financial Report*

*City of Palmetto Florida*

For the Fiscal Year Ended  
September 30, 2008



Prepared By  
The Finance Department

Karen L. Simpson, CGFO  
Deputy Clerk of Finance

CITY OF PALMETTO, FLORIDA

FINANCIAL STATEMENTS

September 30, 2008

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March 12, 2009

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 and audited in accordance with auditing standards generally accepted in the United States 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, 2008.

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

The City of Palmetto's basic financial statements have been audited by independent certified public accountants, CPA Associates. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2008, are free from material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the City of Palmetto's financial statements for the fiscal year ended September 30, 2008, 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.

The 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, 2007. This was the third 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 August 31, 2004. 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 nominates all appointed officers of the City and the Commission has the power to approve such nominations.

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests to the City Clerk's office. The City Clerk's office compiles the budget requests from all departments and develops the City wide proposed budget. The proposed budget is presented to Commission for review in July. Public hearings are held in late summer and early fall, prior to adopting the final budget before September 30, 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, we have seen a significant slowdown in the development and construction within the City. In addition, an increase in foreclosures and the number of abandoned properties is a direct result of the challenges facing citizens throughout the State of Florida. Unemployment has risen steadily during the 2<sup>nd</sup> half of 2008 as many businesses have been forced to layoff employees or in some cases close their business. Now is the time for the citizens of the City to work together and help one another get through this challenging economic environment. In December 2008, the City embraced a local preference initiative as a way to stimulate local business within the area. 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 of historic downtown. In recent years, several condominium developments were completed many of which offer robust amenities and dramatic water view. This growth, however, continues to present the City with demands for new and additional services.

Like most other Florida cities, Palmetto is faced with increasing costs, increasing demand for services, reduced funding and unfunded mandates by state and federal governments. Despite the increased demand for services and rising costs, the Florida Legislature passed property tax legislation in 2007 that is estimated to reduce local tax revenues by \$15 billion over five years. As part of the fiscal year 2007-2008 budget, all cities throughout Florida were required to roll-back the tax levies to 2006-2007 levels. In addition, cities were required to reduce the tax levy further based on the relative per capita property tax increase between 2001 and 2007 compared to the statewide average. This equated to an additional nine percent reduction for Palmetto. In January 2008, voters approved amendments to the Florida Constitution which will further reduce tax revenues for the City. More specifically, the homestead exemption was increased by \$25,000, a \$25,000 exemption for tangible personal property was approved and homeowners can now "port" up to \$500,000 of save our homes benefit. The constitutional amendment also provides an annual ten percent cap for non-homesteaded property. Despite tax cuts in 2007 and 2008, the City's tax revenues increased in fiscal year 2008. In fact, Palmetto was the only city in Manatee County that experienced a positive change in gross taxable value from 2007 to 2008. This increase was due to new taxable value associated with construction. As you can see, challenging times are before us, but the City will remain committed to provide the best possible service to our citizens. The City Commission remains committed to a fiscally sound program designed to increase the tax base, by supporting the Community Redevelopment Agency (CRA)

activities, promotion of the Enterprise Zone Incentives and by enhancement of the City's image and quality of life via adoption of the Five Year Capital Improvement Plan.

Despite the economic downturn and challenging financial environment, we continue in our efforts towards diversification and expansion of local businesses and security and excitement for the citizens of Palmetto.

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.

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:**

Although construction and development slowed during 2008, Palmetto managed to annex four properties totaling 9.10 acres. This included three commercial properties and one residential property, all of which will add to the tax base in Palmetto.

Construction is complete on thirty-four homes at Habitat for Humanity's Village of the Palms. This was a cooperative effort between the CRA, Habitat for Humanity and local residents to bring affordable housing to an area that was in need of re-development. This project was made possible with a CRA subsidy of the real estate purchase in 2004.

During the year, fund balance and debt policies were adopted by the Commission. These policies will help ensure the City remains financially sound and increase assurances that the City will be prepared for fiscal challenges in the coming years.

The CRA awarded Storefront Grants in the amount of \$83,064 for the exterior renovation and revitalization of 9 commercial structures within the CRA District.

City Commission approved approximately \$8.4 million of capital improvements for 2008. Approximately \$5.3 million was spent during the year for renovation and expansion of the City's infrastructure as well as the enhancement of operations.

Phase 1 of Ward 1 infrastructure improvements were completed in 2008 which included rehabilitation and installation of new streets, sidewalks, sewer lines and the stormwater system, at a cost of approximately \$4 million to the CRA. Engineering is underway for phase 2 of the Ward 1 improvements, which will include many of the same upgrades to the surrounding area.

An additional 12 in-car video systems were purchased and installed during 2008. There are now 22 units installed which equates to approximately two thirds of the fleet and the new system will provide officers with real time video during traffic stops and access to a variety of other computer applications.



The City completed construction of a new retention pond and stormwater system in the area known as Jackson Park. This area was a source of chronic flooding for residents of this area. The project was a joint effort between the County and City and the total project costs was approximately \$800,000.

The City has worked closely with the Manatee County School Board, Manatee County, Boys and Girls Club, Just for Girls, and a private developer to complete the feasibility plan associated with building a new Palmetto Elementary School. A new site has been identified at the corner of 10<sup>th</sup> Street and 14<sup>th</sup> Avenue. Terms of the agreement are being finalized and construction is scheduled to begin in June 2009, with a school opening projected for August 2010.

The City continues to convert City records to a digital format via the LaserFiche imaging system. This allows for safe, off-site records retention and state-of-the-art data management. Additionally, the City redesigned and launched a new City website. Features such as citizen feedback, calendaring, subscription services, and emergency alert notification have been added to the site.

The City's Evaluation and Appraisal Report (EAR) was completed in 2007. Staff is working to finalize the Comprehensive Plan Amendments and Land Development Code changes will be submitted in the near future.

The City completed rate modifications to commercial storm water customers during 2008. This account review was performed as part of the change in rate structure for the storm water system. The rate modifications are part of a three year plan to reduce subsidies from other funds.

The City completed construction of a test well as part of the planned Aquifer Storage and Recover (ASR) system. Construction costs were approximately \$381,000 and the City is waiting for test results before further construction commences.

Approximately \$450,000 was spent to upgrade the City's Waste Water Treatment Plant, with continuing improvements and expansion planned over the next five years.

The City received the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year ending September 30, 2007. This is the third consecutive year that the City has received this award.

The Police Department was re-accredited during fiscal year 2007 by the Commission for Florida Law Enforcement Accreditation. The accreditation program has long been recognized as a means of maintaining the highest standards of professionalism for law enforcement organizations and must be renewed every three years.

The City completed its second 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.

Construction was completed on the extension of the existing Recreational Trail. This project was awarded \$200,000 in funding from the Florida Department of Environmental Protection's Office of Greenways and Trails, which was matched by \$238,000 from Manatee County. The scope of this project was expanded when Manatee County government offered to partner with the City, so that the trail will ultimately tie into the County's recreational trail to Emerson Point Park. This project not only will provide recreational opportunities to residents, but will also provide a safe, viable alternative to automobile transportation.

The City completed construction in 2008 to expand utility service along US 301, Hasko Road and Canal Road, extending the provision of water, sewer and reclaimed water services to recently annexed properties.

### **For the Future:**

During fiscal year 2009, the City anticipates developing a new budget policy with intentions of submitting to the FGFOA for certification. And at the request of me and Commission, quarterly budget reviews are being held at a public workshop.

The City will actively pursue several Federal stimulus opportunities to ensure we maximize funding associated with several infrastructure improvements. The 23<sup>rd</sup> Street realignment and resurfacing project along with programs associated with WWTP improvements have been submitted for stimulus funding.

The City expects to begin construction on intersection improvements at 10<sup>th</sup> Street and 10<sup>th</sup> Avenue and 10<sup>th</sup> Street and 14<sup>th</sup> Avenue later this summer. Both of these projects are being funded by congestion management grants awarded through the local Metropolitan Planning Organization.

The City anticipates making intersection improvements on Haben Blvd. with the addition of a proposed roundabout. Grant funding has been awarded and the CRA has dollars available to fund the balance of construction costs.

Comprehensive Plan amendments are expected to be completed and submitted to the Department of Community Affairs in 2009 and Land Development Code changes will be completed in 2010. Changes are needed to allow for development consistent with new development strategies.

The City anticipates construction of the new Palmetto Elementary school to begin in the summer of 2009. In addition, the City will be working very closely with the North River Little League to finalize site selection and construction of new little league fields near Blackstone Park.

The installation of new telemetry meters will continue in 2009 with the conversion of two more routes throughout the City. This project is being phased in over several years and will improve the efficiency of meter reads City wide.

The City will continue to make improvements at the WWTP to ensure renewal of our operating permit. Specific projects such as a new grit removal system will help increase capacity and overall efficiency at the plant.

### **ACKNOWLEDGEMENTS**

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

Sincerely,

A handwritten signature in blue ink that reads "Shirley Groover Bryant". The signature is written in a cursive style and is positioned above a light yellow rectangular highlight.

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, 2007

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.



A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title.

Executive Director

**CITY OF PALMETTO, FLORIDA**

**LIST OF PRINCIPAL OFFICIALS**

**FISCAL YEAR ENDED SEPTEMBER 30, 2008**

**ELECTED OFFICIALS**

<b>LAWRENCE E. BUSTLE</b>	<b>MAYOR</b>
<b>TAMBRA VARNADORE</b>	<b>VICE MAYOR</b>
<b>MARY LANCASTER</b>	<b>COMMISSIONER</b>
<b>TAMARA CORNWELL</b>	<b>COMMISSIONER</b>
<b>ERIC BALL</b>	<b>COMMISSIONER</b>
<b>BRIAN WILLIAMS</b>	<b>COMMISSIONER</b>

**OFFICE OF THE CITY CLERK**

<b>JAMES R. FREEMAN</b>	<b>CITY CLERK</b>
<b>KAREN SIMPSON</b>	<b>DEPUTY CLERK - FINANCE</b>
<b>DIANE PONDER</b>	<b>DEPUTY CLERK - ADMINISTRATION</b>

**PUBLIC WORKS**

**CHRIS LUKOWIAK- DIRECTOR**

**POLICE DEPARTMENT**

**GARRY LOWE – POLICE CHIEF**

**COMMUNITY REDEVELOPMENT AGENCY**

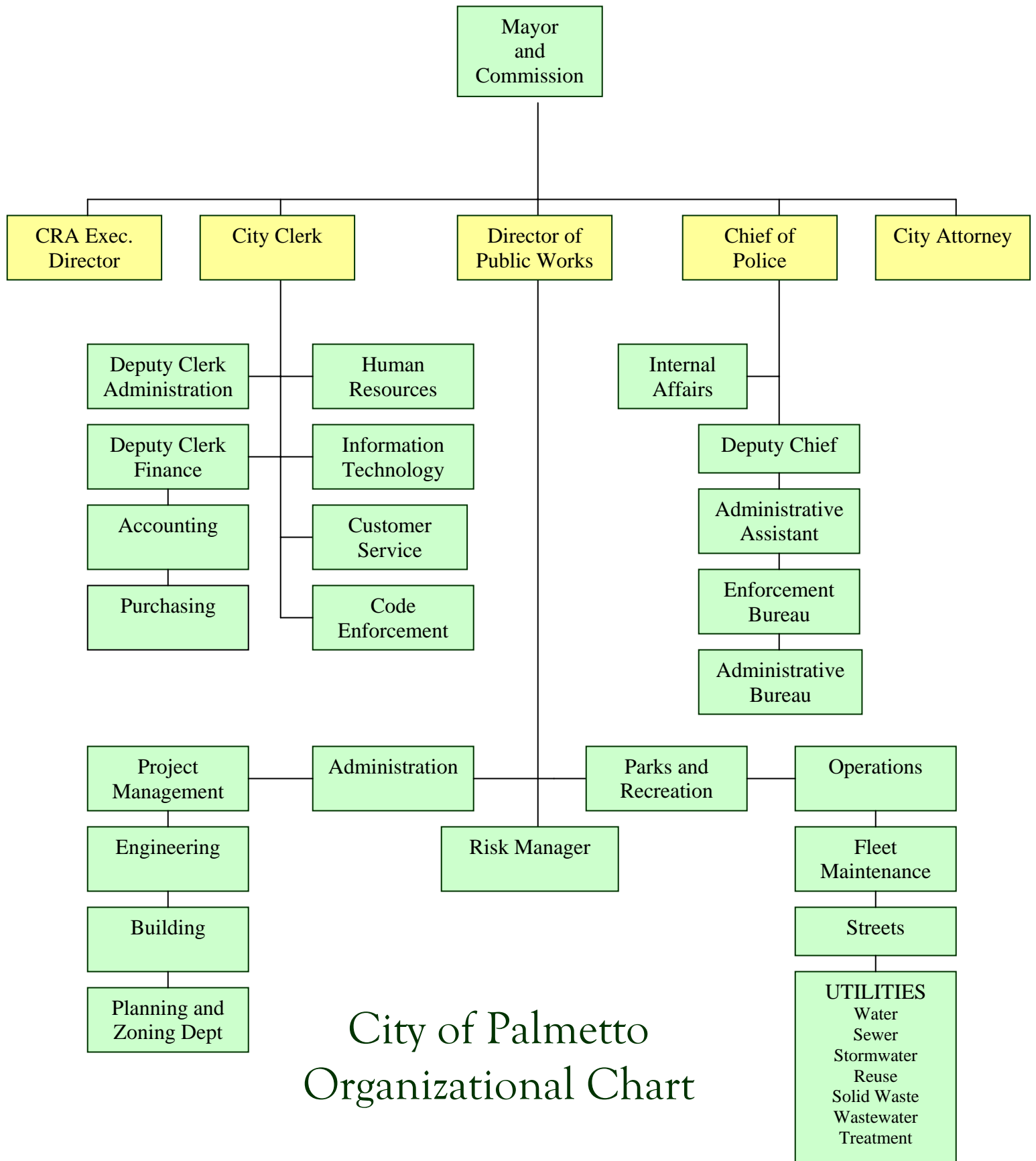
**TANYA LUKOWIAK- EXECUTIVE DIRECTOR**

**CITY ATTORNEY**

**MICHELE HALL**

**INDEPENDENT AUDITORS**

**CPA ASSOCIATES**





INTRODUCTORY  
SECTION



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2008, 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2008, 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 9, 2009, on our consideration of the City of Palmetto's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



The management's discussion and analysis and budgetary comparison information on pages 3-18 and 79-80, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplementary information required by Governmental Accounting Standards Board Statements Number 25 and 27 on pages 83-86 is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*CPA Associates*

Bradenton, Florida  
March 9, 2009

CITY OF PALMETTO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008  
(UNAUDITED)

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**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, 2008. 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 i.

**Financial Highlights**

At the close of the fiscal year ending September 30, 2008:

- The assets of the City exceeded its liabilities by \$46,320,290 (*net assets*). Of this amount, \$6,090,389 (*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 \$1,177,556, or 2.61% in comparison with the prior year total net assets.
- Total revenues increased \$474,304, or 2.30% in comparison to prior year.
- Total expenses increased \$922,764, or 4.85% in comparison to prior year.
- The City's governmental funds reported combined ending fund balances of \$8,234,471 an increase of \$390,077 in comparison with the prior year; approximately 57% of this total amount, \$4,715,698 (*unreserved fund balance*), is available for spending at the City's discretion. This includes \$1,692,092 fund balance available through the Trailer Park Trust fund.
- At the end of current fiscal year, unreserved fund balance for the general fund was \$4,715,179 or 42.97% 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.

CITY OF PALMETTO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008  
(UNAUDITED)

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**Government-wide Financial Statements**

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents *revenues* and *expenses*, and shows how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported in a manner similar to the approach used by a private-sector business 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 the solid waste collection, water and sewer, the stormwater utility system and the reuse utility.

The government-wide statements also include information pertaining to the City's component unit, the Community Redevelopment Agency (CRA).

The government-wide financial statements are found on pages 19 through 21 of this report.

**Fund Financial Statements**

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

CITY OF PALMETTO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008  
(UNAUDITED)

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***Governmental Funds***

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases or other 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 after the 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, 2008 was the Capital Projects Fund.

The City's governmental fund financial statements are presented beginning on page 22.

***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.

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CITY OF PALMETTO, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2008  
(UNAUDITED)

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, stormwater utility system, and reuse utility. The City does not have any non-major enterprise funds during the year-ended September 30, 2008. The internal service funds are considered to be non-major funds and are combined into a single, aggregated presentation in the proprietary fund financial statements.

The proprietary fund financial statements can be found beginning on page 26 of this report.

### ***Fiduciary Funds***

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

The fiduciary fund financial statements can be found on pages 32 and 33 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 35 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

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obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 79 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$46,320,290 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Assets found on page 19 of this report:

<b>City of Palmetto's Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 7,339,377	7,634,881	2,824,318	1,591,504	10,163,695	9,226,385
Internal balances	1,204,811	1,274,802	( 1,204,811)	( 1,274,802)	--	--
Restricted assets	840,749	317,237	2,750,287	1,818,117	3,591,036	2,135,354
Capital assets, net of depreciation	<u>25,606,108</u>	<u>24,649,753</u>	<u>26,036,137</u>	<u>23,694,888</u>	<u>51,642,245</u>	<u>48,344,641</u>
<b>Total assets</b>	<u>34,991,045</u>	<u>33,876,673</u>	<u>30,405,931</u>	<u>25,829,707</u>	<u>65,396,976</u>	<u>59,706,380</u>
Current and other liabilities	383,368	545,579	390,199	668,535	773,567	1,214,114
Non-current liabilities	<u>4,510,561</u>	<u>3,135,478</u>	<u>13,792,558</u>	<u>10,214,054</u>	<u>18,303,119</u>	<u>13,349,532</u>
<b>Total liabilities</b>	<u>4,893,929</u>	<u>3,681,057</u>	<u>14,182,757</u>	<u>10,882,589</u>	<u>19,076,686</u>	<u>14,563,646</u>
<b>Net assets:</b>						
net of related debt	21,790,336	22,066,324	15,222,642	15,142,690	37,012,978	37,209,014
Restricted	2,951,584	2,701,868	265,339	232,947	3,216,923	2,934,815
Unrestricted	<u>5,355,196</u>	<u>5,427,424</u>	<u>735,193</u>	<u>( 428,519)</u>	<u>6,090,389</u>	<u>4,998,905</u>
<b>Total net assets</b>	<u>\$ 30,097,116</u>	<u>30,195,616</u>	<u>16,223,174</u>	<u>14,947,118</u>	<u>46,320,290</u>	<u>45,142,734</u>

The overall position of the City improved in fiscal year 2008. 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 2007 by \$1,177,556, or 2.61%. Net assets for business-type activities increased \$1,276,056 or 8.54% as a result of the City's fiscal restraint. Net assets for governmental activities decreased \$98,050 or (.33%) due to the net effect of lower revenues and increased expenses.

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A significant portion of the City's net assets, \$37,012,978 or 79.91% 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, \$3,216,923 or 6.95% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6,090,389 or 13.15% 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 \$1,692,092, which may be used upon approval of the City Commission after a duly advertised public hearing.

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

### **Governmental Activities**

Governmental activities decreased the City's net assets by \$98,050 or (.33%). The following table compares revenues and expenses to prior year and the charts compare expenses with program revenues for the City's governmental activities:

- Overall governmental revenues decreased \$7,160 and totaled \$12,184,810 in 2008.
- The City's millage rate for 2008 was reduced by .4983 mils to \$4.6662, but property tax revenue increased by \$234,779, a 5.30% increase. Gross taxable value increased \$140,267,948 and \$73,684,030 or 53% can be attributed to annexations and new construction.
- Revenue associated with charges for services decreased by \$457,442 or 35%. Decreases associated with building permits, fine and forfeiture revenues and impact fees accounted for approximately \$276,000 of the decrease. A decrease of approximately \$238,000 associated with capital lease proceeds accounted for a majority of the remaining decrease.
- Operating grants and contributions revenue was relatively flat with an overall decrease of \$57,900 or 5.08%. A reduction in CRA contributions for lease payments and other expenses.

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- Capital grant revenue decreased \$85,013 or 24.33%. The decrease is associated with the expiration of a Department of Environmental Protection Greenway and Trails grant that expired at the end of fiscal year 2007.
- Sales taxes decreased \$55,862 or 6.11% as a result of the declining economy.
- Other taxes which include many of the state revenue sharing dollars were relatively flat with a small increase of \$2,976 or .06%. Decreases in the state sales tax and state revenue sharing dollars were \$55,862 and \$20,365. These decreases were offset by increases in the 5th cent 2nd local option gas tax and mobile home and alcohol license fees of \$87,262 and 11,468 respectively.
- Other revenues increased \$355,440 or 90.27%. This overall increase is a result of the net effect of a \$544,140 increase in capital contributions from CRA coupled with a decrease of \$188,700 in investment revenues.
- Total expenses increased \$281,428 and totaled \$12,330,519 in 2008.
- General government expenses were relatively flat during fiscal year 2008 and decreased \$12,262 or .23% from fiscal year 2007.
- Public safety expenses increased \$174,462 or 3.99%. This increase is mainly due to the 3% increase in personnel expenses since operating expenses in these cost centers remained flat.
- Transfers into Governmental funds decreased \$21,183. This decrease was caused by a reduction in the transfer-in from business type activities of \$78,000. The transfers-out to stormwater was reduced by \$57,000 resulting in a net decrease in transfers of approximately \$21,000.
- Interest in long term debt decreased by \$93,169 or 37.45% in governmental funds. Interest payments on a new loan and increased CIP allocations to general fund increased interest payments. However, lease payments drastically decreased and offset the interest increase through the completion of four leases and the assumption of some payments by CRA.

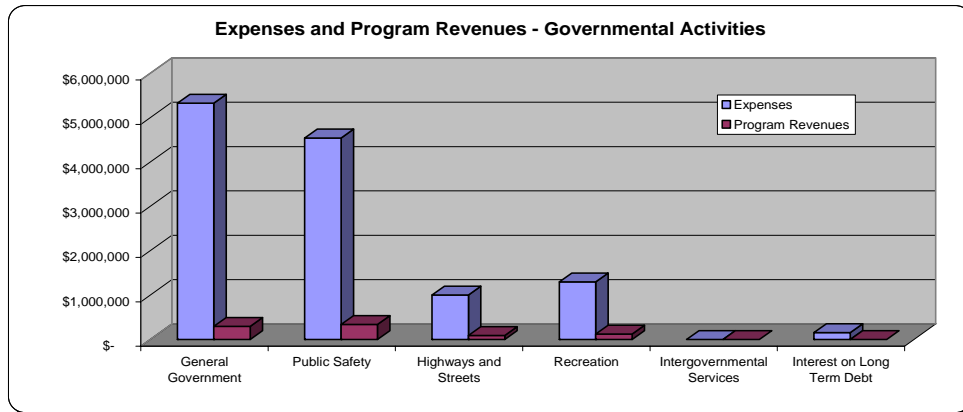


CITY OF PALMETTO, FLORIDA  
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The following is a summary of the information presented in the Statement of Activities found on pages 20 and 21 of this report:

**City of Palmetto's Changes in Net Assets**

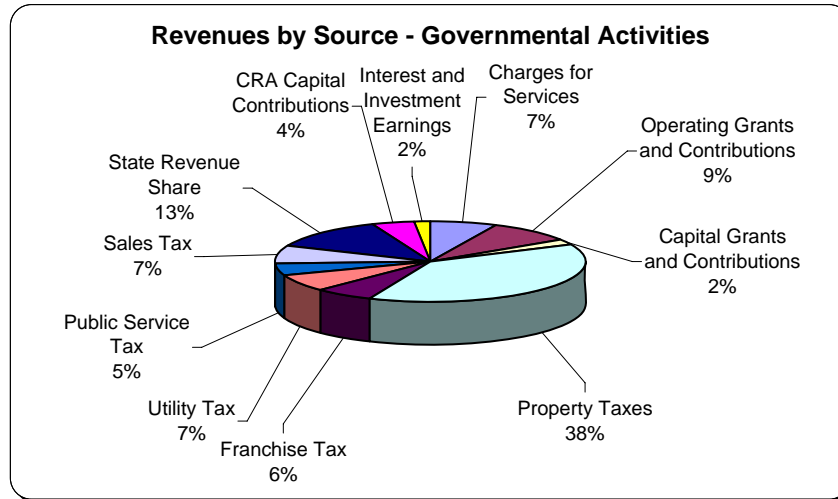
	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Charges for services	\$ 852,277	1,309,719	7,846,262	7,442,795	8,698,539	8,752,514
Operating grants and contributions	1,081,897	1,139,797	--	--	1,081,897	1,139,797
Capital grants and contributions	264,360	349,373	988,859	826,323	1,253,219	1,175,696
<b>General Revenues:</b>						
Property taxes	4,663,292	4,428,513	--	--	4,663,292	4,428,513
Other taxes	4,573,813	4,570,837	--	--	4,573,813	4,570,837
Other	749,171	393,731	114,263	198,802	863,434	592,533
<b>Total Revenues</b>	<b>\$ 12,184,810</b>	<b>12,191,970</b>	<b>8,949,384</b>	<b>8,467,920</b>	<b>21,134,194</b>	<b>20,659,890</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General government	\$ 5,327,528	5,339,790	--	--	5,327,528	5,339,790
Public safety	4,543,046	4,368,584	--	--	4,543,046	4,368,584
Highways and streets	1,004,720	814,556	--	--	1,004,720	814,556
Culture and recreation	1,299,642	1,277,409	--	--	1,299,642	1,277,409
Intergovernmental services	--	--	--	--	--	--
Interest on long-term debt	155,583	248,752	--	--	155,583	248,752
<b>Business-type Activities:</b>						
Solid Waste	--	--	2,138,301	2,108,258	2,138,301	2,108,258
Water and Sewer	--	--	4,368,485	4,059,466	4,368,485	4,059,466
Stormwater	--	--	971,958	729,909	971,958	729,909
Reuse	--	--	147,375	87,150	147,375	87,150
<b>Total Expenses</b>	<b>\$ 12,330,519</b>	<b>12,049,091</b>	<b>7,626,119</b>	<b>6,984,783</b>	<b>19,956,638</b>	<b>19,033,874</b>
<b>Increase (decrease) in net assets</b>						
before transfers	\$ ( 145,709)	142,879	1,323,265	1,483,137	1,177,556	1,626,016
Transfers	47,209	68,392	( 47,209)	( 68,392)	--	--
<b>Increase in net assets</b>	<b>( 98,500)</b>	<b>211,271</b>	<b>1,276,056</b>	<b>1,414,745</b>	<b>1,177,556</b>	<b>1,626,016</b>
Net assets-beginning of year	30,195,616	29,984,345	14,947,118	13,532,373	45,142,734	43,516,718
<b>Net assets-end of year</b>	<b>\$ 30,097,116</b>	<b>30,195,616</b>	<b>16,223,174</b>	<b>14,947,118</b>	<b>46,320,290</b>	<b>45,142,734</b>



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



### Business-type Activities

Business-type activities increased the City's net assets by \$1,276,056 accounting for 100% of the total growth in the City's net assets. As mentioned above, this increase was offset by a decrease in net assets of \$98,500 from governmental activities.

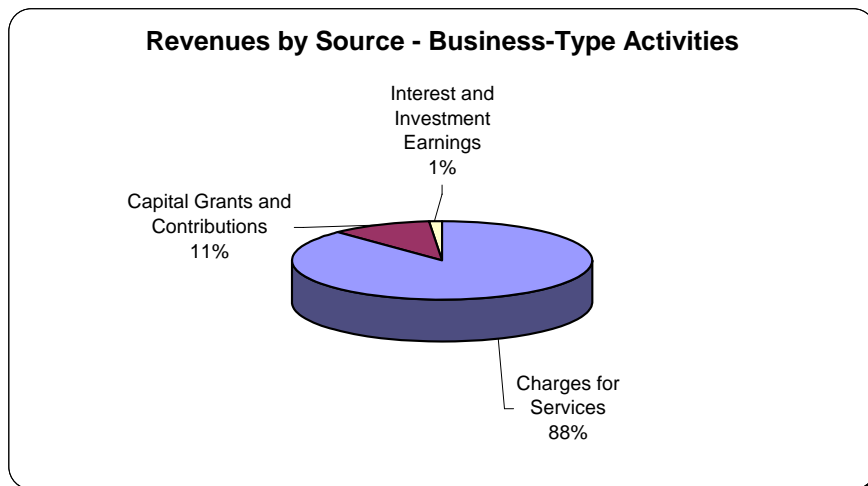
- Total revenues for business-type activities increased \$481,464 or 5.69%, while expenses increased \$641,336 or 9.18%.
- Annual CPI increases across all utility user fees contributed to the \$403,467 or 5.42% increase in revenue associated with charges for services.
- Stormwater residential and commercial fees were increased and the fee structure changed as a result of completion of the user rate study. Residential rates and fee structure were increased in January and commercial in September, 2008. These increases generated additional revenue of approximately \$173,000 and additional increases will occur over the next three years to bring the fund into self-sufficiency. This three-year plan also includes subsidization from general fund, road and bridge and water/sewer funds.
- Capital grant revenue increased \$162,536 or 19.67% compared to fiscal year 2007. Decreases in the water and sewer impact fees were offset by additional revenue from Manatee County associated with two inter-local agreements for Jackson Park and US301/41 water main relocation.

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- Other revenues decreased \$84,539 or 42.52% which is a result of decreasing interest rates and a reduction in loan proceeds balances.
- Expenses associated with Solid Waste increased approximately \$30,000 from fiscal year 2007. This increase can be attributed to increased tipping fees and CPI increases associated with our vendor Waste Management.
- Water and Sewer expenses increased \$309,019 or 7.61%. Increases in contract services associated with Engineering, and Veolia accounted for approximately \$112,000. Increases in depreciation for capital projects that were completed accounted for \$98,473. Interest expense associated with the new CIP loan and the fair market value of the loan SWAP accounted for an additional \$269,000. Personnel expenses accounted for the remaining increase. The increase in expenditures was offset by a reduction to repair and maintenance and other operating expenses.
- Expenses in Stormwater increased \$242,049 or 33.16% as a result of personnel costs increasing, interest expense with the new loan payments, and the fair market value of the loan SWAP interest valued at \$128,816.
- Expenses in Reuse also increased by approximately \$60,000, or 69%. This is the net result of increased interest expense from the new loan and reporting of the fair market value of the loan SWAP.

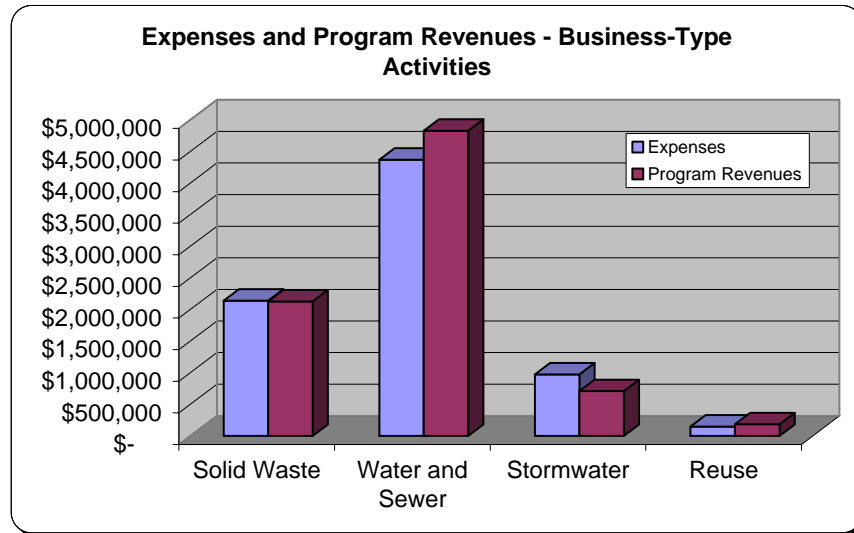
The following chart shows total revenues by source for all business-type activities:



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

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$8,234,471 an increase of \$390,077 over the prior year. Approximately 57% of this amount \$4,715,698 constitutes *unreserved fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed: (1) to liquidate contracts and for purchase orders of the prior period, \$185,042; (2) for capital projects such as street and sidewalk maintenance and capital improvements, \$1,027,306; (3) for inventories, \$382,147; (4) for accumulated surpluses mandated for the building department, \$1,132,174; (5) for capital improvement projects and capital leases \$614,088; (6) for impact fees \$158,842; and (7) capital for other purposes \$19,174.

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The General Fund is the chief operating fund of the City. At the end of the current fiscal year the unreserved fund balance of the General Fund was \$4,715,179 which includes the fund balance from the Trailer Park Trust fund. The total fund balance for the General Fund was \$6,411,820. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 42.97% of total General Fund expenditures, while total fund balance represents 58.43% of General Fund expenditures. The current City fund balance policy requires the unreserved fund balance (exclusive of Trailer Park Trust Fund) to be at least 10%-25% of revenues or 3-6 months of expenditures. At the end of fiscal year 2008, the unreserved fund balance for the City (exclusive of Trailer Park Trust Fund) is 29.53% of revenues and 3.31 months of expenditures.

Revenues for the Community Redevelopment Agency (CRA), a component unit of the City, decreased \$216,547 or 4.97% compared to the previous year. In fiscal year 2007 the CRA received a grant of \$360,000 that was not received in fiscal year 2008 which attributed to the overall decrease in revenue. After excluding the one time grant in fiscal year 2007, overall CRA revenue was higher in fiscal year 2008 by \$143,453. Increases in TIF dollars from the City and County accounted for the increase and was offset by lower interest earnings.

### **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 26 through 31.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$16,227,985, an increase of \$1,296,065 in comparison with the prior year. User fee increases in each of the utilities except Stormwater and reductions associated a reallocation of support functions contributed to the increase in net assets.

The Solid Waste Fund had operating income of \$15,199, and after transfers to the General Fund, an increase in net assets of \$1,845. The unrestricted net assets, at the end of the current fiscal year, were \$212,167 and the total net assets, were \$212,977.

The Water and Sewer Fund had operating income of \$569,423 for the year, and after transfers to the General Fund, an increase in net assets of \$970,946. The unrestricted net assets, at the end of current fiscal year, were \$1,613,316 and the total net assets were \$12,812,542.

The Stormwater Fund had an operating loss of \$241,416 and after transfers, an increase in net assets of \$271,065. Stormwater user fee revenue has not been sufficient to keep pace with rising operating and capital costs in the stormwater fund. The stormwater user fee structure for residential and commercial customers was implemented in January and September of 2008. The

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unrestricted net assets, at the end of the current fiscal year, were a deficit of \$640,838 and the total net assets was \$1,671,955. The negative unrestricted net assets improved from fiscal year 2007 by \$168,455 and should continue to improve with the adoption of new stormwater user fee structure.

The Reuse Fund had operating income and an increase in net assets of \$52,209. The unrestricted net assets, at the end of the current fiscal year, were a deficit of \$444,641 and the total net assets were \$1,530,511.

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

Differences between the original budget and the final amended budget can be found on page 79. The original General Fund budget anticipated decreasing the General Fund balance by \$193,726. During the year, the decrease was amended to \$842,474. This additional loss was due to decreasing the revenue budget by \$469,979, increasing the expense budget by \$69,369 and increasing transfers by a net amount of \$109,400. Reductions in grant revenue and state revenue accounted for the revenue budget decreases and outstanding purchase orders carried forward from fiscal year 2007 accounted for the expense budget increases. Late in the year, it was necessary to also increase the transfer out budget by \$175,000 for a subsidy to the Medical Health Insurance reserve due to unexpectedly high health claims during the year, accounting for the increase in transfers.

Actual revenues were less than budgetary estimates by \$279,921. Revenue was below budget from franchise fees, sales taxes, licenses and permits, fines and forfeitures, charges for services and investment earnings. These reduced revenues were slightly offset by higher than budgeted receipts in property taxes, utility and miscellaneous taxes, and intergovernmental revenue. Actual expenditures were less than budgetary estimates by \$763,795 or 6.51% and can be attributed to position vacancies and conservative spending citywide. Transfers into general fund from enterprise funds were as budgeted. As a result, the net change in General Fund's fund balance was a negative \$350,874 of which \$345,026 was attributed to losses in the building department.

### **Capital Assets and Debt**

#### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$51,642,245 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was \$3,297,604 or 6.82% (a 29% increase for governmental activities and a 71% increase for business-type activities).

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

- Drainage improvements at Jackson Park accounted for approximately \$613,000. The construction of a new stormwater pond was completed and the project is approximately 95% done.
- The US301 Future Utility Expansion project was started in fiscal year 06 and continued in fiscal year 07 and was completed in fiscal year 08. This project expands the water and sewer lines along US301 where these services did not previously exist to accommodate the newly annexed property know as the Sanctuary Cove CDD. This expansion was at a cost of \$1,600,000 during fiscal year 08.
- Approximately \$440,000 was spent to upgrade the City's Waste Water Treatment Plant with continuing improvements and expansion planned over five years beginning in fiscal year 2006.
- Citywide improvements to reduce inflow and infiltration into the wastewater system accounted for approximately \$410,000.
- Approximately \$340,000 was spent as part of the City's ongoing effort to develop an Aquifer Storage Recovery (ASR) well. This project will allow the City to store and retrieve reclaimed water.

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

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
Land	\$ 2,380,955	2,380,955	139,050	139,050
Buildings	502,464	571,139	282,516	236,969
Improvements other than buildings	--	--	20,909,966	17,740,568
Machinery and equipment	2,309,733	2,239,046	1,030,856	1,115,966
Infrastructure	20,088,051	19,377,788	--	--
Construction in progress	324,905	80,825	3,673,749	4,462,335
Total	<u>\$ 25,606,108</u>	<u>24,649,753</u>	<u>26,036,137</u>	<u>23,694,888</u>

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Additional information on the City's capital assets is presented in Notes I thru VI beginning on page 35 of this report.

**Long-term Debt**

At the end of the current fiscal year, the City had debt outstanding of \$17,242,761 (including compensated absences of \$667,250). The City's debt is comprised of a \$4.3 million loan obtained in fiscal year 2004, a \$6.5 million loan obtained in fiscal year 2005, a \$5.3 million loan obtained in fiscal year 2008 and two State of Florida revolving fund loans. All loans were used to fund capital improvement projects throughout the City. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Stormwater rates, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$965,186 in outstanding capital leases as of September 30, 2008 which is included in the total debt outstanding mentioned above.

In fiscal year 2006, the Community Redevelopment Association (CRA) obtained a loan for \$4,395,000 to fund capital improvement projects within the CRA district and retire \$1,500,000 of debt issued in 2004. The current balance is \$3,955,500 as of September 30, 2008. The loan is secured by a primary pledge of Tax Increment Funds (TIF).

See Notes IV, E and F, pages 53 through 63.

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

The unemployment rate the Sarasota/Bradenton/Venice area for September 2008, was 7.6%, which is slightly higher than the State of Florida rate of 6.9% and Federal rates of 6.2% (source: US Department of Labor).

According to information published by the Bureau of Economic and Business Research (BEBR) the City's population for the 2000 census were 12,571 and was estimated to be 14,447 as of April 1, 2008. This represents a 14.9% increase from 2000 to 2008.

The taxable value of commercial and residential property increased from \$884,008,892 in FY 2007 to \$1,028,776,348 in fiscal year 2008. This represents a 16% increase in taxable value and is largely attributed to the completion of several high-end residential developments. This phenomenal growth in taxable values that the City has experienced during fiscal year 2007 and fiscal year 2008 is expected to slow down in the next few years. This projected slowdown can be attributed to a depressed housing market and a weakened economy. This will present new challenges for local government as state revenue dollars are also expected to decline as people spend less.

The General Fund property tax millage was decreased .4983 mills to \$4.6662 for fiscal year 2008. Increased tax base associated with new construction has helped to offset decreases in the millage rate.



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The methodology associated calculating the commercial stormwater rate was modified in fiscal year 2008 and the rates were updated to user accounts in August of 2008.

The economy and turbulence in the financial markets has started to have an impact on General Employees and Police pension funds. As investment returns decline, the City contributions go up to ensure the plans remain actuarially sound. Any increases in the City contribution will present challenges for the upcoming budgets.

The building department revenues have continued to decline since reaching a peak in 2006. This is a result of the slow down in the construction industry. The building department had a net loss of approximately \$345,000 and \$300,000 in fiscal year 2008 and fiscal year 2007, respectively. Fortunately, they have been able to utilize existing reserves to fund the deficit, but additional scrutiny is warranted in the coming year.

**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, Florida 34220 or telephone (941) 723-4570. You may also access our website at [www.palmettofl.org](http://www.palmettofl.org).



BASIC FINANCIAL  
STATEMENTS

CITY OF PALMETTO, FLORIDA  
STATEMENT OF NET ASSETS  
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Redevelopment
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,841,279	928,524	6,769,803	762,873
Receivables (net of allowance for uncollectible)	388,028	1,895,794	2,283,822	2,400
Due from other governments	231,229	--	231,229	--
Internal balances	1,204,811	( 1,204,811)	--	--
Inventory	382,147	--	382,147	--
Net pension asset	496,694	--	496,694	--
Restricted assets				
Cash and cash equivalents	840,749	2,750,287	3,591,036	714,083
Capital assets (net of accumulated depreciation)				
Land	2,380,955	139,050	2,520,005	3,114,964
Buildings	502,464	282,516	784,980	--
Improvements other than buildings	--	20,909,966	20,909,966	--
Machinery and equipment	2,309,733	1,030,856	3,340,589	--
Infrastructure	20,088,051	--	20,088,051	4,059,251
Construction in progress	324,905	3,673,749	3,998,654	857,952
Total assets	<u>\$ 34,991,045</u>	<u>30,405,931</u>	<u>65,396,976</u>	<u>9,511,523</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 382,466	296,932	679,398	8,657
Accrued interest	--	92,984	92,984	19,931
Unearned revenue	902	283	1,185	--
Noncurrent liabilities				
Customer deposits	1,207	531,238	532,445	--
Interest rate swap contracts	117,286	410,627	527,913	--
Due within one year	622,297	646,060	1,268,357	224,677
Due in more than one year	3,769,771	12,204,633	15,974,404	3,750,532
Total liabilities	<u>4,893,929</u>	<u>14,182,757</u>	<u>19,076,686</u>	<u>4,003,797</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	21,790,336	15,222,642	37,012,978	4,056,958
Restricted for				
Street improvements	1,027,306	--	1,027,306	--
Special projects	19,174	--	19,174	--
Building permits and capital projects	1,746,262	--	1,746,262	--
Impact fees	158,842	75,724	234,566	--
Debt service	--	189,615	189,615	714,083
Unrestricted	5,355,196	735,193	6,090,389	1,450,768
Total net assets	<u>30,097,116</u>	<u>16,223,174</u>	<u>46,320,290</u>	<u>5,507,726</u>
Total liabilities and net assets	<u>\$ 34,991,045</u>	<u>30,405,931</u>	<u>65,396,976</u>	<u>9,511,523</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, 2008

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental activities				
General government	\$ 5,327,528	297,739	--	--
Public safety	4,543,046	338,004	1,081,897	264,360
Highways and streets	1,004,720	92,672	--	--
Recreation	1,299,642	123,862	--	--
Interest on long-term debt	155,583	--	--	--
Total governmental activities	<u>12,330,519</u>	<u>852,277</u>	<u>1,081,897</u>	<u>264,360</u>
Business-type activities				
Solid Waste	2,138,301	2,127,525	--	--
Water and Sewer	4,368,485	4,826,409	--	688,859
Stormwater	971,958	708,504	--	300,000
Reuse	147,375	183,824	--	--
Total business-type activities	<u>7,626,119</u>	<u>7,846,262</u>	<u>--</u>	<u>988,859</u>
Total primary government	<u>\$ 19,956,638</u>	<u>8,698,539</u>	<u>1,081,897</u>	<u>1,253,219</u>
<b>Component units</b>				
Community redevelopment	<u>\$ 3,166,603</u>	<u>3,147</u>	<u>--</u>	<u>--</u>
<p>General revenues</p> <p>    Property taxes</p> <p>    Franchise taxes</p> <p>    Sales taxes</p> <p>    Utility taxes</p> <p>    Motor fuels taxes</p> <p>    Other taxes</p> <p>    Interest and investment earnings</p> <p>    Capital contributions from community redevelopment</p> <p>Transfers</p> <p>    Total general revenues and transfers</p> <p>    Increases in net assets</p> <p>Net assets - beginning</p> <p>Net assets - ending</p>				

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

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

<b>Governmental Activities</b>	<b>Primary Government</b>		<b>Total</b>	<b>Component Unit</b>
	<b>Business-type Activities</b>			<b>Community Redevelopment</b>
( 5,029,789)	--	( 5,029,789)	--	
( 2,858,785)	--	( 2,858,785)	--	
( 912,048)	--	( 912,048)	--	
( 1,175,780)	--	( 1,175,780)	--	
( 155,583)	--	( 155,583)	--	
( 10,131,985)	--	( 10,131,985)	--	
--	( 10,776)	( 10,776)	--	
--	1,146,783	1,146,783	--	
--	36,546	36,546	--	
--	36,449	36,449	--	
--	1,209,002	1,209,002	--	
( 10,131,985)	1,209,002	( 8,922,983)	--	
			( 3,163,456)	
4,663,292	--	4,663,292	4,098,108	
1,358,799	--	1,358,799	--	
859,157	--	859,157	--	
821,401	--	821,401	--	
1,170,680	--	1,170,680	--	
363,776	--	363,776	--	
205,031	114,263	319,294	40,014	
544,140	--	544,140	--	
47,209	( 47,209)	--	--	
10,033,485	67,054	10,100,539	4,138,122	
( 98,500)	1,276,056	1,177,556	974,666	
30,195,616	14,947,118	45,142,734	4,533,060	
\$ 30,097,116	16,223,174	46,320,290	5,507,726	

CITY OF PALMETTO, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2008

	<u>General</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,736,627	967,238	519	5,704,384
Receivables (net of allowance for uncollectible)	332,831	46,027	--	378,858
Due from other funds	1,200,000	--	--	1,200,000
Due from other governments	114,011	124,801	--	238,812
Inventory	382,147	--	--	382,147
Cash - restricted	85,861	84,120	670,768	840,749
	<u>6,851,477</u>	<u>1,222,186</u>	<u>671,287</u>	<u>8,744,950</u>
Total assets	<u>\$ 6,851,477</u>	<u>1,222,186</u>	<u>671,287</u>	<u>8,744,950</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 233,137	23,615	--	256,752
Compensated absences	141,614	2,435	--	144,049
Deposit payable	1,207	--	--	1,207
Deferred revenue	63,699	44,772	--	108,471
Total liabilities	<u>439,657</u>	<u>70,822</u>	<u>--</u>	<u>510,479</u>
Fund balances				
Reserved for				
Street improvements	--	1,027,306	--	1,027,306
Encumbrances	83,786	33,437	67,819	185,042
Building permits	1,132,174	--	--	1,132,174
Inventory	382,147	--	--	382,147
Law enforcement	12,673	--	--	12,673
Special projects	--	6,501	--	6,501
Restricted assets				
Capital improvements	11,139	--	602,949	614,088
Impact fees	74,722	84,120	--	158,842
Unreserved - Trailer Park Trust	1,692,092	--	--	1,692,092
Unreserved	3,023,087	--	519	3,023,606
Total fund balances	<u>6,411,820</u>	<u>1,151,364</u>	<u>671,287</u>	<u>8,234,471</u>
Total liabilities and fund balances	<u>\$ 6,851,477</u>	<u>1,222,186</u>	<u>671,287</u>	
Adjustments for primary government total net assets				
Net assets for internal service fund activities reported in governmental funds				17,579
General capital assets net of accumulated depreciation				25,606,108
Net pension asset				496,694
Long-term receivables				107,569
Interest rate swap				( 117,286)
Long term debt for capital lease, compensated absences and loans				( 4,248,019)
Total net assets for governmental activities (page 19)				<u>\$ 30,097,116</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, 2008

	General	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>				
Taxes				
Property	\$ 4,663,292	--	--	4,663,292
Franchise	1,358,799	--	--	1,358,799
Sales	859,157	--	--	859,157
Utility	821,401	--	--	821,401
Motor fuels	10,746	1,159,934	--	1,170,680
Other	363,776	--	--	363,776
Licenses and permits	255,191	--	--	255,191
Intergovernmental revenues	272,658	--	--	272,658
Fines and forfeitures	82,813	--	--	82,813
Charges for services	1,214,833	89,900	--	1,304,733
Interest and investment earnings	159,382	19,699	25,950	205,031
Miscellaneous	142,843	12	--	142,855
Impact fees	32,914	1,386	--	34,300
Total revenues	<u>10,237,805</u>	<u>1,270,931</u>	<u>25,950</u>	<u>11,534,686</u>
<b>EXPENDITURES</b>				
Current				
General government	3,133,268	--	--	3,133,268
Public safety	4,352,240	--	--	4,352,240
Highways and streets	201,542	494,727	--	696,269
Recreation	1,200,155	--	--	1,200,155
Intergovernmental services	1,192,966	--	--	1,192,966
Capital outlay				
Streets	--	539,400	197,166	736,566
Other	575,778	--	46,913	622,691
Debt service principal and interest	316,958	229,671	--	546,629
Total expenditures	<u>10,972,907</u>	<u>1,263,798</u>	<u>244,079</u>	<u>12,480,784</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 735,102)</u>	<u>7,133</u>	<u>( 218,129)</u>	<u>( 946,098)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	553,262	--	21,000	574,262
Transfers out	( 325,000)	( 403,053)	--	( 728,053)
Issuance of debt	155,966	533,000	801,000	1,489,966
Total other financing sources (uses)	<u>384,228</u>	<u>129,947</u>	<u>822,000</u>	<u>1,336,175</u>
Net change in fund balances	<u>( 350,874)</u>	<u>137,080</u>	<u>603,871</u>	<u>390,077</u>
Fund balances - beginning	6,762,694	1,014,284	67,416	7,844,394
Fund balances - ending	<u>\$ 6,411,820</u>	<u>1,151,364</u>	<u>671,287</u>	<u>8,234,471</u>

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



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CITY OF PALMETTO, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2008

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

Net change in fund balances - total governmental funds (page 23)	\$	390,077
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.		974,942
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes current government funds and does not effect net assets. Also, payments are reported as expenditures in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	(	1,232,343)
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.	(	157,301)
Some revenues reported in the statement of activities do not increase current financial resources.		3,056
Internal service funds are used by management to charge the costs of risk management and payroll taxes to individual funds. The net loss of activities of the internal service funds is reported with governmental activities.	(	277,931)
Transfers made to the internal service funds by management to eliminate negative cash.		<u>201,000</u>
Changes in net assets of governmental activities (page 21)	<u>\$ (</u>	<u>98,500)</u>

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2008

	<u>Business-type Activities-Enterprise Funds</u>					<b>Governmental Activities- Internal Service Fund</b>
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total Proprietary</b>	
<b>ASSETS</b>						
Current assets						
Cash and cash equivalents	\$ 156,538	748,611	14,062	9,313	928,524	136,895
Accounts receivable (net of allowance for uncollectible)	198,015	1,302,143	374,316	21,320	1,895,794	9,170
Total current assets	<u>354,553</u>	<u>2,050,754</u>	<u>388,378</u>	<u>30,633</u>	<u>2,824,318</u>	<u>146,065</u>
Noncurrent assets						
Restricted cash and investments						
Cash	--	993,872	359,550	601,341	1,954,763	--
Loan covenant accounts	--	--	188,270	1,345	189,615	--
Impact fees	--	74,671	--	--	74,671	--
Customer deposits	--	531,238	--	--	531,238	--
	<u>--</u>	<u>1,599,781</u>	<u>547,820</u>	<u>602,686</u>	<u>2,750,287</u>	<u>--</u>
Capital assets						
Land	--	4,815	134,235	--	139,050	--
Buildings	--	493,516	--	--	493,516	--
Improvements other than buildings	--	22,555,218	8,045,350	2,513,838	33,114,406	--
Machinery and equipment	210,517	1,804,357	46,535	--	2,061,409	--
Construction in progress	--	2,510,269	684,396	479,084	3,673,749	--
Less accumulated depreciation	( 209,707)	( 11,336,327)	( 1,559,569)	( 340,390)	( 13,445,993)	--
Total capital assets (net of accumulated depreciation)	<u>810</u>	<u>16,031,848</u>	<u>7,350,947</u>	<u>2,652,532</u>	<u>26,036,137</u>	<u>--</u>
Total noncurrent assets	<u>810</u>	<u>17,631,629</u>	<u>7,898,767</u>	<u>3,255,218</u>	<u>28,786,424</u>	<u>--</u>
Total assets	<u>\$ 355,363</u>	<u>19,682,383</u>	<u>8,287,145</u>	<u>3,285,851</u>	<u>31,610,742</u>	<u>146,065</u>

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

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2008

	<u>Business-type Activities-Enterprise Funds</u>					<b>Governmental Activities- Internal Service Fund</b>
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total Proprietary</b>	
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable	\$ 140,978	100,479	23,865	31,610	296,932	125,714
Due to other funds	--	--	810,000	390,000	1,200,000	--
Compensated absences	352	18,140	4,697	--	23,189	--
Unearned revenue	--	283	--	--	283	--
Leases-current	--	81,603	4,220	--	85,823	--
Loans payable-current	--	220,422	269,699	46,927	537,048	--
Total current liabilities payable from unrestricted assets	<u>141,330</u>	<u>420,927</u>	<u>1,112,481</u>	<u>468,537</u>	<u>2,143,275</u>	<u>125,714</u>
Current liabilities payable from restricted assets						
Customer deposits payable	--	531,238	--	--	531,238	--
Accrued interest payable	--	34,918	49,547	8,519	92,984	--
Total current liabilities payable from restricted assets	<u>--</u>	<u>566,156</u>	<u>49,547</u>	<u>8,519</u>	<u>624,222</u>	<u>--</u>
Total current liabilities	<u>141,330</u>	<u>987,083</u>	<u>1,162,028</u>	<u>477,056</u>	<u>2,767,497</u>	<u>125,714</u>
Noncurrent liabilities						
Loans payable	--	5,526,894	5,312,055	1,224,620	12,063,569	--
Interest rate swap contracts	--	228,147	128,816	53,664	410,627	--
Compensated absences	1,056	54,418	12,291	--	67,765	--
Leases	--	73,299	--	--	73,299	--
Total noncurrent liabilities	<u>1,056</u>	<u>5,882,758</u>	<u>5,453,162</u>	<u>1,278,284</u>	<u>12,615,260</u>	<u>--</u>
Total liabilities	<u>142,386</u>	<u>6,869,841</u>	<u>6,615,190</u>	<u>1,755,340</u>	<u>15,382,757</u>	<u>125,714</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	810	11,123,502	2,124,523	1,973,807	15,222,642	--
Restricted for						
Debt service	--	--	188,270	1,345	189,615	--
Impact fees	--	75,724	--	--	75,724	--
Unrestricted	<u>212,167</u>	<u>1,613,316</u>	<u>( 640,838)</u>	<u>( 444,641)</u>	<u>740,004</u>	<u>20,351</u>
Total net assets	<u>\$ 212,977</u>	<u>12,812,542</u>	<u>1,671,955</u>	<u>1,530,511</u>	<u>16,227,985</u>	<u>20,351</u>
Net assets for internal service fund activities reported in proprietary funds					( 4,811)	
Total net assets for business-type activities					<u>\$ 16,223,174</u>	

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

CITY OF PALMETTO, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2008

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>
Operating revenues			
Charges for sales and services			
Garbage and trash pickup	\$ 2,092,346	--	--
Water sales	--	2,525,143	--
Sewer charges	--	2,092,725	--
Stormwater fees	--	--	670,871
Reuse fees	--	--	--
Installation and connection charges	--	10,685	--
Penalties and check charges	35,174	105,090	11,758
Miscellaneous	5	92,766	25,875
Total revenues	<u>2,127,525</u>	<u>4,826,409</u>	<u>708,504</u>
Operating expenses			
Cost of sales and services	2,107,913	3,430,748	413,420
Depreciation	7,169	414,655	128,383
Total operating expenses	<u>2,115,082</u>	<u>3,845,403</u>	<u>541,803</u>
Operating income (loss)	<u>12,443</u>	<u>981,006</u>	<u>166,701</u>
Nonoperating revenues (expenses)			
Interest earnings	2,756	73,709	22,038
Interest expense	--	( 261,206)	( 242,613)
Change in fair market value of interest rate swaps	--	( 228,147)	( 128,816)
Gain (loss) on capital assets	--	4,061	( 58,726)
Total nonoperating revenues (expenses)	<u>2,756</u>	<u>( 411,583)</u>	<u>( 408,117)</u>
Income (loss) before contributions and transfers	<u>15,199</u>	<u>569,423</u>	<u>( 241,416)</u>
Capital contributions - impact fees	--	127,577	--
Capital contributions - grants	--	561,282	300,000
Transfers in	--	--	300,000
Transfers out	( 13,354)	( 287,336)	( 87,519)
Change in net assets	1,845	970,946	271,065
Total net assets - beginning	211,132	11,841,596	1,400,890
Total net assets - ending	<u>\$ 212,977</u>	<u>12,812,542</u>	<u>1,671,955</u>

Change in net assets from above

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

Change in net assets of business type activities - page 21.

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

<b>Business-type Activities-Enterprise Funds</b>		<b>Governmental Activities</b>
<b>Reuse</b>	<b>Total Proprietary</b>	<b>Internal Service Fund</b>
--	2,092,346	--
--	2,525,143	--
--	2,092,725	--
--	670,871	--
178,076	178,076	--
--	10,685	--
4,419	156,441	--
1,329	119,975	3,005,373
<u>183,824</u>	<u>7,846,262</u>	<u>3,005,373</u>
8,652	5,960,733	3,344,313
32,213	582,420	--
40,865	6,543,153	3,344,313
<u>142,959</u>	<u>1,303,109</u>	<u>( 338,940)</u>
15,760	114,263	--
( 52,846)	( 556,665)	--
( 53,664)	( 410,627)	--
--	( 54,665)	--
<u>( 90,750)</u>	<u>( 907,694)</u>	<u>--</u>
52,209	395,415	( 338,940)
--	127,577	--
--	861,282	--
--	300,000	242,000
--	( 388,209)	--
<u>52,209</u>	<u>1,296,065</u>	<u>( 96,940)</u>
1,478,302	14,931,920	117,291
<u>1,530,511</u>	<u>16,227,985</u>	<u>20,351</u>
	\$ 1,296,065	
	( 20,009)	
	<u>\$ 1,276,056</u>	

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2008

	<b>Solid Waste</b>	<b>Water and Sewer</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 2,142,830	4,220,575
Payments to suppliers	( 2,158,607)	( 2,611,089)
Payments to employees	( 96,113)	( 919,585)
Net cash provided (used) by operating activities	( 111,890)	689,901
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	--	--
Transfers to other funds	( 13,354)	( 287,336)
Net cash provided (used) by noncapital and related financing activities	( 13,354)	( 287,336)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	--	( 2,052,484)
Proceeds from issuance of debt	--	2,346,475
Impact fee capital contributions	--	127,577
Grant capital contributions	--	561,282
Payments paid on capital leases	--	( 81,603)
Transfer of capital lease obligation to governmental fund	--	( 258,400)
Principal paid on capital debt	--	( 163,104)
Interest paid on capital debt	--	( 261,206)
Net cash provided by capital and related financing activities	--	218,537
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	2,756	73,709
Net cash provided by investing activities	2,756	73,709
Net increase (decrease) in cash and cash equivalents	( 122,488)	694,811
Cash and cash equivalents - October 1	279,026	1,653,581
Cash and cash equivalents - September 30	\$ 156,538	2,348,392
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 12,443	981,006
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,169	414,655
Change in fair market value of interest rate swaps	--	
(Increase) decrease in accounts receivable	15,305	( 520,970)
Increase (decrease) in accounts payable and accrued liabilities	( 146,807)	( 99,926)
Decrease in due to other funds	--	--
Increase (decrease) in customer deposits	--	5,301
Total adjustments	( 124,333)	( 291,105)
Net cash provided (used) by operating activities	\$ ( 111,890)	689,901
Detail of cash and equivalents at September 30:		
Cash and equivalents	\$ 156,538	748,611
Restricted cash:		
Cash	--	993,872
Loan covenant accounts	--	--
Impact fees	--	74,671
Customer deposits	--	531,238
Total	\$ 156,538	2,348,392
<b>NONCASH CAPITAL ACTIVITIES</b>		
Change in fair market value of interest rate swaps	\$ --	228,147

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

<b>Stormwater</b>	<b>Reuse</b>	<b>Total Proprietary</b>	<b>Internal Service Fund</b>
398,974	100,887	6,863,266	2,996,203
( 81,833)	22,958	( 4,828,571)	( 3,299,929)
( 313,997)	--	( 1,329,695)	--
<u>3,144</u>	<u>123,845</u>	<u>705,000</u>	<u>( 303,726)</u>
300,000	--	300,000	242,000
( 87,519)	--	( 388,209)	--
<u>212,481</u>	<u>--</u>	<u>( 88,209)</u>	<u>242,000</u>
( 526,525)	( 381,787)	( 2,960,796)	--
800,519	870,248	4,017,242	--
--	--	127,577	--
--	--	561,282	--
( 8,462)	--	( 90,065)	--
--	--	( 258,400)	--
( 313,113)	( 38,160)	( 514,377)	--
( 242,613)	( 52,846)	( 556,665)	--
<u>9,806</u>	<u>397,455</u>	<u>625,798</u>	<u>--</u>
22,038	15,760	114,263	--
<u>22,038</u>	<u>15,760</u>	<u>114,263</u>	<u>--</u>
247,469	537,060	1,356,852	( 61,726)
314,413	74,939	2,321,959	198,621
<u>561,882</u>	<u>611,999</u>	<u>3,678,811</u>	<u>136,895</u>
166,701	142,959	1,303,109	( 338,940)
128,383	32,213	582,420	--
( 304,530)	2,063	( 808,132)	( 9,170)
17,590	31,610	( 197,533)	44,384
( 5,000)	( 85,000)	( 90,000)	--
--	--	5,301	--
<u>( 163,557)</u>	<u>( 19,114)</u>	<u>( 598,109)</u>	<u>35,214</u>
<u>3,144</u>	<u>123,845</u>	<u>705,000</u>	<u>( 303,726)</u>
14,062	9,313	928,524	136,895
359,550	601,341	1,954,763	--
188,270	1,345	189,615	--
--	--	74,671	--
--	--	531,238	--
<u>561,882</u>	<u>611,999</u>	<u>3,678,811</u>	<u>136,895</u>
128,816	53,644	410,607	--

CITY OF PALMETTO, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2008

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	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 35,113
Interest and dividends receivable	64,644
Investments, at fair value	
Money market funds	654,645
U. S. government securities	2,991,088
Corporate bonds	2,404,982
Corporate stocks	7,747,673
Total investments	<u>13,798,388</u>
Total assets	<u>13,898,145</u>
<b>LIABILITIES</b>	
Accounts payable	<u>166,304</u>
Total liabilities	<u>166,304</u>
<b>NET ASSETS</b>	
Held in trust for pension benefits	<u><u>\$ 13,731,841</u></u>

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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, 2008

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 675,304
Plan members	279,603
State (from the General Fund)	108,732
Total contributions	1,063,639
Investment earnings	
Interest	294,166
Dividends	115,293
Net increase in the fair value of investments	( 2,392,539)
Total investment earnings	( 1,983,080)
Less investment expense	108,786
Net investment earnings	( 2,091,866)
Total additions	( 1,028,227)
<b>DEDUCTIONS</b>	
Benefits	868,558
Refunds of contributions	15,890
Administrative expenses	61,782
Total deductions	946,230
Change in net assets	( 1,974,457)
Net assets - beginning	15,706,298
Net assets - ending	\$ 13,731,841

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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. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida, in Manatee County and is comprised of five square miles with a population of approximately 14,100. 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 and its component unit, the Community Redevelopment Agency, which is considered to be financially accountable to the City.

**Discretely Presented 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.

The CRA operates under the guidance of the City Commission which meets jointly with the CRA's governing body to approve the adoption of their annual budget, the acquisition, demolition, removal, or disposal of real property, the issuance of revenue bonds and modifications to the community redevelopment plans. The CRA is fiscally dependent on the City and its financial statements are included in a separate column of the accompanying financial statements to emphasize that it is legally separate from the City. The discretely presented component unit has a September 30 year end and separate financial statements of the CRA are not prepared and, therefore, are not available.

**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 and its component unit. 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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

charges for their support. Likewise the *primary government* is reported separately from the legally separate *component unit* for which the primary government is financially accountable.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt expenditures, and expenditures related to compensated absences, claims and judgments, are usually recorded only when payment is due.

Property taxes, franchise taxes, 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental funds report the following major governmental funds:

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

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

Proprietary funds report the following major funds:

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

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

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

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

Additionally, the proprietary funds report the following fund:

The *internal service fund* accounts for services provided to other departments within the City on a cost reimbursement basis. These services include general health and life insurance benefits and payroll liabilities. These funds are included in governmental activities for government-wide reporting purposes and included in a separate column in the proprietary funds statement. The excess revenue or expenses for the funds are allocated to the appropriate functional activity.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

**D. Assets, Liabilities and Net Assets or Equity**

1. Deposits and Investments

The City's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with maturities of three months or less from date of acquisition. State statutes authorize 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, as well as for its component unit, are reported at fair value. The cash and investment pool maintained by the City is invested in U.S. Government securities, the State Board of Administration investment pool, and the Florida Municipal Investment Trust. The State Board of Administration Investment Pool operates in accordance with appropriate state laws and regulations.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Receivables

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

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

3. Inter-fund Transactions

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Proceeds of the City’s loans, as well as other resources set aside in accordance with loan covenants are classified as restricted on the fund level balance sheets. These include the following: loan proceeds for capital improvements, cash accounts used to accumulate resources to meet debt service requirements, customer deposits and accrued interest payable.

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Compensated Absences

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

All vacation pay is accrued when incurred in the government-wide financial statements. Sick leave is not recorded in the financial statements because sick leave is not 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, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant, and equipment of the primary government, as well as the component units, are depreciated, using the straight line method over the following estimated useful lives:

Assets	
Buildings	30 years
Furniture, fixtures and equipment	7 years
Water and sewer systems	50 years
Road and bridges	50 years

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. Interest rate swaps are recognized as either assets or liabilities at their fair value on the statement of net assets with the changes in the fair value reported in expenses on the statement of activities.

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 current year's levy is based on taxable assessed property values totaling \$1,028,776,348.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2007-2008 fiscal year, the City levied taxes of 4.6662 for the General Fund.

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

The property tax cycle is summarized as follows:

June 1	Preliminary taxable valuation
July 1	Certification of valuations
September 15	Tentative tax levy set and first public hearing
September 30	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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

April 1	Taxes delinquent and property subject to lien
May 1	Delinquent tax certificates may be sold

10. Special Assessments

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

11. Long-term Obligations

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

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

12. Fund Equity

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

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

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

The governmental fund balance sheet includes 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. *Net assets for internal service fund activities reported in governmental funds:* Internal service funds are used by management to charge the costs of medical insurance and payroll liabilities to individual funds. These costs are distributed based on the number of employees per cost center. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The details of this \$17,579 difference are as follows:

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

Net assets of the internal service funds	\$ 20,351
Plus: Internal service funds allocated to business type activities	4,811
Less: Internal service funds allocated to CRA activities	<u>( 7,583)</u>
 Net adjustment to decrease <i>fund balance--total governmental funds</i> to arrive at <i>net assets--governmental activities</i>	 <u><u>\$ 17,579</u></u>

2. *General government capital assets net of accumulated depreciation:* Capital assets are not included as part of current assets in the fund statement and need to be reported as capital assets in the government-wide statement of net assets. The details of this \$25,606,108 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 2,380,955
Buildings	502,464
Machinery and equipment	2,309,733
Infrastructure	20,088,051
Construction in progress	<u>324,905</u>
 Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets--governmental activities</i>	 <u><u>\$ 25,606,108</u></u>

3. *Long-term debt for capital lease, 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 \$4,248,019 differences, are as follows:

2004 loan payable	\$ 504,775
2005 loan payable	1,202,853
2007 loan payable	1,302,080
Capital leases payable	806,064
Compensated absences	576,296
Less: Current portion reported in fund statements	<u>( 144,049)</u>
 Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets--governmental activities</i>	 <u><u>\$ 4,248,019</u></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 reconciliation between *net changes in fund balance—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The elements of that reconciliation are as follows:

1. *Governmental funds report capital outlays as expenditures:* Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$974,906 difference are as follows:

Capital outlay	\$ 1,359,257
Capital asset and lease transferred from water and sewer fund	258,400
Capital assets transferred from CRA	544,140
Depreciation expense	<u>( 1,186,855)</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>\$ 974,942</u>
--	-------------------

2. *The issuance of long-term debt (i.e. loans and capital leases):* This provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, payments are reported as expenditures in the statement of activities. The details of this \$1,232,343 difference are as follows:

Debt issued or incurred	
Transfer of long-term bank loan from business-type activities	\$ 258,400
Long-term bank loan financing	1,334,000
Capital lease financing	155,966
Principal repayments	
Principal repayments on long-term bank loan	( 99,170)
Payments on capital lease	<u>( 416,853)</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>\$ 1,232,343</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 \$157,301 are as follows:

Change in the net pension obligation	\$ 363
Compensated absences	18,248
Change in fair value of interest rate swap	117,286
Disposition of capital assets	<u>21,404</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 157,301</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 \$3,056 difference are as follows:

Contributions of assets from developers	\$ 2,817
Additional long-term receivables	<u>239</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at changes in <i>net assets of governmental activities</i>	<u>\$ 3,056</u>

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

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

1. *Net assets for internal service fund activities reported in proprietary funds:* This adjustment is to reflect the consolidation of internal service fund activities related to enterprise funds. The details of this \$4,811 difference are as follows:

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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

Net assets of the internal service funds	\$ 20,351
Less: Internal service funds allocated to governmental activities	( 17,579)
Less: Internal service funds previously allocated to CRA	<u>( 7,583)</u>
 Net adjustment to increase <i>net asset total in the enterprise funds</i> to arrive at <i>net assets -business-type activities</i>	 <u><u>\$ ( 4,811)</u></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 as well as the component unit.

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

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution. The budget resolution restricts total expenditures by fund. Expenditures for any year may not exceed current year fund appropriations plus accumulated fund equity.
4. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental cost center level. Transfers of appropriations between cost centers or funds require the approval of the City Commission. The transfer of appropriations between line items within the same departmental cost center can be accomplished with Department Head and City Clerk approval.
5. All unencumbered and unexpended appropriations lapse at fiscal year end. Encumbered appropriations (i.e., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE III — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

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 deposits and investments of the Pension Trust Funds are held separately from those of other City 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, 2008, the carrying amount of the City's primary government deposits was \$8,543,189. This amount includes the SBA investment of \$318,410, the FMIT investment of \$164,393 and \$2,407,981 from the Trailer Park Trust fund that may be used on approval by City Commission. The bank balance for the operating account was \$5,652,405. All deposits are insured by either the Federal Depository Insurance Corporation or by the Multiple Financial Institution Collateral Pool established by Chapter 280 of the Florida Statutes. Chapter 280 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodians equal to 50% of municipal deposits with the remaining 50% to be insured by all pool members. 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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” funding 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 portfolio. These portfolios are actively traded and have been structured to meet a variety of investment horizons using those investments permitted under the Trust’s investment policy. Fitch Ratings assigns bond fund ratings to the Trust’s four fixed income funds and the investment performance and compliance are monitored and audited in accordance with generally accepted auditing standards.

As of September 30, 2008, the City, including its component unit, had the following investments and maturities:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More Than 10</b>
Cash and Short Term Investments	\$ 9,636,768	9,636,768	--	--	--
State Investment Pool	318,410	318,410	--	--	--
US Agencies	5,563,462	127,450	3,694,833	777,063	964,116
Corporate Bonds	2,404,983	220,617	1,501,787	600,397	82,181
Common Stock	7,747,673	7,747,673	--	--	--
	<u>\$ 25,671,296</u>	<u>18,050,918</u>	<u>5,196,620</u>	<u>1,377,460</u>	<u>1,046,297</u>

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



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

2. *Credit Risk:* The City invests its surplus funds pursuant to state statutes which limit investing activities to SBA, certificates of deposits, registered SEC and money market mutual funds. Investments of these types insure the security of the City's surplus funds. Policies governing the General Employees' Pension Fund and the Police Officers' Pension Fund limit investments to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). Of the investments the Police Officers' Pension Fund holds, \$955,954 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$867,279 is in U.S. Government Agency securities which are not rated; \$105,100 is in corporate bonds with a rating of AAA with Standard and Poor's; \$51,677 is in corporate bonds with a rating of AA with Standard and Poor's; \$136,311 is in corporate bonds with a rating of AA- with Standard and Poor's; \$342,717 is in corporate bonds with a rating of A+ with Standard and Poor's; \$346,992 is in corporate bonds with a rating of A with Standard and Poor's; \$40,742 is in corporate bonds with a rating of A- with Standard and Poor's; and \$196,034 is in money market funds not rated. Of the investments the General Employee' Pension Fund holds, \$1,181,720 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$46,433 is in corporate bonds with a rating of AAA with Standard and Poor's; \$83,833 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$48,465 is in corporate bonds with a rating of AA with Standard and Poor's; \$402,569 is in corporate bonds with a rating of AA- with Standard and Poor's; \$468,018 is in corporate bonds with a rating of A+ with Standard and Poor's; \$277,882 is in corporate bonds with a rating of A with Standard and Poor's; \$54,244 is in corporate bonds with a rating of A- with Standard and Poor's; \$20,313 is in corporate bonds that are not rated; \$458,611 is in money market funds not rated; and \$4,180,007 is in common stock not rated.

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**B. Receivables**

Receivables and allowances for uncollectible accounts as of September 30, 2008, for the City are as shown below:

	<u>General</u>	<u>Road and Bridge</u>	<u>Solid Waste</u>	<u>Water and Sewer</u>	<u>Stormwater</u>	<u>ReUse</u>	<u>CRA</u>	<u>Pension Trust</u>	<u>Total</u>
Accounts receivable	\$ 223,788	--	248,151	608,359	92,432	26,685	--	--	1,199,415
Special assessments	62,797	44,772	--	422	--	--	--	--	107,991
Intergovernmental	114,011	--	--	--	--	--	--	--	114,011
Intergovernmental Restricted	--	124,801	--	778,938	300,000	--	--	--	1,203,739
Interest and dividend receivable	--	--	--	--	--	--	--	64,644	64,644
Grants	37,442	--	--	--	--	--	--	--	37,442
Insurance	8,804	1,255	763	35,517	582	--	2,400	--	49,321
Gross receivables	446,842	170,828	248,914	1,423,236	393,014	26,685	2,400	64,644	2,776,563
Less: Allowance for uncollectible	--	--	( 50,899)	( 121,093)	( 18,698)	( 5,365)	--	--	( 196,055)
Total receivables (net)	<u>\$ 446,842</u>	<u>170,828</u>	<u>198,015</u>	<u>1,302,143</u>	<u>374,316</u>	<u>21,320</u>	<u>2,400</u>	<u>64,644</u>	<u>2,580,508</u>

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

1. Due To/From Other Funds

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

At September 30, 2008, the General fund had a \$1,200,000 receivable from proprietary funds. This amount represents a short-term loan made to cover a temporary cash deficit in pooled cash within the payable fund at year-end. This balance is a receivable that is expected to be liquidated within one year.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Stormwater	\$ 810,000
General Fund	Reuse	390,000
	Total	<u>\$ 1,200,000</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

2. Inter-fund Transfers

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

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

The composition of inter-fund transfers as of September 30, 2008, is as follows:

<u>Transfer Out</u>	<u>Transfer-In Primary General Fund</u>	<u>Transfer-In Capital Projects Fund</u>	<u>Transfer-In Stormwater Fund</u>	<u>Transfer-In Internal Service Fund</u>
General Fund	\$ --	--	150,000	175,000
Road and Bridge	206,053	21,000	150,000	26,000
Solid Waste fund	13,354	--	--	--
Water and Sewer fund	246,336	--	--	41,000
Stormwater fund	87,519	--	--	--
Total	<u>\$ 553,262</u>	<u>21,000</u>	<u>300,000</u>	<u>242,000</u>

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2008, was as follows:

<b>Primary Government</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 2,380,955	--	--	2,380,955
Construction in progress	80,825	244,080	--	324,905
Total capital assets, not being depreciated	<u>2,461,780</u>	<u>244,080</u>	<u>--</u>	<u>2,705,860</u>
Capital assets, being depreciated				
Buildings	1,898,926	16,356	--	1,915,282
Machinery and equipment	6,283,253	609,404	( 192,823)	6,699,834
Infrastructure	25,394,139	1,294,774	--	26,688,913
Total capital assets, being depreciated	<u>33,576,318</u>	<u>1,920,534</u>	<u>( 192,823)</u>	<u>35,304,029</u>
Less accumulated depreciation for				
Buildings	( 1,327,787)	( 85,031)	--	( 1,412,818)
Machinery and equipment	( 4,044,207)	( 517,313)	171,419	( 4,390,101)
Infrastructure	( 6,016,351)	( 584,511)	--	( 6,600,862)
Total accumulated depreciation	<u>( 11,388,345)</u>	<u>( 1,186,855)</u>	<u>171,419</u>	<u>( 12,403,781)</u>
Total capital assets, being depreciated, net	<u>22,187,973</u>	<u>733,679</u>	<u>( 21,404)</u>	<u>22,900,248</u>
Governmental activities capital assets, net	<u>\$ 24,649,753</u>	<u>977,759</u>	<u>( 21,404)</u>	<u>25,606,108</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 139,050	--	--	139,050
Construction in progress	4,462,335	1,677,066	( 2,465,652)	3,673,749
Total capital assets, not being depreciated	<u>4,601,385</u>	<u>1,677,066</u>	<u>( 2,465,652)</u>	<u>3,812,799</u>
Capital assets, being depreciated				
Buildings	434,961	58,555	--	493,516
Machinery and equipment	2,146,252	101,572	( 186,415)	2,061,409
Improvements other than buildings	29,474,898	3,639,508	--	33,114,406
Total capital assets, being depreciated:	<u>32,056,111</u>	<u>3,799,635</u>	<u>( 186,415)</u>	<u>35,669,331</u>
Less accumulated depreciation for				
Buildings	( 197,992)	( 13,008)	--	( 211,000)
Machinery and equipment	( 1,030,286)	( 99,302)	99,035	( 1,030,553)
Improvements other than buildings	( 11,734,330)	( 470,110)	--	( 12,204,440)
Total accumulated depreciation	<u>( 12,962,608)</u>	<u>( 582,420)</u>	<u>99,035</u>	<u>( 13,445,993)</u>
Total capital assets, being depreciated, net	<u>19,093,503</u>	<u>3,217,215</u>	<u>( 87,380)</u>	<u>22,223,338</u>
Business-type activities capital assets, net	<u>\$ 23,694,888</u>	<u>4,894,281</u>	<u>( 2,553,032)</u>	<u>26,036,137</u>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Community Redevelopment Agency activities:</b>				
Capital assets, not being depreciated				
Land	\$ 2,714,783	400,181	--	3,114,964
Construction in progress	1,389,617	12,475	( 544,140)	857,952
Total capital assets, not being depreciated	<u>4,104,400</u>	<u>412,656</u>	<u>( 544,140)</u>	<u>3,972,916</u>
Capital assets, being depreciated				
Infrastructure	4,128,461	--	--	4,128,461
	<u>4,128,461</u>	<u>--</u>	<u>--</u>	<u>4,128,461</u>
Less accumulated depreciation for				
Infrastructure	--	( 69,210)	--	( 69,210)
	<u>--</u>	<u>( 69,210)</u>	<u>--</u>	<u>( 69,210)</u>
Total capital assets, being depreciated, net	<u>4,128,461</u>	<u>( 69,210)</u>	<u>--</u>	<u>4,059,251</u>
Community Redevelopment Agency activities capital assets, net	<u>\$ 8,232,861</u>	<u>343,446</u>	<u>( 544,140)</u>	<u>8,032,167</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

<b>Governmental activities:</b>	
General government	\$ 824,274
Public safety	90,038
Streets and roads	197,789
Intergovernmental services	4,732
Recreation	<u>70,022</u>
Total depreciation for governmental activities	<u><u>\$ 1,186,855</u></u>
 <b>Business-type activities:</b>	
Solid waste	\$ 7,169
Water and sewer	414,655
Stormwater	128,383
Reuse	<u>32,213</u>
Total depreciation for business-type activities	<u><u>\$ 582,420</u></u>

**Construction Commitments**

The City has various active construction projects. At September 30, 2008, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Waste Water Treatment Plant repairs	\$ 1,729,345	\$ 298,571
I & I Program	529,451	201,010
Reclaimed water - ASR well design	479,084	513,521
7th Street extension	22,460	72,070
Other projects	<u>1,169,618</u>	<u>80,629</u>
	<u><u>\$ 3,929,958</u></u>	<u><u>\$ 1,165,801</u></u>

**E. Capital Leases**

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2008, are as follows:

	<b>Year Ended September 30, 2008</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Asset			
Machinery and equipment by type			
Police vehicles and equipment	\$ 975,230	--	975,230
Light duty and equipment	518,832	99,732	618,564
Heavy duty and equipment	33,350	259,407	292,757
Office systems	8,127	--	8,127
Less accumulated depreciation	<u>( 372,354)</u>	<u>( 106,468)</u>	<u>( 478,822)</u>
Total assets acquired through capital leases	<u>\$ 1,163,185</u>	<u>252,671</u>	<u>1,415,856</u>

During the fiscal year ending September 30, 2008, lease payments were made totaling \$565,225 which includes principal payments of \$513,885 and \$51,340 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

<b>Year Ended September 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
2009	\$ 391,031	91,325	482,356
2010	289,883	49,239	339,122
2011	151,149	27,016	178,165
2012	<u>18,976</u>	<u>--</u>	<u>18,976</u>
Total minimum lease payments	851,039	167,580	1,018,619
Less: amount representing interest	<u>( 44,975)</u>	<u>( 8,458)</u>	<u>( 53,433)</u>
Present value of minimum lease payments	<u>\$ 806,064</u>	<u>159,122</u>	<u>965,186</u>

**F. Long Term Debt**

1. State Revolving Fund Loan

**Reuse Loan**

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2008, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$59,225 with capitalized interest of \$19,943. Pledged revenues include water and sewer fund operating revenues, installation and connection fees, impact fees, and any local option sales tax revenues. The original amortization of the loan was to be repaid in forty semiannual payments of \$14,100 including interest which accrued semiannually at 3.18% (annual rate) of the unpaid balance. Payments began June 15, 2003.

During fiscal year 2007, it was determined that no additional funding was necessary from the loan and it was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$2,565.

During the fiscal year ending September 30, 2008, loan payments were made totaling \$5,130 which includes principal payments of \$3,171 and \$1,959 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 3,273	1,857	5,130
2010	3,377	1,753	5,130
2011	3,486	1,644	5,130
2012	3,597	1,533	5,130
2013	3,713	1,417	5,130
2014	3,832	1,298	5,130
2015	3,955	1,175	5,130
2016	4,081	1,049	5,130
2017	4,212	918	5,130
2018	4,347	783	5,130
2019	4,486	644	5,130
2020	4,630	500	5,130
2021	4,779	351	5,130
2022	4,932	198	5,130
2023	2,525	40	2,565
Total	<u>\$ 59,225</u>	<u>15,160</u>	<u>74,385</u>

**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.

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2008, the City had drawn down available loan funds totaling \$2,872,229. The loan balance was \$1,998,425 with capitalized interest of \$16,186. Pledged revenues are stormwater fees. The original amortization of the loan was to be repaid in forty semiannual payments of \$100,744 including interest which accrues semiannually at 3.03% (annual rate) of the unpaid balance. Payments began October 15, 2001. During fiscal year 2007, it was determined that all projects approved for funding through this loan were complete and no additional funding was necessary. The loan was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$93,565.

During the fiscal year ending September 30, 2008, loan payments were made totaling \$187,130 which includes principal payments of \$123,759 and \$63,371 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 127,537	59,593	187,130
2010	131,431	55,699	187,130
2011	135,443	51,687	187,130
2012	139,578	47,552	187,130
2013	143,839	43,291	187,130
2014	148,231	38,899	187,130
2015	152,756	34,374	187,130
2016	157,420	29,710	187,130
2017	162,226	24,904	187,130
2018	167,178	19,952	187,130
2019	172,282	14,848	187,130
2020	177,542	9,588	187,130
2021	182,962	4,168	187,130
Total	<u>\$ 1,998,425</u>	<u>434,265</u>	<u>2,432,690</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 improvements within the City and to refund the outstanding balance of the City's Capital Improvement Revenue Note, Series 1998. The loan is payable from and secured by a pledge of and lien upon the pledged revenues including stormwater, water, sewer and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

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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 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, 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, 2008, loan payments were made totaling \$195,894 which includes principal payments of \$95,688 and \$100,206 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, 2008 was 21.95% to governmental funds and 78.05% to business-type funds. The completed governmental fund projects include the City’s fiber optic ring (\$383,571), the street related portion of improvements to Fifth, Sixth and Seventh Streets (\$194,750) and City Hall portion of improvements to City buildings (\$17,461). The completed projects from the business-type funds include the utility portion of improvements to Fifth, Sixth and Seventh Streets (\$1,563,688), the installation of the City’s reuse system (\$976,164) and the Public Works portion of improvements to City buildings (\$55,998).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 101,230	94,704	195,934
2010	106,078	90,284	196,362
2011	111,490	85,646	197,136
2012	117,170	80,775	197,945
2013	122,647	75,661	198,308
2014	129,631	70,290	199,921
2015	136,194	64,634	200,828
2016	142,930	58,683	201,613
2017	150,211	52,439	202,650
2018	157,864	45,876	203,740
2019	165,657	38,982	204,639
2020	174,555	31,738	206,293
2021	183,231	24,116	207,347
2022	192,573	16,110	208,683
2023	202,384	7,696	210,080
2024	105,049	567	105,616
Total	<u>\$ 2,298,894</u>	<u>838,201</u>	<u>3,137,095</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 pledged revenues including 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 April 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, 2008, loan payments were made totaling \$504,770 which includes principal payments of \$232,359 and \$272,411 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, 2008, was 19.90% to governmental funds and 80.10% to business-type funds. The completed governmental fund projects include the sidewalk replacement and street resurfacing within the City (\$567,943) and the street related portion of improvements to Fifth, Sixth and Seventh Streets (\$404,727). The completed and ongoing projects from the business-type funds include the utility portion of improvements to Fifth, Sixth and Seventh Streets (\$142,938), US 301 future utility expansion (\$512,096) and seven stormwater projects throughout the City (\$2,410,364) and upgrades to the Waste Water Treatment Plant (\$1,488,589).

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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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>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 242,735	257,879	500,614
2010	253,606	248,309	501,915
2011	264,934	238,323	503,257
2012	275,541	227,830	503,371
2013	289,788	217,017	506,805
2014	302,149	205,578	507,727
2015	315,681	193,666	509,347
2016	329,346	181,200	510,546
2017	343,658	168,211	511,869
2018	360,397	154,694	515,091
2019	376,478	140,488	516,966
2020	392,665	125,624	518,289
2021	410,549	110,156	520,705
2022	428,906	93,974	522,880
2023	447,810	77,052	524,862
2024	468,336	59,409	527,745
2025	489,177	40,943	530,120
2026	52,731	3,359	56,090
	<u>6,044,487</u>	<u>2,743,712</u>	<u>8,788,199</u>
Total	\$ 6,044,487	2,743,712	8,788,199

**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 pledged revenues including 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, N.A. 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, 2008, loan payments were made totaling \$299,120 which includes principal payments of \$127,704 and \$171,416 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

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The allocation at September 30, 2008, was 25% to governmental funds and 75% to business-type funds. The ongoing governmental fund projects include the sidewalk replacement and street resurfacing within the city (\$200,000) and the street related portion of US301 future utility expansion (\$455,000). The ongoing projects from the business-type funds include the Jackson Park drainage (\$565,000), US301 future utility expansion (\$1,111,000), the Canal Road Phase II project (\$403,400) and upgrades to the Waste Water Treatment Plant (\$680,600).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 177,060	221,284	398,344
2010	184,910	213,541	398,451
2011	193,108	205,454	398,562
2012	201,119	197,015	398,134
2013	210,587	188,214	398,801
2014	219,923	179,005	398,928
2015	229,674	169,388	399,062
2016	239,412	159,349	398,761
2017	250,471	148,875	399,346
2018	261,576	137,921	399,497
2019	273,173	126,482	399,655
2020	284,967	114,540	399,507
2021	297,919	102,074	399,993
2022	311,128	89,046	400,174
2023	324,922	75,440	400,362
2024	339,161	61,233	400,394
2025	354,365	46,400	400,765
2026	370,076	30,903	400,979
2027	386,483	14,719	401,202
2028	99,262	1,079	100,341
Total	<u>\$ 5,209,296</u>	<u>2,481,962</u>	<u>7,691,258</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, NA 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, 2008, loan payments were made totaling \$377,590 which includes principal payments of \$219,750 and \$157,840 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 219,750	193,655	413,405
2010	219,750	182,667	402,417
2011	219,750	171,680	391,430
2012	219,750	160,692	380,442
2013	219,750	149,705	369,455
2014	219,750	138,717	358,467
2015	219,750	127,730	347,480
2016	219,750	116,742	336,492
2017	219,750	105,755	325,505
2018	219,750	94,767	314,517
2019	219,750	83,780	303,530
2020	219,750	72,792	292,542
2021	219,750	61,805	281,555
2022	219,750	50,817	270,567
2023	219,750	39,830	259,580
2024	219,750	28,842	248,592
2025	219,750	17,855	237,605
2026	219,750	6,867	226,617
Total	<u>\$ 3,955,500</u>	<u>1,804,698</u>	<u>5,760,198</u>

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. The 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2008, there were three series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$7,512,400.

The following is a summary of changes in long-term debt for the year ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer of Debt</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>						
Long-term bank loans						
2004 loan	\$ 525,786	--	21,011	--	504,775	22,227
2005 loan	1,249,092	--	46,239	--	1,202,853	48,300
2007 loan	--	1,334,000	31,920	--	1,302,080	44,256
Total long-term bank loans	<u>1,774,878</u>	<u>1,334,000</u>	<u>99,170</u>	<u>--</u>	<u>3,009,708</u>	<u>114,783</u>
Capital leases	808,551	155,966	416,853	258,400	806,064	363,465
Compensated absences	551,999	168,371	144,074	--	576,296	144,049
Total governmental activity long-term liabilities	<u>\$ 3,135,428</u>	<u>1,658,337</u>	<u>660,097</u>	<u>258,400</u>	<u>4,392,068</u>	<u>622,297</u>
<b>Business-type activities:</b>						
Long-term bank loans						
2004 loan	\$ 1,868,794	--	74,677	--	1,794,117	79,002
2005 loan	5,027,754	--	186,120	--	4,841,634	194,435
2007 loan	--	4,003,000	95,784	--	3,907,216	132,802
Total long-term bank loans	<u>6,896,548</u>	<u>4,003,000</u>	<u>356,581</u>	<u>--</u>	<u>10,542,967</u>	<u>406,239</u>
State revolving loans						
Stormwater	2,122,184	--	123,759	--	1,998,425	127,537
Reuse	62,396	--	3,171	--	59,225	3,272
Total state revolving loans	<u>2,184,580</u>	<u>--</u>	<u>126,930</u>	<u>--</u>	<u>2,057,650</u>	<u>130,809</u>
Total loans payable	<u>9,081,128</u>	<u>4,003,000</u>	<u>483,511</u>	<u>--</u>	<u>12,600,617</u>	<u>537,048</u>
Capital leases	527,171	--	109,649	( 258,400)	159,122	85,823
Compensated absences	79,957	33,736	22,739	--	90,954	23,189
Total business-type activities long-term liabilities	<u>\$ 9,688,256</u>	<u>4,036,736</u>	<u>615,899</u>	<u>( 258,400)</u>	<u>12,850,693</u>	<u>646,060</u>
<b>Community Redevelopment</b>						
<b>Agency activities:</b>						
Long-term bank loan 06	\$ 4,175,250	--	219,750	--	3,955,500	219,750
Compensated absences	16,932	7,704	4,927	--	19,709	4,927
Total community redevelopment long-term liabilities	<u>\$ 4,192,182</u>	<u>7,704</u>	<u>224,677</u>	<u>--</u>	<u>3,975,209</u>	<u>224,677</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

During the year ended September 20, 2008, the water and sewer fund transferred capital lease debt related to a sewer vacuum truck in the amount of \$258,400 to the general fund. The debt obligation was included in the business-type activities capital leases balance at September 30, 2007.

For the governmental activities, compensated absences are generally liquidated by the general and road and bridge funds.

**G. Restricted Assets**

The balances of the restricted asset accounts are as follows:

Governmental Funds

General Fund

Contribution for cemetery improvements	\$ 11,139
Impact fees	<u>74,722</u>
Total General Fund	85,861

Road and Bridge Fund

Impact fees	<u>84,120</u>
Total Road and Bridge Fund	84,120

Capital Projects Fund

2004 Capital improvement loan proceeds	210
2005 Capital improvement loan proceeds	35,756
2007 Capital improvement loan proceeds	<u>634,802</u>
	670,768

Total governmental restricted assets	<u><u>\$ 840,749</u></u>
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE IV — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Proprietary Funds

2004 Capital improvement loan proceeds	
Water and Sewer Fund	\$ 163
Stormwater Fund	125
Reuse Fund	<u>20,007</u>
Total 2004 loan proceeds	<u>20,295</u>
2005 Capital improvement loan proceeds	
Water and Sewer Fund	109,601
Stormwater Fund	5,797
Reuse Fund	<u>905</u>
Total 2005 loan proceeds	<u>116,303</u>
2007 Capital improvement loan proceeds	
Water and Sewer Fund	884,108
Stormwater Fund	353,628
Reuse Fund	<u>580,429</u>
Total 2007 loan proceeds	<u>1,818,165</u>
Loan covenants	
Stormwater Fund	188,270
Reuse Fund	<u>1,345</u>
Total loan covenants	<u>189,615</u>
Impact fees	
Water and Sewer Fund	<u>74,671</u>
Total impact fees	<u>74,671</u>
Customer deposits	
Water and Sewer Fund	<u>531,238</u>
Total customer deposits	<u>531,238</u>
Total proprietary restricted assets	<u>2,750,287</u>
Total restricted assets	<u>\$ 3,591,036</u>
Community Redevelopment Agency	
2004 Capital improvement loan proceeds	<u>\$ 714,083</u>



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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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' Self-Insurance 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' Self-Insurance Fund is a non-assessable entity created by an act of the Legislature.

1. Medical Self-Insurance Program

The City participates in a self-insurance program with regard to medical benefits for employees and dependents. The City has engaged a third party administrator for the administration, review and payment of claims and pays 100% of the insurance benefit for active employees. Dependent and retiree coverage is optional and the cost is paid by employee contributions. Risks in excess of fixed individual limits of \$60,000 annually are co-insured with an outside insurance carrier. Revenues for this fund consist of amounts contributed by employees and other City Funds.

2. Unemployment Insurance

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

3. Workmen's Compensation Self-Insurance Program

The City maintains a self-insurance program with regard to workmen's compensation benefits for employees. The City pays the entire cost of the program. Risks in excess of \$400,000 annually are co-insured with an outside insurance carrier.

Self-insurance plans are accounted for through an internal service fund. Both revenues and the related charges are recorded as inter-fund services provided and used. Accordingly, the related charges are reflected as expenditure, or expense items, in the appropriate fund. Estimated liabilities for claims incurred but not reported are accrued based on projections from historical data.

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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V — OTHER INFORMATION (CONTINUED)

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

The self-insurance fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the City from October 1, 2006 to September 30, 2008:

	<b>Year Ended September 30, 2008</b>	<b>Year Ended September 30, 2007</b>
Unpaid claims, beginning of year	\$ 40,621	56,202
Incurred claims (including IBNRs)	1,136,885	997,437
Claims payments	( 1,103,164)	( 1,013,018)
Unpaid claims, end of year	\$ 74,342	40,621

**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. Stand-alone financial reports are not issued. Employee and employer contributions are 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*. 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 a schedule of 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. At September 30, 2008, membership consisted of:

Retirees and beneficiaries receiving benefits	42
Terminated employees entitled to, but not yet receiving benefits	1
Active plan members	<u>93</u>
Total	<u><u>136</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 10 years of service. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of service. The retirement benefit percentage increases based upon the retiree's age up to a maximum of 2.5% at age 60 or after 30 years of service regardless of age. The Plan provides disability benefits as if the participant retired at age 65, providing 10 years of credited service has been attained.

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

Effective October 18, 2004, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest at an effective rate of six percent per annum, compounded quarterly. The actuarially determined accrued benefit liability at October 1, 2007, was \$11,176,288.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V— OTHER INFORMATION (CONTINUED)

Effective May 19, 2008, the City approved an ordinance creating a partial lump sum option plan (DROP). 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 such payment from the plan and would dramatically reduce the monthly lifetime benefit payment to the retiree.

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. At September 30, 2008, membership consisted of:

Retirees and beneficiaries receiving benefits	18
Terminated employees entitled to, but not yet receiving benefits	4
Active plan members	<u>34</u>
Total	<u><u>56</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 50 or has creditable service of 25 years regardless of age, is eligible for normal retirement. Such a retiree would receive a retirement benefit based upon a percentage of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of service with a maximum of 75% of average final compensation if hired after June 7, 1982.

The Plan provides disability benefits for both duty-related and non-duty related disabilities. Disability caused by performance of duties is computed at 3% of average compensation multiplied by years of service (minimum 42%). A not in line of duty disability is computed at 3% of average compensation multiplied by years of service (minimum 25%).

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, or a full refund of the members accumulated contributions.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V— OTHER INFORMATION (CONTINUED)

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound.

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 at an effective rate of 6½% per annum, compounded quarterly. The actuarially determined accrued benefit liability at October 1, 2007, was \$7,968,530.

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

4. Funding Status and Progress

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V— OTHER INFORMATION (CONTINUED)

There were no changes in benefits or actuarial assumptions for the Palmetto Police Officers' Pension Plan. There were no changes in benefits for the Palmetto General Employees' Pension Plan however, an Experience Study dated May 30, 2008 prompted several changes in actuarial assumptions or methods. The annual salary assumption was changed to reflect a constant rate of inflation in addition to service based salary increases. Termination rates based on age were changed to select rates based on service and ultimate rates based on age to more closely reflect the actual experience of the Plan. The mortality assumption was changed from the 1983 Group Annuity Mortality table to the RP-2000 Generational Mortality table. Retirement rates were changed to rates based on years eligible for normal retirement. Finally the investment earnings assumption was changed from 8.5% per year before investment expenses to 7.75% net of investment related expenses. The assumed rate of return will be reduced to 7.50% starting with the October 1, 2008 Actuarial Valuation.

As of October 1, 2007, the actuarial accrued liability in excess of assets for the Palmetto General Employees' Pension Plan was \$3,069,111 and was (\$14,105) for the Palmetto Police Officers' Pension Plan, determined as follows:

	<b>PGEPP</b>	<b>PPPP</b>
Total actuarial accrued liability	\$ 11,176,288	7,968,530
Actuarial value of assets	8,107,177	7,982,635
Actuarial accrued liability in excess of assets	\$ 3,069,111	( 14,105)

For the actuarial report dated October 1, 2007, the PGEPP experienced a net actuarial loss of \$20,429 and the PPPP experienced a net actuarial gain of \$170,713 in the actuarial accrued liability.

5. Contributions

**Palmetto General Employees' Pension Plan**

The City is required to contribute to the PGEPP, at an actuarially determined rate. 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 establish contribution requirements. Administration costs of the PGEPP are financed through plan contributions and investment earnings.

The required contribution to the plan for the year ended September 30, 2008, of \$495,147 was computed through an actuarial valuation performed as of October 1, 2006. The required contribution consisted of \$317,954 (10.06% of assumed covered payroll) normal cost, \$38,376 additional expense (1.21% of assumed covered payroll) and \$138,817 amortization of the unfunded actuarially accrued liability (4.39% of the assumed covered payroll). The actual contribution made by the City during fiscal year 2008 was \$517,028.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

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NOTE V— OTHER INFORMATION (CONTINUED)

**Palmetto Police Officers' Pension Plan**

The City and State are required to contribute to the PPPP, at an actuarially determined rate. Participants are required to contribute 5% of their earnings. Chapter 22, Article IV, of the City Code and Internal Revenue Code Section 401 establish contribution requirements.

The required contribution to the plan for the year ended September 30, 2008, of \$260,206 was computed through an actuarial valuation performed as of October 1, 2006. This includes a required contribution of \$158,339 from the City and \$101,867 from the State of Florida. The required contribution consisted of \$273,311 (15.89% of assumed covered payroll) normal cost, \$19,491 additional expense (1.13% of assumed covered payroll) and (\$32,596) amortization of the unfunded actuarially accrued liability (1.90% of the assumed covered payroll). The actual contribution made by the City and state during fiscal year 2008, was \$158,984 and \$108,732, respectively. The state's contribution on behalf of the City was recognized as revenues and expenses during fiscal year 2008.

6. Pension Three Year Trend Information

<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>
<u>PGEPP</u>				
9/30/2006	400,726	397,805	99.3%	( 307,179)
9/30/2007	405,362	397,559	98.1%	( 299,376)
9/30/2008	512,925	517,028	100.8%	( 303,479)
<u>PPPP</u>				
9/30/2006	195,065	203,387	104.3%	( 148,502)
9/30/2007	171,153	213,467	124.7%	( 190,816)
9/30/2008	265,317	267,716	100.9%	( 193,215)

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE V— OTHER INFORMATION (CONTINUED)

7. Additional information as of the latest actuarial valuation:

	<b>PGEPP</b>	<b>PPPP</b>
Valuation date	10/1/2007	10/1/2007
Contribution rates		
Employer	16.59%	15.25%
Plan members	5.00%	5.00%
Actuarial cost method	Entry Age	Entry Age Normal
Amortization method	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization method	30 Years	30 Years
Asset valuation method	The actuarial value of assets is equal to the expected actuarial plus or minus a 10% corridor adjustment.	The actuarial value of assets is equal to the expected actuarial plus or minus a 10% corridor adjustment.
Actuarial assumptions:		
Investment rate of return	7.8% 6.0-7.5%	8.3% 4.0% - 9.4% depending on years of service
Projected salary increases		depending on years of service
Includes inflation and other increases at Cost-of-living adjustment	3.0% N/A	4.0% N/A

**PGEPP**

Employer Fiscal Year Ending September 30	<b>2008</b>	<b>2007</b>	<b>2006</b>
A. Annual Required Contribution (ARC)	\$ 495,147	394,861	390,060
B. Interest on Net Pension Obligation (NPO)	( 23,202)	( 26,110)	( 26,359)
C. Adjustment to ARC	( 40,980)	( 36,611)	( 37,025)
D. Annual pension cost (A + B - C)	512,925	405,362	400,726
E. Actual contributions	517,028	397,559	397,805
F. NPO at beginning of year	10,724	2,921	--
G. Increase (decrease) in NPO (D - E)	( 4,103)	7,803	2,921
H. NPO at end of year (F + G)	6,621	10,724	2,921

**PPPP**

Employer Fiscal Year Ending September 30	<b>2008</b>	<b>2007</b>	<b>2006</b>
A. Annual Required Contribution (ARC)*	\$ 260,206	167,449	192,788
B. Interest on Net Pension Obligation (NPO)	( 15,742)	( 12,251)	( 11,565)
C. Adjustment to ARC	( 20,853)	( 15,955)	( 13,842)
D. Annual pension cost (A + B - C)	265,317	171,153	195,065
E. Actual contributions	267,716	213,467	203,387
F. NPO at beginning of year	( 50,636)	( 8,322)	--
G. Increase (decrease) in NPO (D - E)	( 2,399)	( 42,314)	( 8,322)
H. NPO at end of year (F + G)	( 53,035)	( 50,636)	( 8,322)

\* Includes expected state contribution



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

8. Investments

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

The fair value at September 30, 2008 for each of the pension plan investments is as follows:

	<b>PGEPP</b>	<b>PPPP</b>	<b>Total</b>
Investments, at fair value:			
Money market funds	\$ 458,611	196,034	654,645
U. S. government securities	1,167,855	1,823,233	2,991,088
Corporate bonds	1,381,444	1,023,538	2,404,982
Corporate stocks	4,180,007	3,567,666	7,747,673
Total investments	\$ 7,187,917	6,610,471	13,798,388

Combining fiduciary funds are as follows:

COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
September 30, 2008

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 19,875	15,238	35,113
Interest and dividends receivable	30,466	34,178	64,644
Investments, at fair value:			
Money market funds	196,034	458,611	654,645
U. S. government securities	1,823,233	1,167,855	2,991,088
Corporate bonds	1,023,538	1,381,444	2,404,982
Corporate stocks	3,567,666	4,180,007	7,747,673
Total investments	6,610,471	7,187,917	13,798,388
Total assets	6,660,812	7,237,333	13,898,145
<b>Liabilities</b>			
Accounts payable	--	166,304	166,304
Total liabilities	--	166,304	166,304
<b>Net Assets</b>			
Held in trust for pension benefits and other purposes	\$ 6,660,812	7,071,029	13,731,841

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE V — OTHER INFORMATION (CONTINUED)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
For the Year Ended September 30, 2008

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
<b>Additions</b>			
Contributions			
Employer	\$ 158,984	516,320	675,304
Plan members	88,123	191,480	279,603
State (from the General Fund)	108,732	--	108,732
Total contributions	<u>355,839</u>	<u>707,800</u>	<u>1,063,639</u>
Investment earnings:			
Interest	152,342	141,824	294,166
Dividends	41,749	73,544	115,293
Net increase in the fair value of investments	( 1,099,395)	( 1,293,144)	( 2,392,539)
Total investment earnings	<u>( 905,304)</u>	<u>( 1,077,776)</u>	<u>( 1,983,080)</u>
Less investment expense	33,905	74,881	108,786
Net investment earnings	<u>( 939,209)</u>	<u>( 1,152,657)</u>	<u>( 2,091,866)</u>
Total additions	<u>( 583,370)</u>	<u>( 444,857)</u>	<u>( 1,028,227)</u>
<b>Deductions</b>			
Benefits	376,917	491,641	868,558
Refunds of contributions	443	15,447	15,890
Administrative expenses	29,495	32,287	61,782
Total deductions	<u>406,855</u>	<u>539,375</u>	<u>946,230</u>
Change in net assets	( 990,225)	( 984,232)	( 1,974,457)
Net assets - beginning	<u>7,651,037</u>	<u>8,055,261</u>	<u>15,706,298</u>
Net assets - ending	<u>\$ 6,660,812</u>	<u>7,071,029</u>	<u>13,731,841</u>

**C. Contingent Liabilities**

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

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

NOTE V — OTHER INFORMATION (CONTINUED)

**D. Subsequent Events**

**Community Redevelopment Agency**

On February 23, 2009, the City adopted Ordinance 09-985 to amend the City's Code to establish the City Commission as the governing body of the Community Redevelopment Agency (CRA) and create a separate advisory board to the CRA to be known as the Community Redevelopment Advisory Board. Consistent with the current structure and practices of the City Commission the Mayor will act as the non-voting presiding officer of the CRA, and the City Clerk will act as the secretary. The powers of the CRA will remain as they previously had, and will include all powers generally granted to the community redevelopment agencies under Chapter 163 of Florida Statutes, with the City Commission having budget oversight.

The ordinance also created the Community Redevelopment Advisory Board to serve in an advisory capacity to the CRA. The Mayor will appoint the Advisory Board members, subject to approval of the City Commission. The Advisory Board will be charged with making recommendations on all matters to be considered by the CRA, to the extent possible and desired by the CRA. The Advisory Board will also be charged with preparing a draft budget for consideration by the City Commission acting as the CRA Board.

The adoption of Ordinance 09-985 will necessitate a change in CRA financial reporting. The financial statements of the CRA have, in the past, been reported in a separate column of the City's Government-wide financial statements. However, beginning with fiscal year ending September 30, 2009, the CRA will be included within the City's reporting entity as the Community Redevelopment Special Revenue Fund.

**Volatility in Financial Markets**

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on the investment portfolios, primarily the pension funds. As a result the City's investments have incurred a decline in fair value since September 30, 2008.



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REQUIRED  
SUPPLEMENTAL  
INFORMATION

## REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Number 34, the following budgetary comparisons for the General Fund and Road and Bridge Fund are a required part of the basic financial statements.



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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, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property	\$ 4,567,873	4,567,873	4,663,292	95,419
Franchise	1,469,381	1,469,381	1,358,799	( 110,582)
Sales	928,262	895,124	859,157	( 35,967)
Utility	808,720	808,720	821,401	12,681
Motor Fuels	10,000	10,000	10,746	746
Other	347,505	345,549	363,776	18,227
Licenses and permits	342,234	342,234	255,191	( 87,043)
Intergovernmental revenues	628,000	243,143	272,658	29,515
Fines and forfeitures	107,073	72,073	82,813	10,740
Charges for services	1,327,092	1,293,792	1,214,833	( 78,959)
Interest and investment earnings	230,100	230,000	159,382	( 70,618)
Miscellaneous	171,465	189,837	142,843	( 46,994)
Impact fees	50,000	50,000	32,914	( 17,086)
Total revenues	<u>10,987,705</u>	<u>10,517,726</u>	<u>10,237,805</u>	<u>( 279,921)</u>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	187,212	188,084	166,634	21,450
City Clerk	2,149,674	2,152,974	2,103,108	49,866
Finance	494,278	499,882	486,656	13,226
Human resources	174,583	171,663	149,322	22,341
City Attorney	250,000	250,000	227,548	22,452
Total general government	<u>3,255,747</u>	<u>3,262,603</u>	<u>3,133,268</u>	<u>129,335</u>
Public safety				
Police	3,712,840	3,722,908	3,522,916	199,992
Code enforcement	150,898	151,429	126,803	24,626
Planning and zoning	311,274	321,565	265,627	55,938
Building department	446,018	463,380	436,894	26,486
Total public safety	<u>4,621,030</u>	<u>4,659,282</u>	<u>4,352,240</u>	<u>307,042</u>
Highways and streets				
Engineering	277,106	277,291	201,542	75,749
Total highways and streets	<u>277,106</u>	<u>277,291</u>	<u>201,542</u>	<u>75,749</u>
Recreation				
Parks and recreation	1,240,783	1,269,029	1,200,155	68,874
Intergovernmental services				
Information technology	310,830	307,545	223,274	84,271
Public works administration	788,840	789,450	771,918	17,532
Fleet maintenance	212,748	210,748	197,774	12,974
Total intergovernmental services	<u>1,312,418</u>	<u>1,307,743</u>	<u>1,192,966</u>	<u>114,777</u>
Capital outlay	645,829	595,644	575,778	19,866
Debt service	314,420	365,110	316,958	48,152
Total expenditures	<u>11,667,333</u>	<u>11,736,702</u>	<u>10,972,907</u>	<u>763,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 679,628)</u>	<u>( 1,218,976)</u>	<u>( 735,102)</u>	<u>483,874</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	553,262	553,262	553,262	--
Transfers out	( 150,000)	( 325,000)	( 325,000)	--
Issuance of debt	82,640	148,240	155,966	7,726
Total other financing sources (uses)	<u>485,902</u>	<u>376,502</u>	<u>384,228</u>	<u>7,726</u>
Net change in fund balances	<u>( 193,726)</u>	<u>( 842,474)</u>	<u>( 350,874)</u>	<u>491,600</u>
Fund balances - beginning	6,762,694	6,762,694	6,762,694	--
Fund balances - ending	<u>\$ 6,568,968</u>	<u>5,920,220</u>	<u>6,411,820</u>	<u>491,600</u>



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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Motor fuels	\$ 1,200,769	1,145,859	1,159,934	14,075
Charges for services	78,500	89,500	89,900	400
Interest and investment earnings	25,500	25,500	19,699	( 5,801)
Miscellaneous	1,000	1,000	12	( 988)
Impact fees	200,000	1,400	1,386	( 14)
Total revenues	<u>1,505,769</u>	<u>1,263,259</u>	<u>1,270,931</u>	<u>7,672</u>
<b>EXPENDITURES</b>				
Streets	583,267	537,851	494,727	43,124
Capital outlay	10,000	539,400	539,400	--
Debt service principal and interest	158,496	259,311	229,671	29,640
Total expenditures	<u>751,763</u>	<u>1,336,562</u>	<u>1,263,798</u>	<u>72,764</u>
Excess of revenues over expenditures	<u>754,006</u>	<u>( 73,303)</u>	<u>7,133</u>	<u>80,436</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 356,053)	( 356,053)	( 403,053)	( 47,000)
Issuance of debt	--	--	533,000	533,000
Total other financing sources (uses)	<u>( 356,053)</u>	<u>( 356,053)</u>	<u>129,947</u>	<u>486,000</u>
Net change in fund balances	397,953	( 429,356)	137,080	566,436
Fund balances - beginning	1,014,284	1,014,284	1,014,284	--
Fund balances - ending	<u>\$ 1,412,237</u>	<u>584,928</u>	<u>1,151,364</u>	<u>566,436</u>

## REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Numbers 25 and 37, the following historical trend information of the City's Pension Trust Funds is a required part of the basic financial statements.



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

(1) Valuation Date	(2) Actuarial Value of Assets (AVA)*	(3) Entry Age Normal Actuarial Accrued Liability (AAL)*	(4) Unfunded Actuarial Accrued Liability (UAAL) (2)-(3)*	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll*	(7) UAAL as % of Payroll (4)/(6)
10/01/07	8,107	11,176	3,069	72.5%	3,707	82.8%
10/01/06	7,545	8,894	1,349	84.8%	3,161	42.7%
10/01/05	6,955	7,745	790	89.8%	2,831	27.9%
10/01/04	6,423	7,390	967	86.9%	2,753	35.1%
10/01/03	5,868	6,959	1,091	84.3%	2,752	39.6%
10/01/02	5,274	6,396	1,122	82.5%	2,832	39.6%
10/01/01	5,509	5,769	260	95.5%	2,251	11.6%
10/01/00	5,401	5,453	52	99.0%	2,068	2.5%
10/01/99	4,968	5,361	393	92.7%	2,383	16.5%
10/01/98	4,499	4,840	341	93.0%	2,059	16.6%

Analysis of the dollar amounts of 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 unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

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

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<b>Year Ended September 30,</b>	<b>(1) Annual Required Contribution (ARC)</b>	<b>Percentage Contributed</b>
2007	394,861	100.7%
2006	390,060	102.0%
2005	370,979	100.0%
2004	356,845	100.2%
2003	375,985	100.0%
2002	188,284	170.3%
2001	187,773	140.1%
2000	261,249	100.3%
1999	218,198	100.0%
1998	188,646	129.3%

(1) Includes only required employer contributions

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

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)*</b>	<b>Entry Age Normal Actuarial Liability (AAL)*</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (2)-(3)*</b>	<b>Funded Ratio (2)/(3)</b>	<b>Annual Covered Payroll*</b>	<b>UAAL as % of Payroll (4)/(6)</b>
10/01/07	7,982	7,968	(14)	100.2%	1,777	-0.8%
10/01/06	7,485	7,616	131	98.3%	1,653	7.9%
10/01/05	6,787	6,632	(155)	102.3%	1,452	-10.7%
10/01/04	6,354	6,274	(80)	101.3%	1,388	-5.8%
10/01/03	5,976	5,833	(143)	102.5%	1,370	-10.4%
10/01/02	5,629	5,595	(34)	100.6%	1,267	-2.7%
10/01/01	5,837	5,283	(554)	110.5%	1,163	-47.6%
10/01/00	5,578	5,036	(542)	110.8%	1,067	-50.8%
10/01/99	5,138	4,840	(298)	106.2%	1,136	-26.2%
10/01/98	4,626	4,472	(154)	103.4%	1,036	-14.9%

Analysis of the dollar amounts of 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 unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

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

<b>Year Ended September 30,</b>	<b>(1) Annual Required Contribution (ARC)</b>			<b>Percentage Contributed</b>
	<b>City</b>	<b>State</b>	<b>Total</b>	
2007	107,889	59,560	167,449	127.5%
2006	133,228	59,560	192,788	105.5%
2005	122,710	59,560	182,270	100.0%
2004	115,749	59,560	175,309	100.0%
2003	89,734	59,560	149,294	100.0%
2002	9,640	59,560	69,200	139.5%
2001	1,538	59,560	61,098	137.8%
2000	34,553	57,050	91,603	101.6%
1999	44,677	59,560	104,237	105.9%
1998	63,896	55,425	119,321	115.9%

(1) Includes only required employer and state contributions

<b>Year Ended September 30,</b>	<b>Actual Annual Contributions</b>			<b>Percentage of ARC Contributed</b>
	<b>City</b>	<b>State</b>	<b>Total</b>	
2007	111,600	108,732	220,332	131.6%
2006	143,827	110,320	254,147	131.8%
2005	113,602	108,732	222,334	122.0%
2004	115,767	103,045	218,812	124.8%
2003	89,734	99,423	189,157	126.7%
2002	36,996	74,902	111,898	161.7%
2001	24,620	64,608	89,228	146.0%
2000	33,524	64,924	98,448	107.5%
1999	53,374	57,050	110,424	105.9%
1998	78,686	59,560	138,246	115.9%

## COMBINING FUND STATEMENTS

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

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





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CITY OF PALMETTO, FLORIDA  
CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest and investment earnings	\$ 43,000	43,000	25,950	( 17,050)
Developer Agreement Fees	1,900,000	1,900,000	--	( 1,900,000)
Total revenues	<u>1,943,000</u>	<u>1,943,000</u>	<u>25,950</u>	<u>( 1,917,050)</u>
<b>EXPENDITURES</b>				
Capital outlay				
Streets	2,745,000	2,745,000	197,166	( 2,547,834)
Other	124,433	124,433	46,913	77,520
Total expenditures	<u>2,869,433</u>	<u>2,869,433</u>	<u>244,079</u>	<u>( 2,470,314)</u>
Excess of revenues over expenditures	<u>( 926,433)</u>	<u>( 926,433)</u>	<u>( 218,129)</u>	<u>553,264</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	--	21,000	21,000	--
Issuance of debt	942,500	943,575	801,000	( 142,575)
Total other financing sources (uses)	<u>942,500</u>	<u>964,575</u>	<u>822,000</u>	<u>( 142,575)</u>
Net change in fund balances	16,067	38,142	603,871	410,689
Fund balances - beginning	67,416	67,416	67,416	--
Fund balances - ending	<u>\$ 83,483</u>	<u>105,558</u>	<u>671,287</u>	<u>410,689</u>

CITY OF PALMETTO, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 September 30, 2008

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,875	15,238	35,113
Interest and dividends receivable	30,466	34,178	64,644
Investments, at fair value			
Money market funds	196,034	458,611	654,645
U. S. government securities	1,823,233	1,167,855	2,991,088
Corporate bonds	1,023,538	1,381,444	2,404,982
Corporate stocks	3,567,666	4,180,007	7,747,673
Total investments	<u>6,610,471</u>	<u>7,187,917</u>	<u>13,798,388</u>
Total assets	<u>6,660,812</u>	<u>7,237,333</u>	<u>13,898,145</u>
<b>LIABILITIES</b>			
Accounts payable	--	166,304	166,304
Total liabilities	<u>--</u>	<u>166,304</u>	<u>166,304</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>\$ 6,660,812</u>	<u>7,071,029</u>	<u>13,731,841</u>

CITY OF PALMETTO, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 For the Year Ended September 30, 2008

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 158,984	516,320	675,304
Plan members	88,123	191,480	279,603
State (from the General Fund)	108,732	--	108,732
Total contributions	<u>355,839</u>	<u>707,800</u>	<u>1,063,639</u>
Investment earnings			
Interest	152,342	141,824	294,166
Dividends	41,749	73,544	115,293
Net increase in the fair value of investments	( 1,099,395)	( 1,293,144)	( 2,392,539)
Total investment earnings	<u>( 905,304)</u>	<u>( 1,077,776)</u>	<u>( 1,983,080)</u>
Less investment expense	33,905	74,881	108,786
Net investment earnings	<u>( 939,209)</u>	<u>( 1,152,657)</u>	<u>( 2,091,866)</u>
Total additions	<u>( 583,370)</u>	<u>( 444,857)</u>	<u>( 1,028,227)</u>
<b>DEDUCTIONS</b>			
Benefits	376,917	491,641	868,558
Refunds of contributions	443	15,447	15,890
Administrative expenses	29,495	32,287	61,782
Total deductions	<u>406,855</u>	<u>539,375</u>	<u>946,230</u>
Change in net assets	<u>( 990,225)</u>	<u>( 984,232)</u>	<u>( 1,974,457)</u>
Net assets - beginning	<u>7,651,037</u>	<u>8,055,261</u>	<u>15,706,298</u>
Net assets - ending	<u>\$ 6,660,812</u>	<u>7,071,029</u>	<u>13,731,841</u>



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## 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 within 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.



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

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt \$	15,145,102	17,560,157	21,403,804	22,066,324	21,790,336
Restricted	2,261,062	2,189,592	2,724,927	2,701,868	2,951,584
Unrestricted	3,508,728	3,627,879	5,855,614	5,427,424	5,355,196
Total governmental activities net assets	<u>\$ 20,914,892</u>	<u>23,377,628</u>	<u>29,984,345</u>	<u>30,195,616</u>	<u>30,097,116</u>
Business-type activities					
Invested in capital assets, net of related debt \$	9,897,665	11,786,061	14,035,556	15,142,690	15,222,642
Restricted	2,459,694	2,230,171	578,920	232,947	265,339
Unrestricted	656,153	( 766,062)	( 1,082,103)	( 428,519)	735,193
Total business-type activities net assets	<u>\$ 13,013,512</u>	<u>13,250,170</u>	<u>13,532,373</u>	<u>14,947,118</u>	<u>16,223,174</u>
Primary government					
Invested in capital assets, net of related debt \$	25,042,767	29,346,218	35,439,360	37,209,014	37,012,978
Restricted	4,720,756	4,419,763	3,303,847	2,934,815	3,216,923
Unrestricted	4,164,881	2,861,817	4,773,511	4,998,905	6,090,389
Total primary government net assets	<u>\$ 33,928,404</u>	<u>36,627,798</u>	<u>43,516,718</u>	<u>45,142,734</u>	<u>46,320,290</u>

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

Note: 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.



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

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses</b>					
Governmental activities					
General government	\$ 1,396,588	2,981,693	4,075,661	5,339,790	5,240,552
Public safety	3,007,137	3,428,503	3,907,346	4,368,584	4,399,244
Highways and streets	658,110	771,667	857,423	814,556	772,807
Recreation	429,782	1,039,920	1,043,437	1,277,409	1,215,704
Intergovernmental services	3,613,236	3,638,131	131,386	248,752	702,212
Total government-wide expenses by function	<u>9,104,853</u>	<u>11,859,914</u>	<u>10,015,253</u>	<u>12,049,091</u>	<u>12,330,519</u>
Business-type activities					
Solid Waste	1,459,239	1,585,078	1,906,150	2,108,258	2,138,301
Water and Sewer	3,433,266	4,279,563	3,834,184	4,059,466	4,368,485
Stormwater	250,831	536,781	947,434	729,909	971,958
Reuse	49,541	100,434	161,881	87,150	147,375
Total business-type activities expenses	<u>5,192,877</u>	<u>6,501,856</u>	<u>6,849,649</u>	<u>6,984,783</u>	<u>7,626,119</u>
Total primary government expenses	<u>\$ 14,297,730</u>	<u>18,361,770</u>	<u>16,864,902</u>	<u>19,033,874</u>	<u>19,956,638</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services					
General government	\$ 98,614	138,457	204,406	152,740	297,739
Public safety	661,429	1,039,659	1,297,956	515,604	338,004
Highways and streets	69,559	95,172	91,527	193,103	92,672
Recreation	8,785	57,833	161,100	448,272	123,862
Intergovernmental services	1,748,469	3,619,497	--	--	--
Operating grants and contributions	411,332	357,364	639,740	1,139,797	1,081,897
Capital grants and contributions	25,000	752,746	258,683	349,373	264,360
Total governmental activities program revenues	<u>3,023,188</u>	<u>6,060,728</u>	<u>2,653,412</u>	<u>2,798,889</u>	<u>2,198,534</u>
Business-type activities					
Charges for services					
Solid Waste	1,596,682	1,545,791	1,902,409	2,118,189	2,127,525
Water and Sewer	4,483,508	4,974,057	4,607,750	4,620,521	4,826,409
Stormwater	304,669	311,182	337,507	535,429	708,504
Reuse	75,907	117,090	179,257	168,656	183,824
Operating grants and contributions	1,500	--	--	--	--
Capital grants and contributions	223,564	464,730	866,963	826,323	988,859
Total business-type activities revenues	<u>6,685,830</u>	<u>7,412,850</u>	<u>7,893,886</u>	<u>8,269,118</u>	<u>8,835,121</u>
Net (expense)/revenue					
Governmental activities	( 6,081,665)	( 5,799,186)	( 7,361,841)	( 9,250,202)	( 10,131,985)
Business-type activities	1,492,953	910,994	1,044,237	1,284,335	1,209,002
Total primary government net expense	<u>\$ ( 4,588,712)</u>	<u>( 4,888,192)</u>	<u>( 6,317,604)</u>	<u>( 7,965,867)</u>	<u>( 8,922,983)</u>

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities					
Taxes					
Property taxes	\$ 2,425,855	2,770,129	3,299,629	4,428,513	4,663,292
Franchise taxes	1,049,572	1,098,552	1,278,485	1,361,267	1,358,799
Sales taxes	917,131	925,089	980,876	915,019	859,157
Utility taxes	671,709	725,086	750,455	817,117	821,401
Motor fuel taxes	913,466	861,918	868,596	1,104,761	1,170,680
Other taxes	278,864	360,813	368,696	372,673	363,776
Investment earnings	83,459	141,493	288,388	393,731	205,031
Gain (loss) on sale of capital assets	36,957	--	180,547	--	--
Capital contributions from community redev	--	--	--	--	544,140
Transfers	779,010	810,670	1,068,154	68,392	47,209
Total governmental activities	<u>7,156,023</u>	<u>7,693,750</u>	<u>9,083,826</u>	<u>9,461,473</u>	<u>10,033,485</u>
Business-type activities					
Investment earnings	21,719	102,896	279,253	198,802	114,263
Gain (loss) on sale of capital assets	( 24,978)	33,438	26,867	--	--
Transfers	( 779,010)	( 810,670)	( 1,068,154)	( 68,392)	( 47,209)
Total business-type activities	<u>( 782,269)</u>	<u>( 674,336)</u>	<u>( 762,034)</u>	<u>130,410</u>	<u>67,054</u>
Total primary government	<u>\$ 6,373,754</u>	<u>7,019,414</u>	<u>8,321,792</u>	<u>9,591,883</u>	<u>10,100,539</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 1,074,358	1,894,564	1,721,985	211,271	( 98,500)
Business-type activities	710,684	236,658	282,203	1,414,745	1,276,056
Total primary government	<u>\$ 1,785,042</u>	<u>2,131,222</u>	<u>2,004,188</u>	<u>1,626,016</u>	<u>1,177,556</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

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

	Fiscal Year			
	1999	2000	2001	2002
General fund				
Reserved	\$ 958,401	590,566	775,592	410,550
Unreserved	1,440,707	1,549,608	2,092,775	2,186,696
Total general fund	<u>\$ 2,399,108</u>	<u>2,140,174</u>	<u>2,868,367</u>	<u>2,597,246</u>
All other governmental funds				
Reserved	\$ 665,283	17,432	48,732	48,614
Unreserved, reported in				
Special revenue funds	20,956	45,064	60,025	--
Capital projects funds	--	398,067	766,057	801,651
Total all other governmental funds	<u>\$ 686,239</u>	<u>460,563</u>	<u>874,814</u>	<u>850,265</u>

Note: GASB 34 was implemented by the City in Fiscal Year 2003, and, therefore, accrual basis information is not available prior to then.

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<b>Fiscal Year</b>					
<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
2,104,427	2,273,887	2,063,927	2,423,319	2,156,783	1,696,641
1,921,175	3,534,751	3,527,178	4,580,605	4,605,911	4,715,179
<u>4,025,602</u>	<u>5,808,638</u>	<u>5,591,105</u>	<u>7,003,924</u>	<u>6,762,694</u>	<u>6,411,820</u>
1,207,317	1,287,911	915,801	1,094,953	1,081,700	1,822,132
--	--	--	--	--	--
--	--	--	--	--	519
<u>1,207,317</u>	<u>1,287,911</u>	<u>915,801</u>	<u>1,094,953</u>	<u>1,081,700</u>	<u>1,822,651</u>

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

	Fiscal Year				
	1999	2000	2001	2002	2003
<b>Revenues</b>					
Taxes	\$ 3,908,808	3,184,932	3,374,924	3,744,653	5,365,718
Licenses and permits	149,566	244,305	233,033	236,103	336,532
Intergovernmental	1,838,278	1,626,012	1,208,050	1,600,757	598,580
Charges for services	108,308	88,522	129,043	118,337	248,104
Fines	120,428	135,880	141,869	88,837	85,968
Investments earnings	192,848	2,910	164,130	23,177	92,489
Impact Fees <sup>3</sup>	--	--	--	--	--
Miscellaneous	499,857	187,694	77,052	33,288	79,916
Total revenues	<u>6,818,093</u>	<u>5,470,255</u>	<u>5,328,101</u>	<u>5,845,152</u>	<u>6,807,307</u>
<b>Expenditures</b>					
General government	390,660	520,769	1,736,151	1,596,079	852,975
Public safety	2,140,855	2,389,291	2,527,112	2,868,900	2,897,630
Highways and streets	841,912	823,779	622,619	1,600,495	948,352
Economic and physical development	11,634	113,745	170,642	--	1,650,673
Cultural and recreation	899,792	471,898	594,966	608,651	1,014,361
Capital outlay	2,300,622	1,573,923	--	--	171,494
Debt service					
Interest	40,487	34,303	34,608	31,789	--
Principal	66,667	61,111	66,667	66,667	738,888
Other charges	10,819	36,948	--	--	--
Total expenditures	<u>6,703,448</u>	<u>6,025,767</u>	<u>5,752,765</u>	<u>6,772,581</u>	<u>8,274,373</u>
Excess of revenues over (under) expenditures	114,645	( 555,512)	( 424,664)	( 927,429)	( 1,467,066)
<b>Other financing sources (uses)</b>					
Transfers in	638,141	1,394,890	1,822,176	1,046,536	1,733,205
Transfers out	( 2,087,877)	( 1,323,988)	( 255,068)	( 414,774)	( 69,492)
Loan proceeds	--	--	--	--	--
Capital leases	--	--	--	--	48,801
Total other financing sources (uses)	<u>( 1,449,736)</u>	<u>70,902</u>	<u>1,567,108</u>	<u>631,762</u>	<u>1,712,514</u>
	<u>\$ ( 1,335,091)</u>	<u>( 484,610)</u>	<u>1,142,444</u>	<u>( 295,667)</u>	<u>245,448</u>
Debt service as a percentage of noncapital expenditures	1.60%	1.58%	1.76%	1.45%	8.93%

<sup>1</sup> Revenue bonds were issued in FY 1999 for Stormwater projects. During FY 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.

<sup>2</sup> A Master Lease Agreement was established in FY 2003 and capital items have been leased in the subsequent years.

<sup>3</sup> Impact Fees for General Government, Public Safety, Highways and Streets, and Recreation established in 2007.

<b>Fiscal Year</b>				
<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
6,256,597	6,741,587	7,546,737	8,999,350	9,237,105
564,021	967,918	1,194,215	347,625	255,191
125,632	804,270	281,549	389,436	272,658
453,873	539,469	912,807	1,419,841	1,304,733
97,408	71,741	103,741	167,979	82,813
83,459	127,011	288,388	393,731	205,031
--	--	--	--	34,300
107,699	72,315	356,710	457,876	142,855
<u>7,688,689</u>	<u>9,324,311</u>	<u>10,684,147</u>	<u>12,175,838</u>	<u>11,534,686</u>
1,308,007	2,002,594	2,260,285	3,403,304	3,133,268
3,210,466	3,359,313	3,979,078	4,397,477	4,352,240
744,587	582,669	796,872	842,726	696,269
1,454,569	976,362	1,067,776	1,169,792	1,192,966
788,984	1,017,556	1,063,886	1,287,909	1,200,155
408,772	2,991,300	1,368,806	1,621,230	1,359,257
140	41,013	80,693	89,836	126,700
26,461	126,298	16,883	64,476	419,929
--	--	--	--	--
<u>7,941,986</u>	<u>11,097,105</u>	<u>10,634,279</u>	<u>12,876,750</u>	<u>12,480,784</u>
( 253,297)	( 1,772,794)	49,868	( 700,912)	( 946,098)
862,657	975,632	1,068,154	631,475	574,262
( 83,647)	( 164,962)	--	( 563,083)	( 728,053)
1,337,915	1,096,463	--	--	1,334,000
347,626	244,167	473,949	378,037	155,966
<u>2,464,551</u>	<u>2,151,300</u>	<u>1,542,103</u>	<u>446,429</u>	<u>1,336,175</u>
<u>2,211,254</u>	<u>378,506</u>	<u>1,591,971</u>	<u>( 254,483)</u>	<u>390,077</u>
0.33%	1.51%	0.92%	1.20%	4.38%



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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 Tax</b>	<b>Sales Tax</b>	<b>Utility Tax</b>	<b>Motor Fuel Tax</b>	<b>Other Taxes</b>	<b>Total</b>
1999	\$ 1,187,772	787,701	813,815	602,865	516,655	--	3,908,808
2000	1,272,182	822,623	8,622	596,415	485,090	--	3,184,932
2001	1,360,745	900,806	--	615,513	497,860	--	3,374,924
2002	1,524,237	1,031,305	--	641,285	547,826	--	3,744,653
2003	1,877,268	1,013,362	858,587	675,655	694,410	246,436	5,365,718
2004	2,425,855	1,049,572	917,131	671,709	913,466	278,864	6,256,597
2005	2,770,129	1,098,552	925,089	725,086	861,918	360,813	6,741,587
2006	3,299,629	1,278,485	980,876	750,455	868,596	368,696	7,546,737
2007	4,428,513	1,361,267	915,019	817,117	1,104,761	372,673	8,999,350
2008	4,663,292	1,358,799	859,157	821,401	1,170,680	363,776	9,237,105
Change: 1999 - 2008	292.61%	72.50%	5.57%	36.25%	126.59%	100.00%	136.32%



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

<b>Real Property</b>				
<b>Fiscal Year Ended September 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Other</b>	<b>Personal Property</b>
1999	\$ N/A	N/A	N/A	N/A
2000	194,985,420	128,207,601	63,597,184	50,182,516
2001	214,903,487	135,019,689	65,260,885	53,862,795
2002	284,708,142	164,636,310	76,066,205	61,639,716
2003	247,241,476	145,360,403	68,640,819	61,440,975
2004	372,844,325	173,561,286	83,233,508	61,597,284
2005	447,741,658	192,896,139	96,797,427	63,868,871
2006	558,733,963	226,244,545	103,979,945	66,642,416
2007	809,517,595	229,226,826	135,838,492	72,189,561
2008	944,283,089	254,524,487	158,149,860	82,113,719

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

N/A Information not available.

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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>
N/A	N/A	4.1645	296,425,374	N/A
124,130,323	312,842,398	4.1645	314,015,436	99.6%
132,819,961	336,226,895	4.1645	337,331,411	99.7%
171,318,607	415,731,766	4.1645	418,658,688	99.3%
145,451,408	377,232,265	5.1645	377,876,426	99.8%
205,422,414	485,813,989	5.1645	485,251,199	100.1%
247,945,161	553,358,934	5.1645	553,643,553	99.9%
294,990,076	660,610,793	5.1645	661,503,856	99.9%
362,763,582	884,008,892	5.1645	884,008,892	100.0%
410,465,307	1,028,776,348	4.6662	1,028,776,348	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)

<u>Fiscal Year</u>	<u>City Direct Rates</u> <sup>1</sup>		<u>Overlapping Rates</u>		<u>Total</u>
	<u>General Fund</u>	<u>School District</u> <sup>2</sup>	<u>County</u> <sup>3</sup>		
1999	\$ 4.16	8.61	8.55		21.32
2000	4.16	8.68	8.46		21.31
2001	4.16	8.33	8.46		20.95
2002	4.16	8.35	9.20		21.71
2003	5.66	8.30	8.16		22.12
2004	5.16	8.00	8.65		21.81
2005	5.16	7.93	8.46		21.56
2006	5.16	7.61	8.24		21.02
2007	4.67	7.66	7.06		19.39
2008	4.67	7.37	7.08		19.12

Source: <sup>1</sup> Office of the City Clerk.

<sup>2</sup> Manatee County School Board Administration Office.

<sup>3</sup> Manatee County Tax Collector's Office.  
<http://www.taxcollector.com/documents/currMillage08.pdf>

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal- Mart Stores East, LP	\$ 18,864,436	1	1.83%			
Sanctuary Development Partners, LLC	11,085,460	2	1.08%			
Verizon Florida	8,199,167	3	0.80%			
Westra Construction	7,150,765	4	0.70%			
Bright House Networks	7,081,996	5	0.69%			
Palmetto Dunes LTD	6,262,220	6	0.61%			
Florida Power & Light	5,895,874	7	0.57%			
West Coast Tomato Inc	5,869,045	8	0.57%			
Florida, State of	5,116,455	9	0.50%			
ABS FLA Investor	4,898,437	10	0.48%			
Vorbeck, Gerald C. Et Al				8,529,684	1	2.88%
Fru-Con-Ocean Golf Park, LTD				6,738,699	2	2.27%
Regatta Pointe Marina				3,993,533	3	1.35%
Palmetto Mobile Home Club				3,614,650	4	1.22%
Pacific Tomato Growers, LTD				3,579,883	5	1.21%
NationsBank				3,352,488	6	1.13%
Manatee Health Properties				2,798,471	7	0.94%
Bradenton Yacht Club				2,722,654	8	0.92%
Taylor and Fulton				2,670,740	9	0.90%
Colonial Mobile Manor, LTD				2,657,160	10	0.90%
Totals	<u>\$ 80,423,855</u>		<u>7.82%</u>	<u>40,657,962</u>		<u>13.72%</u>
Total taxable assessed value	<u>\$ 1,028,776,348</u>			<u>296,425,374</u>		

Source: Manatee County Property Tax Roll 2008 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 <sup>2</sup>	
		Current Tax Collections <sup>1</sup>	Percent of Levy Collected
1999	\$ 1,235,781	1,187,772	96.1%
2000	1,311,670	1,272,182	97.0%
2001	1,404,702	1,360,745	96.9%
2002	1,573,569	1,524,237	96.9%
2003	1,951,186	1,877,268	96.2%
2004	2,504,315	2,425,855	96.9%
2005	2,857,565	2,770,129	96.9%
2006	3,416,336	3,299,629	96.6%
2007	4,561,037	4,410,731	96.7%
2008	4,800,476	4,663,292	97.1%

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

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			
	Bank Qualified Loans	Revenue Bonds	Capital Leases	Bank Qualified Loans	Revenue Bonds	State Revolving Loan Funds	Capital Leases
1999	\$ --	933,333	--	--	--	415,000	--
2000	--	872,222	--	--	--	3,420,600	--
2001	--	805,555	--	--	--	3,420,600	--
2002	--	738,888	--	--	--	3,420,600	--
2003	--	--	48,801	--	672,221	3,187,192	144,784
2004	1,337,915	--	369,826	2,962,085	--	2,639,475	71,413
2005	1,700,030	--	493,819	9,027,369	--	2,488,449	169,485
2006	1,691,139	--	781,800	7,294,838	--	2,333,138	206,816
2007	1,774,878	--	808,551	6,896,548	--	2,184,580	527,171
2008	3,009,708	--	806,064	10,542,967	--	2,057,650	159,122

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<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
1,348,333	0.43%	125
4,292,822	1.12%	341
4,226,155	1.04%	336
4,159,488	1.02%	322
4,052,998	0.98%	309
7,380,714	1.71%	563
13,879,152	3.22%	1,057
12,307,731	2.82%	927
12,191,728	2.48%	871
16,575,511	3.12%	1,147



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

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u> <sup>3</sup>	<u>Gross Bonded Debt</u> <sup>3,4</sup>	<u>Net Bonded Debt</u> <sup>3</sup>	<u>Percentage of Actual Taxable Value of Property</u> <sup>3</sup>	<u>Per Capita</u> <sup>3</sup>
1999 <sup>2</sup>	10,773	\$ 296,425,374	933,333	933,333	0.31%	87
2000 <sup>1</sup>	12,571	314,015,436	872,222	872,222	0.28%	69
2001 <sup>1</sup>	12,571	337,331,411	805,555	805,555	0.24%	64
2002 <sup>1</sup>	12,921	377,876,426	738,889	738,889	0.20%	57
2003 <sup>5</sup>	13,109	418,568,688	672,222	672,222	0.16%	51
2004 <sup>5</sup>	13,109	485,251,199 <sup>6</sup>	--	--	0.00%	--
2005 <sup>5</sup>	13,132	553,648,553	--	--	0.00%	--
2006 <sup>5</sup>	13,035	661,503,856	--	--	0.00%	--
2007 <sup>5</sup>	14,002	884,008,892	--	--	0.00%	--
2008 <sup>5</sup>	14,447	1,028,776,348	--	--	0.00%	--

Source: <sup>1</sup> U.S. Census Bureau

<sup>2</sup> University of Florida Bureau of Economic and Business Research (Estimate)

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

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

<sup>5</sup> Manatee County Economic Development Council

<sup>6</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 AND LEGAL DEBT MARGIN  
 AS OF SEPTEMBER 30, 2008

<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	\$ 19,565,825	100%	19,565,825
<b>Overlapping:</b>			
Manatee County	18,860,000	4.47%	842,586
Manatee County School Board	32,500,000	4.47%	1,451,964
<b>Total direct and overlapping debt</b>			<u><u>\$ 21,860,375</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.

Note: 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

<b>Fiscal Year</b>	<b>City Population</b> <sup>1</sup>	<b>Personal Income (thousands of dollars)</b> <sup>1</sup>	<b>Personal Income Per Capita</b> <sup>2</sup>	<b>Median Age</b> <sup>3</sup>	<b>School Enrollment</b> <sup>4</sup>	<b>Manatee County Unemployment Rate</b> <sup>5</sup>
1999	10,773	\$ 314,248	29,170	37.6	34,960	2.8%
2000	12,571	382,649	30,439	37.6	35,757	2.8%
2001	12,571	404,422	32,171	37.6	37,090	2.8%
2002	12,921	408,717	31,632	37.6	38,600	4.3%
2003	13,109	415,149	31,669	37.6	39,800	4.1%
2004	13,109	430,460	32,837	37.6	41,000	3.4%
2005	13,132	431,215	32,837	37.6	42,350	4.2%
2006	13,272	435,813	32,837	37.6	42,572	2.7%
2007	14,002	492,226	35,154	37.6	42,572	2.9%
2008	14,447	532,112	36,832	38.7	42,307	2.9%

Source: <sup>1</sup> University of Florida, Bureau of Economic and Business Research. Per capita income not available since 2006. Population figures are estimates.

<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis Manatee County, 2005 data most current.

<sup>3</sup> Office of Manatee County Economic Analyst.

<sup>4</sup> Manatee County School Board. School enrollment exceeds the City population because the school system serves the entire County.

<sup>5</sup> U. S. Census Bureau, new median age is only reported every ten years.

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

Employer	2008			1998		
	Employees <sup>1</sup>	Rank	Percentage of Total County Employment	Employees <sup>1</sup>	Rank	Percentage of Total County Employment <sup>2</sup>
Manatee County School Board	7,000	1	4.87%	4,662	1	3.81%
Manatee County Government	2,003	2	1.39%	1,509	3	1.23%
Tropicana Products, Inc.	1,600	3	1.11%	4,100	2	3.35%
Beall's, Inc.	1,550	4	1.08%	639	9	0.52%
Manatee Memorial Hospital	1,500	5	1.04%	1,473	4	1.20%
Manatee County Sheriff's Department	1,086	6	0.76%	985	6	0.81%
Blake Medical Center	1,050	7	0.73%	1,073	5	0.88%
Hoveround Corporation	670	8	0.47%	--	--	--
City of Bradenton	550	9	0.38%	--	--	--
Gevity HR	500	10	0.35%	600	10	0.49%
Wellcraft Marine	--	--	--	950	7	0.78%
Hi-Stat Manufacturing, Inc.	--	--	--	685	8	0.56%
<b>Total</b>	<b>17,509</b>		<b>12.18%</b>	<b>16,676</b>		<b>13.63%</b>

Source:

which the city resides, Manatee County CAFR. Manatee County Chamber of Commerce: Economic Development Council.

<sup>2</sup> Florida Research and Economic Database, Manatee County CAFR.



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

<b>Full-time Equivalent Employees as of December 31,</b>										
<b>Function</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General government	29	33	31	34	33	34	38	41	49	37
Public safety										
Police										
Officers	28	29	31	32	30	30	31	33	36	38
Civilians	14	15	18	19	17	17	18	16	13	13
Highways and streets										
Engineering	3	3	4	4	4	3	3	4	2	3
Maintenance	8	8	9	10	8	8	8	9	3	4
Sanitation	9	7	7	9	7	3	2	1	2	2
Culture and recreation	12	14	19	19	20	19	17	23	17	17
Water	18	13	15	16	16	16	17	20	24	19
Sewer	5	3	3	3	3	3	6	7	5	6
<b>Total</b>	<b>126</b>	<b>125</b>	<b>137</b>	<b>146</b>	<b>138</b>	<b>133</b>	<b>140</b>	<b>154</b>	<b>151</b>	<b>139</b>

Source: Human Resources

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

Function	Fiscal Year				
	1999	2000	2001	2002	2003
<b>Police (1)</b>					
Total arrests	N/A	N/A	N/A	N/A	N/A
Juvenile arrests	N/A	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	N/A	N/A
Traffic warnings	N/A	N/A	N/A	N/A	N/A
<b>Water</b>					
New connections (2)	79	88	85	76	55
Average daily consumption (3) (million of gallons)	1.41	1.44	1.41	1.45	1.42
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00	2.00
<b>Wastewater</b>					
New connections (2)	72	85	76	68	45
Average daily sewage treatment (3) (million of gallons)	1.22	1.19	1.34	1.37	1.79
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40	2.40
<b>Reuse</b>					
New connections (2)	N/A	N/A	190	359	64
Average daily consumption (3) (million of gallons)	0.92	1.19	1.08	1.01	1.07
Average daily capacity (3) (million of gallons)	1.86	1.86	1.86	1.86	1.86

N/A Information is not available.

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

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<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
N/A	N/A	547	504	511
N/A	N/A	112	132	130
N/A	2,207	2,823	2,050	2,003
N/A	840	869	924	860
124	117	76	44	14
1.47	1.47	1.50	1.48	1.43
2.00	2.00	2.00	2.00	2.00
25	65	122	85	27
1.18	1.50	1.28	0.95	0.89
2.40	2.40	2.40	2.40	2.40
N/A	274	79	125	28
0.67	0.74	0.86	0.98	0.89
1.86	1.87	1.87	4.07	1.22

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

Function	Fiscal Year				
	1999	2000	2001	2002	2003
<b>Public Safety (1)</b>					
Police					
Stations	1	1	1	1	1
Patrol units	19	18	21	23	23
K-9 units	N/A	N/A	2	2	2
<b>Highways and Streets (2)</b>					
Streets (miles)	41.17	41.17	41.17	41.17	41.17
Traffic signals	11	11	11	11	11
Streetlights	742	742	742	742	742
<b>Culture and Recreation (3)</b>					
Parks acreage	29.78	50.04	50.04	50.04	50.04
Parks	10	11	11	11	11
Tennis courts	1	1	1	1	1
<b>Utility Infrastructure</b>					
Water mains (miles)	66.06	66.06	66.06	66.06	66.06
Sewer (miles)	46.00	46.00	46.00	46.00	46.00
Storm sewers (miles)	11.76	11.76	11.76	11.76	11.76
Reclaimed water (miles)	13.84	13.84	16.00	17.80	17.80

N/A      Information is not available.

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

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<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
1	1	1	1	1
36	39	39	46	49
2	1	1	2	2
41.09	41.09	41.20	41.20	42.00
11	11	11	11	11
728	728	864	864	864
64.74	64.74	64.74	64.74	64.74
12	12	12	12	12
1	1	1	1	1
66.06	66.06	66.06	66.06	66.66
46.00	46.00	46.00	46.00	47.60
11.76	11.76	11.76	11.76	11.76
17.80	17.80	22.00	22.00	19.30

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Palmetto's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Palmetto's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Palmetto's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Palmetto'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 we reported to management of the City of Palmetto, in a separate letter dated March 9, 2009.

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

*CPA Associates*

Bradenton, Florida  
March 9, 2009



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the basic financial statements of the City of Palmetto, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated March 9, 2009, which was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 9, 2009, 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 govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls this letter is required to include the following information.

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 significant findings and recommendations made in the preceding annual financial audit report. The status of prior year findings are reported under the heading *Status of Prior Year Audit Recommendations*.

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 of Palmetto, Florida, 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, accounting procedures, and internal controls. 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 and grant agreements or abuse 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, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and (2) control deficiencies that are not significant deficiencies, including, but not limited to improper or inadequate accounting procedures, failures to properly record financial transactions, and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Matters required to be disclosed are reported under the heading *Current Year Findings and Recommendations*.

Section 10.554(1)(i)6., 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. This information has been disclosed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local 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 of Palmetto, Florida, has not met any of the conditions described in Section 218.503(1), Florida Statutes. There were negative unrestricted net assets in both the Stormwater and Reuse Enterprise Funds. With regard to alleviating the Stormwater negative unrestricted net assets balance, the City completed a user rate study in November 2006, and is in the process of implementing a four year plan to increase user rates, provide subsidies from other funds, and continue to evaluate the user fees. With regard to the Reuse Fund, construction on the relatively new system continues in certain areas of the City. An ASR well is also in the design and permitting stage and completion is projected to be during or after 2009. This construction activity and the increased demand for Reuse services make it necessary to re-evaluate the user rates for the Reuse services. During fiscal year 2008, the City implemented a scheduled 3% increase in user fees. A rate study for Reuse will be performed in fiscal year 2009 and user rates adjusted accordingly.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Palmetto, Florida for the fiscal year ended September 30, 2008, 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, 2008. In connection with our audit, we determined that these two reports were in agreement.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied the financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

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

*CPA Associates*

Bradenton, Florida  
March 9, 2009

## **STATUS OF PRIOR AUDIT RECOMMENDATIONS**

### **07-01 Fund Balance and Debt Policies**

While conducting our audit, we noted that the City did not have formal written Reserved Fund Balance and Debt Policies. We recommended the City consider formulating and establishing formal written Reserved Fund Balance and Debt Policies that detail the Commission's philosophies, policies, and goals (both short and long term). These policies would allow the Commission to monitor Reserved Fund Balance and Debt and provide guidelines in measuring how the City is maintaining acceptable levels of Reserved Fund Balances and Debt capacities. We suggested the City develop guidelines for fund balances based on the number of months that the expenses should be covered by the fund balance and the appropriate strategic plans to come into compliance. We suggested that the Debt Policy include the acceptable debt capacity ratio by fund and means of obtaining debt. Monitoring the compliance of these policies is essential to the continued financial health of the City.

Status - The City adopted a Fund Balance Policy on June 2, 2008 through Resolution 08-18 and a Debt Policy on June 16, 2008, through Resolution 08-19.

### **07-02 Capitalization Policy**

During our audit, we noted that the City's policy for the capitalization of capital asset purchases begins with any asset purchase over \$500. As of September 30, 2007, the City's total assets approximated \$60 million. We suggested that the City re-evaluate the threshold and change it going forward.

Status - The City will re-evaluate its policy in Fiscal Year 2009, and determine a more appropriate level of capitalization. This evaluation will include review of recommended practices, comparison of the policies of similar cities, and the financial effect of any changes.

### **07-03 Review of Capital Asset System**

During our audit, we noted some lives of assets and depreciation dates had been adjusted subsequent to the original date of entry into the system. We recommended the City review the listing of capital assets and determine the capital asset lives and depreciation dates were appropriate.

Status - During the process of implementing the infrastructure portion of GASB 34, the City noted that in past years, the original useful life of several assets had been changed in the capital asset system. The reason for these changes was unclear but was possibly due to differences associated with the estimated useful life of certain assets. During fiscal year 2008, the capital asset system was reviewed. The useful life, accumulated depreciation, historical cost and department information was the main focus of the review with appropriate adjustments identified and recorded.

### **07-04 Physical Inventory of Capital Assets**

During our audit, we had discussions with management regarding annual capital asset inventory procedures. It was noted that there has not been physical inventories taken on the City's capital assets in the past few years. We suggested that the City consider establishing a policy to incorporate physical inventories on an annual basis, which may be done on a rotating department schedule from year to year to lessen the burden on the City's staff. We also suggested that the use of a bar coding system may alleviate some of the time requirements needed to perform such inventories.



Status - During fiscal year 2008, the City implemented a three-year plan to inventory capital assets on a rotating schedule. In 2008, year one, the following occurred: a review of the capital asset system was completed and adjustments made (07-03); and an auction of surplus property occurred in May 2008. In year two, fiscal year 2009, a review of the capitalization policy (07-02); a bar coding system of assets will be implemented; and a complete physical inventory will occur of city hall, police department and CRA. Then in year three, fiscal year 2010, a complete physical inventory will occur of public works.

#### **07-05 Utility Billings System**

Our audit testing revealed there were growing credit balances in the utility billing accounts receivable system. Through additional inquiry we learned that payments were received and recorded on a timely basis, but the system was not automatically applying the credits to future utility bills and consequently, a large number of unapplied credits appeared within the accounting system. It was noted that a program can be run prior to checking for late payments that will apply the credits. We recommended the program to record the overpayments to subsequent bills be run on a routine basis.

Status - During the 2007 audit, it was discovered that the balance associated with unapplied credits increased in the utility customer accounts. The dollar amount of the account receivables balance was correct, however, the credits were not being properly classified to the services. Further examination revealed that a program to classify and apply the credits was not being run. In Fiscal Year 2008, this program is now being correctly completed prior to each billing cycle to ensure the proper allocation of all credits.

#### **07-06 Accounts Receivable**

During the audit, we noted that the City had not received any collections on an old receivable from a specific utility user. To improve control over receivables, we suggested that past-due balances be reviewed monthly. Any outstanding balances should be resolved with customers and appropriately cleared from the books of account or have a corresponding allowance. We suggest prompt collection action be pursued when it is believed the amounts are valid and due to be paid. Otherwise, old, questionable or unidentified balances should be written off.

Status - The City's customer service department reviews past-due balances monthly. Once a past-due account is identified a process begins that includes penalties, discontinuation of services, and then if no payment is received, it is sent to collections. The City's policy regarding the writing off of past-due accounts will be reviewed and revised as necessary. Further, specific utility users with large past-due amounts will also be reviewed, resolution attempted and payment received or past-due amounts appropriately cleared from the account.

## CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

### **08-01 Payroll**

While conducting our audit, we noted that there were instances in which supervisor approval was not indicated on timecards. The City's policy requires supervisors to check and sign the timesheet. We recommend that the City personnel verify that timecards are reviewed and initialed by supervisors.

### **08-02 Accounts Receivable**

During the audit, we noted that the City has not received any collections on an old receivable from a specific utility user. To improve control over receivables, we suggest that past-due balances be reviewed monthly. Any outstanding balances should be resolved with customers and appropriately cleared from the books of account or have a corresponding allowance. We suggest prompt collection action be pursued when it is believed the amounts are valid and due to be paid. Otherwise, old, questionable or unidentified balances should be written off.

### **08-03 Capitalization Policy**

During our audit, we noted that the City's policy for the capitalization of capital asset purchases begins with any asset purchase over \$500. As of September 30, 2008, the City's total assets approximate \$65 million. We believe that the level of capitalization is much too low for an organization of this size. We suggest that the City re-evaluate the current threshold and change it going forward.



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March 9, 2009

## MANAGEMENT LETTER RESPONSE

### STATUS OF PRIOR YEAR RECOMMENDATIONS

#### **07-01 Fund Balance and Debt Policies**

During the fiscal year 2007 audit, it was noted that the City did not have formal written policies for fund balance and debt. It was recommended that the City develop guidelines and strategies for fund balances and debt.

The City adopted a Fund Balance Policy on June 2, 2008, through Resolution 08-18 and a Debt Policy on June 16, 2008, through Resolution 08-19. The Fund Balance Policy recommends that for General Fund, Road and Bridge and the Enterprise Funds, the unreserved or unrestricted fund balance be 10% to 25% of budgeted revenues for each fund, or three to six months of budgeted expenses.

#### **07-02 Capitalization Policy**

The City's capitalization threshold for capital assets is currently \$500 per unit. It was noted in the fiscal year 2007 audit that this amount is too low for an organization the size of Palmetto.

The City did not re-evaluate the capitalization policy during fiscal year 2008. However, the City will re-evaluate its policy in fiscal year 2009, and determine a more appropriate level of capitalization. This evaluation will include review of recommended practices, comparison of the policies of similar cities, and the financial effect of any changes.

#### **07-03 Review of Capital Asset System**

During the process of implementing the infrastructure portion of GASB 34, the City noted that in past years, the original useful life of several assets had been changed in the capital asset system.

The reason for these changes was unclear but was possibly due to differences associated with the estimated useful life of certain assets. During fiscal year 2008, the capital asset system was reviewed. The useful life, accumulated depreciation, historical cost and department information was the main focus of the review with appropriate adjustments identified and recorded.

#### **07-04 Physical Inventory of Capital Assets**

During the fiscal year 2007 audit, the capital asset inventory was discussed and noted that a physical inventory had not been performed for a few years.

During fiscal year 2008 the City designed and implemented a three-year plan to inventory capital assets on a rotating schedule. In fiscal year 2008, year one, the following occurred: a review of the capital asset system was completed and adjustments made (07-03); and an auction of surplus property occurred in May 2008, disposing of surplus and obsolete assets. In year two, fiscal year 2009, a review of the capitalization policy (07-02); a bar coding system of assets will be implemented; and a complete physical inventory will occur of City Hall, Police Department and CRA. Then in year three, fiscal year 2010, a complete physical inventory will occur of Public Works.

#### **07-05 Utility Billing System**

During the 2007 audit it was discovered that the balance associated with unapplied credits increased in the utility customer accounts. The dollar amount of the account receivables balance was correct, however, the credits were not being properly classified to the services. Further examination revealed that a program to classify and apply the credits was not being run.

In fiscal year 2008, this program is now being correctly completed prior to each billing cycle to ensure the proper allocation of all credits.

#### **07-06 Accounts Receivable**

The City's customer service department reviews past-due balances monthly. Once a past due account is identified a process begins that includes penalties, discontinuation of services, and then if no payment is received, it is sent to collections.

The City's policy regarding the writing off of past-due accounts will be reviewed and revised as necessary. Further, specific utility users with large past-due amounts will also be reviewed, resolution attempted and payment received or past-due amounts appropriately cleared from the account. One large receivable associated with Manatee County School Board is being closely monitored and discussions are ongoing as to the status of the charges.

## CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

### **08-01 Payroll**

Audit testing revealed a small amount of unsigned timesheets. The payroll procedures for the processing of timesheets are now being reviewed. In the future, payroll will ensure that all timesheets are reviewed and signed by the supervisor or a designated substitute.

### **08-02 Accounts Receivable**

This recommendation is a repeat of 07-06. During fiscal year 2009, the City's policy concerning the writing off of past-due accounts and the procedures will be reviewed, appropriate changes made and implemented. However, one large receivable with Manatee County School Board is being closely monitored and debated over the validity of the charges.

### **08-03 Capitalization Policy**

This recommendation is a repeat of 07-02. It is noted that the City's capitalization threshold for capital assets is too low for a city the size of Palmetto. A capitalization policy is being developed and will be presented to City Commission during fiscal year 2009, recommending an increase from \$500 to \$2,000 for equipment and vehicles and a separate threshold of \$20,000 for land, buildings, improvement not buildings and infrastructure. The policy will also recommend tracking procedures for equipment items with historical costs between \$500 and \$2,000.



James R. Freeman  
City Clerk