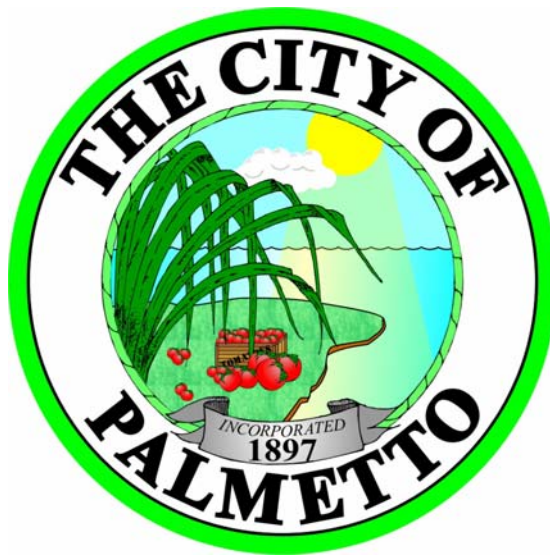


*Comprehensive Annual
Financial Report*

City of Palmetto Florida

For the Fiscal Year Ended
September 30, 2009



Prepared By
The Finance Department

Karen L. Simpson, CGFO
Deputy Clerk of Finance

CITY OF PALMETTO, FLORIDA

FINANCIAL STATEMENTS

For the Fiscal Year Ended
September 30, 2009

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February 25, 2010

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, 2009.

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, 2009, are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Palmetto's financial statements for the fiscal year ended September 30, 2009, 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, 2008. This was the fourth 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 30th, of each year. The appropriated budget is prepared by fund and department, and monthly reporting is done to monitor the results during the year.

ECONOMIC CONDITION AND OUTLOOK

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

As with most cities throughout Florida, 2009 proved to be a difficult year, as we have seen a continued slowdown in the development and construction within the City. In addition, an increase in foreclosures and abandoned properties is a direct result of the challenges facing citizens throughout the State of Florida. This declining economic environment has placed additional demands on the City to ensure the health, safety, and welfare of the community is maintained. Despite recent cutbacks in areas such as the building and planning departments, the City has increased the efficiency of our remaining resources to minimize the impact to our citizens. Unemployment has risen steadily during 2009, reaching 12.5% in Bradenton-Sarasota-Venice Metropolitan Statistical Area (MSA) as of October, and many businesses have been forced to lay off 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 2009, the City passed 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 in the historic downtown. In recent years, several condominium developments were completed, many of which offer robust amenities and dramatic water views.

Palmetto is faced with increasing costs, increasing demand for services, reduced funding and unfunded mandates by state and federal governments. Despite the increased demand for services and rising costs, the Florida Legislature passed property tax legislation in 2007 that is estimated to reduce local tax revenues by \$15 billion over five years. As part of the fiscal year 2007-2008 budget, all cities throughout Florida were required to roll-back the tax levies to 2006-2007 levels. In addition, cities were required to further reduce the tax levy based on the relative per capita property tax increase between 2001 and 2007 as compared to the statewide average. This equated to an additional 9% reduction for Palmetto. In January 2008, voters approved amendments to the Florida Constitution which will further reduce tax revenues for the City. More specifically, the homestead exemption was increased by \$25,000, a \$25,000 exemption for tangible personal property was approved and homeowners can now "port" up to \$500,000 of save our homes benefit. The constitutional amendment also provides an annual ten percent cap for non-homesteaded property. Palmetto was the only city in Manatee County that experienced a positive change in gross taxable value from 2007 to 2008. However, assessments for 2009 were down 13%, as were all other cities and the unincorporated area of Manatee County. Lower assessments for 2009 meant fewer dollars for the fiscal year 2010 budget that was recently passed. Decreasing revenues, combined with increasing costs for items such as health care and pensions, proved to be very challenging for the City. Despite the economic challenges, the City

remains committed to providing the best possible service to our citizens. The City Commission is committed to a fiscally sound program designed to increase the tax base, by supporting the Community Redevelopment Agency (CRA) activities, promotion of the Enterprise Zone Incentives and by enhancement of the City's image and quality of life via adoption of the Five Year Capital Improvement Plan.

Despite the economic downturn and challenging financial environment, we continue in our efforts towards diversification and expansion of local businesses 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:

During 2009, Palmetto annexed one commercial property totaling 1.38 acres.

General Development Plans were approved for a school expansion at the Manatee School for the Arts and the expansion of HUD approved housing for seniors at Holy Cross Manor.

The City Commission assumed the role of the CRA board and a new CRA Advisory Board was created in early 2009.

The CRA awarded storefront grants in the amount of \$84,591 for the exterior renovation and revitalization of five commercial structures within the CRA District.

It was a busy year for Request for Proposals (RFPs) as the City issued a total of eight requests. Areas of interest included Fireworks, Legal Services, Financial Audit Services, Health Insurance, Property and Casualty Insurance, Grant Administration Services, and redevelopment of property in the City.

City Commission approved approximately \$890,000 of capital improvements for 2009. Major projects include upgrades to the waste water treatment plant (WWTP), street resurfacing, and various street re-alignments and construction.

Specific upgrades to the WWTP included a new grit system and return activated sludge (RAS) pump totaling approximately \$300,000. Lift station repairs were also made on two stations throughout the City.

In an effort to reduce inflow and infiltration (I&I) within our sewer system, the City spent approximately \$200,000 on manhole repair and relining throughout the City.

Engineering activities started for two road improvement projects that will have a significant impact on traffic flows for the City in the future. Specifically, restriping and the addition of turn lanes at 10th Street and 14th Avenue are moving forward. Planning for the realignment of 23rd Street is moving forward because of the need to make room for the new Little League fields that are being proposed next to Blackstone Park.

Engineering is underway for phase 2 of the Ward 1 improvements and 30% drawings have been received by the City. This project includes rehabilitation and installation of new streets, sidewalks, sewer lines and the stormwater system, at a cost that is expected to be several million dollars. The City is also seeking Community Development Block Grant (CDBG) dollars to help offset the costs for this project.

In July of 2009, the City, Manatee County School Board, Manatee County, Boys and Girls Club, Just for Girls, and a private developer completed a transaction to sell land owned by the City for a new Palmetto Elementary School. The new school site is located at the corner of 10th Street and 14th Avenue and construction is underway. The construction is expected to be complete before the end of 2010.

The City's school element portion of the Comprehensive Plan amendment was completed and submitted in 2009. Staff is working to finalize the remaining amendment updates to the Comprehensive Plan. Land Development Code changes will be submitted in the near future.

Significant ordinances that were passed during 2009 include, under 21 alcohol ordinance, local preference, stormwater modifications and updates to the General and Police Pension Plans.

The City received the CAFR award for the fourth consecutive year and we anticipate submitting for the budget award for fiscal year 2010. This would be the first time the City has submitted for the budget award.

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

For the Future:

Our Police Department is up for re-accreditation as part of the three year renewal cycle. This would be the third consecutive time for our Police department to receive such an honor.

Palmetto Police Department received approximately \$116,000 in grant dollars to be used for mobile technology upgrades and efforts are underway to identify a new dispatch system. One possible solution involves partnering with Manatee County to leverage the system being utilized by Manatee Sheriff's Office (MSO).

The City will continue to seek grant funding for various projects throughout the City. We were awarded approximately \$800,000 in federal stimulus money during 2009 and we anticipate applying for \$750,000 of CDBG dollars to fund future improvements in Ward I. Other grant opportunities include energy conservation and construction for new Little League fields.

Before year end, construction on the new Palmetto Elementary School should be complete. In addition, construction associated with a new state of the art Boys and Girls Club will be concluding, which will provide outstanding recreational opportunities for our youth.

The City expects to complete construction on intersection improvements at 10th St. and 10th Ave. and 10th St. and 14th Ave. later this summer. Both of these projects are being funded by congestion management grants awarded through the local Metropolitan Planning Organization and some federal stimulus dollars.

Intersection improvements on Haben Blvd. should begin later this summer and engineering is moving forward on the Haben Roundabout. Both projects are being funded with grants, and the CRA has dollars available to fund the balance of construction costs.

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

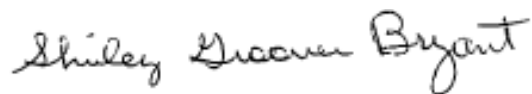
Final recommendations from the Charter Review Committee will be forthcoming and voters may have an opportunity to vote on proposed charter changes in November of 2010. The City Charter was last amended in 2004.

The City will continue to make improvements at the WWTP to ensure renewal of our operating permit.

ACKNOWLEDGEMENTS

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

Sincerely,



Shirley Groover Bryant, Mayor
City of Palmetto

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palmetto
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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 stylized, handwritten signature in black ink, appearing to read "J.R. Emer".

President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director



CITY OF PALMETTO, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2009

LIST OF PRINCIPAL OFFICIALS

ELECTED OFFICIALS

SHIRLEY GROOVER BRYANT	MAYOR
BRIAN WILLIAMS	VICE MAYOR
MARY LANCASTER	COMMISSIONER
TAMARA CORNWELL	COMMISSIONER
ALAN ZIRKELBACH	COMMISSIONER
TAMBRA VARNADORE	COMMISSIONER

OFFICE OF THE CITY CLERK

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

PUBLIC WORKS

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

POLICE DEPARTMENT

GARRY LOWE	POLICE CHIEF
REX HANNAFORD	DEPUTY POLICE CHIEF

COMMUNITY REDEVELOPMENT AGENCY

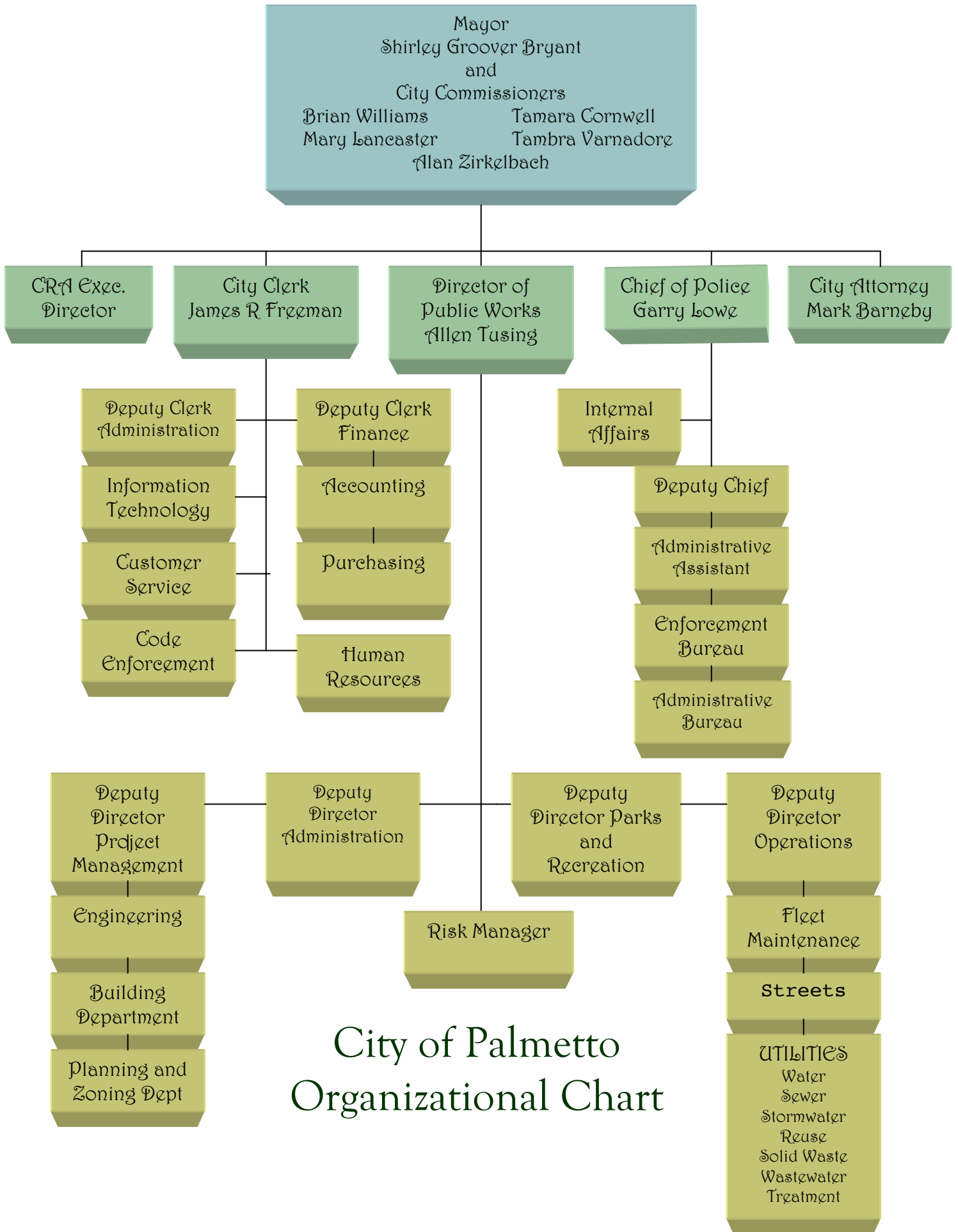
JEFF BURTON	EXECUTIVE DIRECTOR
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CITY ATTORNEY

MARK BARNABY	CITY ATTORNEY
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INDEPENDENT AUDITORS

CPA ASSOCIATES





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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, (the City) as of and for the year ended September 30, 2009, 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, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, 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 February 23, 2010, on our consideration of the City of Palmetto, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-19 and 89-91, 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 95-98 is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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

CPA Associates

Bradenton, Florida
February 23, 2010

Management's Discussion and Analysis

As management of the City of Palmetto (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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Mayor's letter of transmittal preceding this report and the City's financial statements beginning on page 21.

During the year, several changes have taken place concerning the reporting of financial information. The Community Redevelopment Agency (CRA) is now reported as a governmental fund as explained in the government-wide financial statement section along with the implementation of two new governmental accounting standards.

The City, like many local governments, provide pension benefits as well as other post-employment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB, for the City of Palmetto, includes health and life insurance at lower rates for its retirees to purchase and is considered an implicit subsidy. GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes an accounting standard for the measurement, recognition, and display of OPEB expenses and related liabilities, and note disclosures in the financial reports of state and local governmental employers. The City was required to implement GASB 45 for other post-employment benefits during fiscal year 2009 as a phase II government and this is explained in detail in the Notes to the Financial Statements beginning on page 83.

The City has entered into derivative instruments through interest rate SWAP agreements. GASB Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments*, is intended to improve how state and local governments report information about derivative instruments in their financial statements. The new accounting standard is required to be implemented in fiscal year 2010 however the City has elected to implement the standard during fiscal year 2009. Greater detail of the new standard is found in the Notes to the Financial Statements with the early implementation beginning on page 45 and long-term liability information beginning on page 67.

Financial Highlights

At the close of the fiscal year ending September 30, 2009:

- The assets of the City exceeded its liabilities by \$55,975,661 (*net assets*). Of this amount, \$11,356,267 (*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 \$9,655,371, or 20.84% in comparison with the prior year total net assets (before restatement). This increase in net assets includes \$4,966,986 from CRA and an increase in net assets for the rest of the City of \$4,688,395 or 10.12%.

- Total revenues increased a total of \$4,795,715 or 22.69% in comparison to prior year. This includes revenues of \$6,329,395 from CRA a decrease of \$1,533,680 for all other revenues.
- Total expenses increased \$2,353,539 or 11.79% in comparison to prior year. These expenses include an increase of \$2,798,177 from CRA while the remaining City's expenses decreased \$444,638.
- The City's governmental funds reported combined ending fund balances of \$14,687,235 an increase of \$6,452,764 in comparison with the prior year (before restatement). Approximately 68% of this total amount, \$9,259,674 (*unreserved fund balance*), is available for spending at the City's discretion. This includes \$1,899,768 of fund balance available through the Trailer Park Trust fund and \$3,877,606 from CRA. The remaining unreserved fund balance of \$3,482,300 is associated with the remaining City governmental funds.
- At the end of current fiscal year, unreserved fund balance for the general fund was \$5,381,549 or 49.04% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

the end of the accounting period and expenses are recorded even though they may not have consumed cash during the current period.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, recreation and intergovernmental services. The business-type activities of the City include the solid waste collection, water and sewer, the stormwater utility system and the reuse utility.

In prior years, the CRA was governed by a separate CRA Board, and therefore was reported as a discretely presented component unit of the City. In fiscal year 2009, the City Commission assumed the duties as the CRA Board and created a CRA Advisory Board to make recommendations. This change in governance structure made it necessary in fiscal year 2009 to reclassify the CRA as a blended component unit and report all activities as a special revenue fund. As such, the results of the CRA are included in the governmental fund statements. The reader should keep this in mind when comparing current year results of governmental funds to prior years.

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

Fund Financial Statements

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

Governmental funds

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases or other 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, 2009 was the Capital Projects fund.

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

Proprietary funds

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, stormwater utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2009. The internal service funds are considered to be non-major funds and are combined into a single, aggregated presentation in the proprietary fund financial statements.

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 37 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 87 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$55,975,661 at the close of the most recent fiscal year.

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

City of Palmetto's Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 12,667,624	7,339,377	3,539,405	2,824,318	16,207,029	10,163,695
Internal balances	1,072,023	1,204,811	(1,072,023)	(1,204,811)	--	--
Restricted assets	2,528,993	840,749	2,777,770	2,750,287	5,306,763	3,591,036
Capital assets, net of depreciation	30,946,003	25,606,108	26,029,135	26,036,137	56,975,138	51,642,245
Total assets	<u>47,214,643</u>	<u>34,991,045</u>	<u>31,274,287</u>	<u>30,405,931</u>	<u>78,488,930</u>	<u>65,396,976</u>
Current and other liabilities	475,860	383,368	340,654	390,199	816,514	773,567
Non-current liabilities	7,957,219	4,510,561	13,739,536	13,792,558	21,696,755	18,303,119
Total liabilities	<u>8,433,079</u>	<u>4,893,929</u>	<u>14,080,190</u>	<u>14,182,757</u>	<u>22,513,269</u>	<u>19,076,686</u>
Net Assets						
Investment in capital assets net of related debt	26,180,322	21,790,336	15,824,203	15,222,642	42,004,525	37,012,978
Restricted	2,303,732	2,951,584	311,137	265,339	2,614,869	3,216,923
Unrestricted	10,297,510	5,355,196	1,058,757	735,193	11,356,267	6,090,389
Total net assets	<u>\$ 38,781,564</u>	<u>30,097,116</u>	<u>17,194,097</u>	<u>16,223,174</u>	<u>55,975,661</u>	<u>46,320,290</u>

The overall position of the City improved in fiscal year 2009. 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 2008 (before restatement) by \$9,655,371, or 20.84%. Net assets for business-type activities (before restatement) increased \$970,923 or 5.98% as a result of the City's fiscal restraint. Net assets for governmental activities (before restatement) increased \$8,684,448 or 28.85%. The reclassification of the CRA accounted for \$4,966,986 of the \$8,684,448 change in net assets. Even after removing the change in net assets associated with the CRA reclassification, the change in net assets for governmental activities increased 12.35% in comparison to prior year.

A significant portion of the City's net assets, \$42,004,525 or 75.04% 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, \$2,614,869 or 4.67% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$11,356,267 or 20.29% 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 \$1,899,768, which may be used upon approval of the City Commission after a duly advertised public hearing.

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

Governmental activities

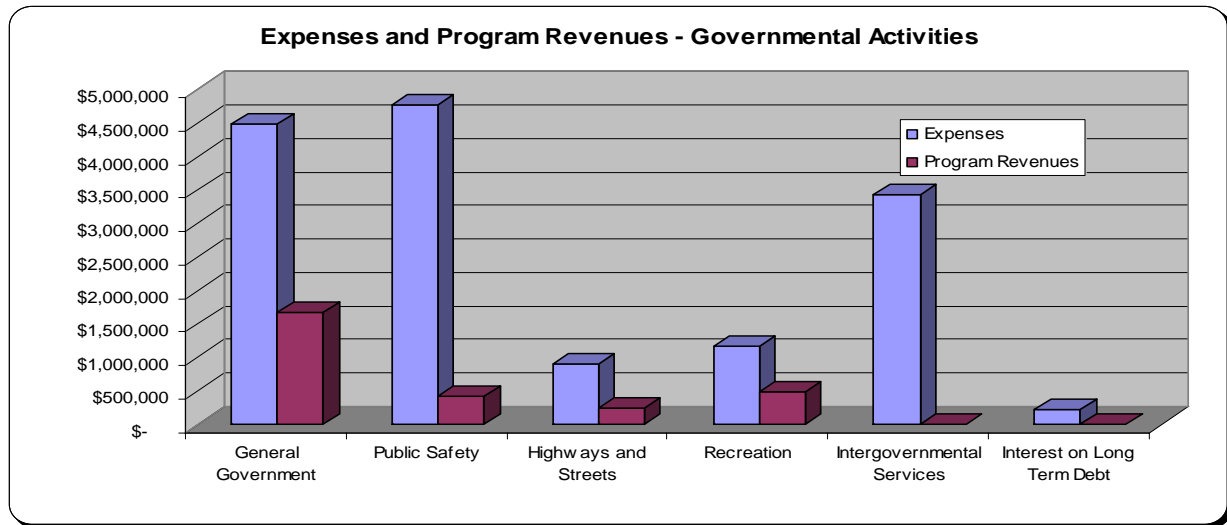
Governmental activities increased the City's governmental net assets by \$3,059,436 or 8.56%. The following table compares revenues and expenses to the prior year and the charts compare expenses with program revenues for the City's governmental activities:

- Overall governmental revenues totaled \$17,815,583 in fiscal year 2009 and increased \$5,630,773 when compared to fiscal year 2008 (before restatement).
- The inclusion of CRA revenues in governmental activities accounted for an increase in revenues equal to \$6,329,395 and was offset by a decrease of \$698,622 for all other governmental revenues.
- The City's millage rate of 4.6662 for fiscal year 2009 was unchanged compared to fiscal year 2008, but the City's portion of property tax revenue increased by \$303,477 or 6.5%. This increase is due to the gross taxable values increasing \$144,596,956, or 16.40% and the percentage of assessed taxes collected increased, which resulted in an overall increase in property tax revenues.
- Property taxes in total, appear to have drastically increased by \$5,288,266, however this line includes \$4,984,789 in CRA Tax Increment Funds (TIF) which were not included in property taxes in the fiscal year 2008 CAFR.
- Revenue associated with charges for services increased by \$1,973,170 or 231.52%. The increase is largely due to the reclassification of CRA reimbursements to the General Fund in the amount of \$948,622. These revenues were classified as Operating Grants and Contributions in the fiscal year 2008 CAFR, but have been reclassified as Charges for Services for 2009 and have increased \$505,164. Other increases to charges for services were associated with building permits, fine and forfeiture revenues. This increase was offset by a decrease in impact fees of \$265,106.
- Operating grants and contributions revenue decreased by \$1,033,897 mostly due to the CRA reclassification of \$948,622 mentioned above.

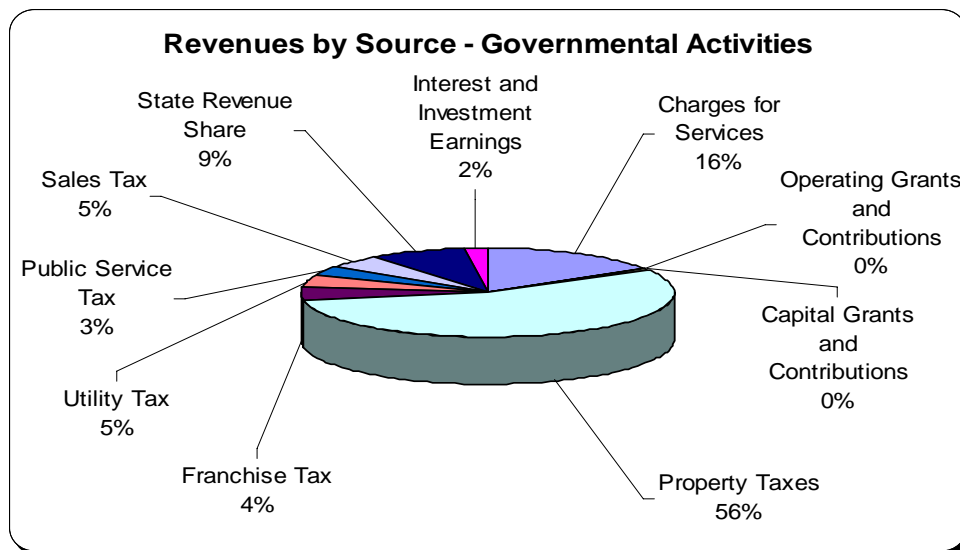
- Capital grant revenue decreased \$210,013 or 79.44%. The decrease is associated with the expiration of several grants which closed at the end of fiscal year 2008. In fiscal year 2009, the City received a total of \$54,347 from five grants including: FEMA grant for Tropical Storm Fay, Byrne grant for radios, FRDAP grant for Riverside Park resurfacing and a grant for garage doors at Public Works.
- Other revenues decreased \$410,873 or 54.84%. This overall decrease is a result of the removal of \$544,000 in one-time capital contributions from CRA in fiscal year 2008, coupled with an increase of \$133,127 in investment revenues.
- Total expenses increased \$2,687,837 and totaled \$15,018,356 in fiscal year 2009. The inclusion of \$2,798,177 of CRA expenses in the governmental activities was offset by a reduction of \$110,340 for the remaining governmental expenses.
- General government expenses decreased by \$832,446 or 15.63%. This reduction is due to a reclassification of intergovernmental expenses of \$1,192,000 (Information Technology, Public Works Administration, and Fleet Services) into a separate line in fiscal year 2009. This reclassification is coupled with an increase in the City Clerk cost center of \$404,483 due to increased TIF funds to CRA.
- Public safety expenses increased \$233,418 or 5.14%. This increase is mainly due to the 2% increase in personnel expenses since operating expenses in these cost centers remained flat.
- Transfers into governmental funds increased \$215,000. This increase is the net amount of the transfers in and transfers out and reflects an increase due to a reduction of \$150,000 in the transfers out from the General Fund to the Stormwater fund. The additional increase is due to \$75,000 in transfers to the Internal Service Funds assigned to the Governmental Funds in the Government-wide statements.
- Interest in long term debt increased by \$74,361 or 47.80% in governmental funds due entirely to the inclusion of CRA as a governmental fund.

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

City of Palmetto's Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Charges for services	\$ 2,825,447	852,277	7,823,477	7,846,262	10,648,924	8,698,539
Operating grants and contributions	48,000	1,081,897	223,712	--	271,712	1,081,897
Capital grants and contributions	54,347	264,360	44,906	988,859	99,253	1,253,219
General Revenues:						
Property taxes	9,951,558	4,663,292	--	--	9,951,558	4,663,292
Other taxes	4,597,933	4,573,813	--	--	4,597,933	4,573,813
Other	338,298	749,171	22,231	114,263	360,529	863,434
Total Revenues	<u>17,815,583</u>	<u>12,184,810</u>	<u>8,114,326</u>	<u>8,949,384</u>	<u>25,929,909</u>	<u>21,134,194</u>
Expenses:						
Governmental Activities:						
General government	4,495,082	5,327,528	--	--	4,495,082	5,327,528
Public safety	4,776,464	4,543,046	--	--	4,776,464	4,543,046
Highways and streets	895,995	1,004,720	--	--	895,995	1,004,720
Culture and recreation	1,180,146	1,299,642	--	--	1,180,146	1,299,642
Intergovernmental services	3,440,725	--	--	--	3,440,725	--
Interest on long-term debt	229,944	155,583	--	--	229,944	155,583
Business-type Activities:						
Solid Waste	--	--	2,041,362	2,138,301	2,041,362	2,138,301
Water and Sewer	--	--	4,489,574	4,368,485	4,489,574	4,368,485
Stormwater	--	--	675,366	971,958	675,366	971,958
Reuse	--	--	85,519	147,375	85,519	147,375
Total Expenses	<u>15,018,356</u>	<u>12,330,519</u>	<u>7,291,821</u>	<u>7,626,119</u>	<u>22,310,177</u>	<u>19,956,638</u>
Increases (decreases) in net assets						
before transfers	2,797,227	(145,709)	822,505	1,323,265	3,619,732	1,177,556
Transfers	262,209	47,209	(262,209)	(47,209)	--	--
Increase in net assets	<u>3,059,436</u>	<u>(98,500)</u>	<u>560,296</u>	<u>1,276,056</u>	<u>3,619,732</u>	<u>1,177,556</u>
Net assets-beginning of year	<u>35,722,128</u>	<u>35,820,628</u>	<u>16,633,801</u>	<u>15,357,745</u>	<u>52,355,929</u>	<u>51,178,373</u>
Net assets-end of year	<u>\$ 38,781,564</u>	<u>35,722,128</u>	<u>17,194,097</u>	<u>16,633,801</u>	<u>55,975,661</u>	<u>52,355,929</u>



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



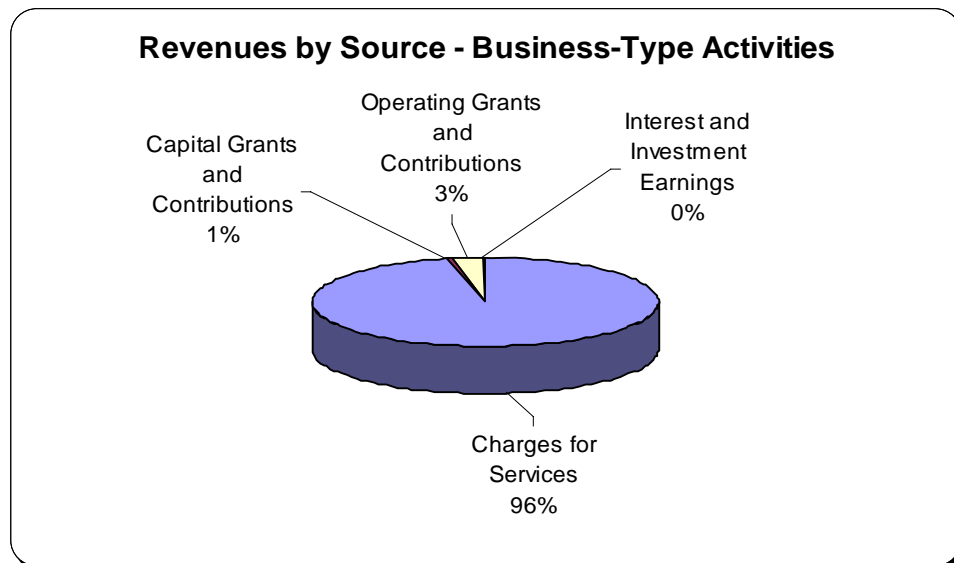
Business-type Activities

Business-type activities increased the City's net assets by \$560,296 or 15.48% of the total growth in the City's net assets.

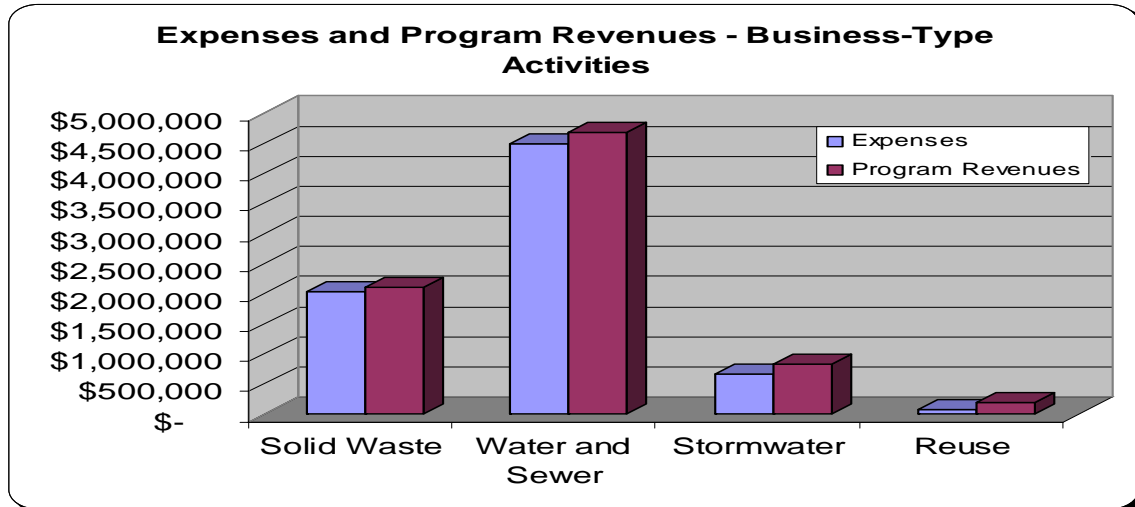
- Total revenues for business activities decreased \$835,058 or 9.33%. Total expenses decreased \$334,298 or 4.38% and transfers decreased \$215,000.
- Annual CPI increases across all utility user fees contributed to revenue increases for stormwater and reuse services of \$139,165 and \$5,460 respectively for fiscal year 2009.

- Water/Sewer and solid waste revenue decreased in fiscal year 2009 by \$56,860 and \$6,953 respectively. The annual CPI increases for these services was offset by reductions in usage when compared to the prior year.
- Fee structure changes in late fiscal year 2008 for residential and commercial stormwater fees resulted in revenue increases for this fund. Additional increases were planned over the next three years to bring the fund into self-sufficiency. However, due to economic conditions, these increases will not occur in fiscal year 2010. As a result, the timeline associated with eliminating transfers from other funds into the stormwater fund will be extended and self sufficiency will take slightly longer than initially planned.
- Capital grant and impact fee revenue decreased \$720,241 or 72.83% compared to fiscal year 2009. The bulk of the revenue decrease was caused by fewer grant dollars and a slowdown in construction.
- Expenses associated with solid waste decreased \$96,939. This decrease can be attributed to increased efficiencies associated with the reconciliation process between the City and our vendor, Waste Management and reductions in volume.
- Water and sewer expenses increased \$121,089 or 2.77%. Increases in contract services associated with engineering, and our third party plant operator, Veolia accounted for approximately \$48,373. Increases in depreciation for capital projects that were completed accounted for an increase of \$34,628. Personnel expenses were increased by \$63,398 due to a 2% cost of living adjustment (COLA) given for fiscal year 2009.
- Expenses in stormwater decreased \$296,592 or 30.51% as a result of a decrease in operating expenses of \$94,275 and interest expense of \$33,808. The remaining amount is attributable to the absence of SWAP interest due to the early implementation of GASB 53.
- Expenses in reuse decreased by \$61,856, or 41.97%. This is also the result of the early implementation of GASB 53.

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



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



Financial Analysis of the City's Funds

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

Governmental funds

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

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$14,687,235 an increase of \$6,452,764 over the prior year (before restatement) including \$4,966,986 in CRA fund balance. Approximately 63.05% of this amount or \$9,259,674 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, \$591,241 (2) for capital projects such as street and sidewalk maintenance and capital improvements, \$1,225,710 (3) for inventories, \$351,388 (4) for accumulated surpluses mandated for the building department, \$829,352 (5) for capital improvement projects \$2,192,339 (6) for impact fees \$210,255 (7) for special law enforcement activities \$20,775 and (8) capital for other purposes \$6,501.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year the unreserved fund balance of the General Fund was \$5,381,549 which includes the fund balance from the Trailer Park Trust fund. The total fund balance for the General Fund was \$6,854,739. 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 49.04% of total General Fund expenditures, while total fund balance represents 62.46% 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 2009, the unreserved fund balance for the City (exclusive of Trailer Park Trust Fund) is 28.70% of revenues and 3.81 months of expenditures.

Revenues for the CRA, now a blended component unit of the City, increased \$2,191,273 or 52.95% compared to the previous year. Increases in TIF dollars from the City and County accounted for \$886,681 of the increase. Another \$1.2 million is accounted for from the sale of property to the Manatee County School Board for a new elementary school. CRA expenses decreased \$368,426, contributing to the \$3.5 million increase in fund balance during fiscal year 2009.

Revenues in the Road and Bridge and Capital Projects funds remained virtually the same as did the expenses in the Capital Projects fund. The expenses in the Road and Bridge fund decreased \$553,157 due to capital projects activity on US 301 and Canal Road that was completed in fiscal year 2008. No capital road projects were completed in fiscal year 2009.

Proprietary funds

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

At the end of the current fiscal year, the City's proprietary funds reported combined ending net assets of \$17,261,120, an increase of \$1,033,135 in comparison with the prior year (before restatement). Increases in utility user fees, combined with reductions in operating expenses, interest expense, grant revenue and the early implementation of GASB 53 contributed to the overall increase in net assets for proprietary funds.

The Solid Waste Fund had operating income of \$102,410 and after transfers to the General Fund, an increase in net assets of \$61,244. The unrestricted net assets at the end of the current fiscal year, is \$273,766 and the total net assets are \$274,221.

The Water and Sewer Fund had operating income of \$761,124 for the year, and after transfers to the General Fund an increase in net assets of \$6,379. The unrestricted net assets at the end of current fiscal year are \$1,821,689 and the total net assets are \$13,047,068.

The Stormwater Fund had an operating income of \$358,262 and after transfers, an increase in net assets of \$227,793. The stormwater user fee structure for residential and commercial customers was implemented in fiscal year 2008, but no increase occurred during fiscal year 2009. The unrestricted net assets at the end of the current fiscal year, was a deficit of \$697,936 and the total net assets was \$2,028,564. The negative unrestricted net assets worsened slightly from fiscal year 2008 by \$57,098 however, the subsidy from other funds was reduced by \$150,000. The stormwater fund should improve in the coming years.

The Reuse Fund had operating income of \$153,423 and an increase in net assets of \$327,092. The unrestricted net assets at the end of the current fiscal year reflect a deficit of \$271,739 and the total net assets is \$1,911,267. Although unrestricted net assets are negative, this negative balance was reduced by \$172,902 compared to the prior year. Total net assets improved by \$380,756 in comparison to the prior year (before restatement).

General Fund Budget and Actual

Differences between the original budget and the final amended budget can be found on page 89. Revenues associated with the original and final amended budget were increased by \$1,073,012. This increase was largely due to adjustments for the sale of property to the Manatee County School Board for a new elementary school in the amount of \$1,101,629. Expenses associated with the original and final amended budget increased \$127,904 before transfers. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$333,056 after transfers. This was due to an expected loss in the Building Department of \$398,716, impact fee revenue of \$28,757 and an expected surplus of \$51,927. The final amended budget anticipated decreasing the General Fund's fund balance per the final amended budget by \$551,496 after transfers. This decrease is attributable to increases in expenditure budgets for carry forward encumbrances, additional expenditures and an emergency transfer into the Medical Health Insurance fund of \$225,000 for unexpectedly high claims during the year.

Actual revenues were more than budgetary estimates by \$295,411. Additional revenue was experienced in property taxes, franchise fees, utility and other taxes, licenses and permits, and investment earnings. These increases were slightly offset by reduced revenue in intergovernmental revenues and charges for services. Actual expenditures were less than budgetary estimates by \$799,000 or 6.79% and can be attributed to position vacancies, and conservative spending Citywide. Transfers into the General Fund from enterprise funds were slightly less than budgeted. As a result, the net change in General Fund's fund balance was a positive \$442,919.

Capital Asset and Debt

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$56,975,138 (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 5,332,893 or 10.33%. Approximately \$6.8 million in assets are attributable to CRA which is now reported as a governmental fund leaving a net reduction in capital assets of \$1.5 million. This reduction is due to additional depreciation of \$1.7 million for the year with few additions to depreciable assets.

The 2009 CIP was approved by the Commission on April 6, 2009 for \$747,733. It was later amended to include 10th & 14th for \$77,500 and 10th & 10th for \$63,900 bringing the total to \$889,133.

The following projects had 2009 expenditures > \$50,000:

- Waste Water Treatment Plant (WWTP) Upgrades- \$296,011 for Pump Replacements
- Inflow and Infiltration (I & I) - \$190,991 for rehabilitation of lift stations and sanitary sewer manholes
- Road project for 10th Street & 14th Avenue - \$57,462 for engineering
- Road project for 23rd St - \$56,442 for engineering
- Jackson Park - \$51,901 for land sale

City of Palmetto's Capital Assets				
(Net of Depreciation)				
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	2009	2008	2009	2008
Land	\$ 3,548,828	2,380,955	139,050	139,050
Buildings	444,607	502,464	268,136	282,516
Improvements other than buildings	--	--	22,461,281	20,909,966
Machinery and equipment	1,867,513	2,309,733	944,650	1,030,856
Infrastructure	23,501,881	20,088,051	--	--
Construction in progress	1,583,174	324,905	2,216,018	3,673,749
Total	\$ 30,946,003	25,606,108	26,029,135	26,036,137

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

Long-term debt

At the end of the current fiscal year, the City had debt outstanding of \$19,898,407 (including compensated absences of \$688,265). 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 \$515,898 in outstanding capital leases as of September 30, 2009 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 \$3,735,750 as of September 30, 2009. The loan is secured by a primary pledge of Tax Increment Funds (TIF).

See Note V, E, and F pages 58 through 70.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for the Sarasota/Bradenton/Venice area for October 2009 was 12.5%, which is slightly higher than the State and Federal rates of 11.3% and 9.8% (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 14.92% increase from 2000 to 2008.

The taxable value of commercial and residential property increased from \$884,008,892 for fiscal year 2008 revenue budget to \$1,028,776,848 in fiscal year 2009. This represents a 16.38% increase in taxable value and is largely attributed to the completion of several high-end residential developments. Although growth was still positive, the rate of increase was much lower than previous years. The taxable values for fiscal year 2010 are expected to be lower, as growth has come to a halt and values for existing homes have declined as a result of the depressed housing market. In addition, Amendment One legislation that went into effect in January of 2008, will greatly affect future property tax revenues.

The General Fund property tax millage of 4.6662 for fiscal year 2009 was unchanged in comparison to fiscal year 2008. New construction helped ease the challenges associated with rising costs and lower millage rates that were a result of mandated legislation in fiscal year 2007 and fiscal year 2008.

The City is expected to see declining market values for fiscal year 2010 which will result in fewer ad valorem tax dollars. In addition, pension costs are expected to rise as our actuarial estimates for the upcoming fiscal year 2010 are based on values at the end of calendar year 2008.

Health Care costs continue to present challenges for the City. As we look forward to fiscal year 2010, the City will explore offering multiple tiered programs with the possibility of employee cost sharing.

Funding for capital projects will present new challenges in coming years. The slowdown of new development has reduced the impact fee dollars that are normally used to fund capital projects. Some loan dollars still exist to fund projects, but after fiscal year 2010, grant funding will most likely become the primary source for funding capital projects.

Road improvement projects, the new Palmetto Elementary school and the relocation and construction of new Little League fields will begin in fiscal year 2010.

Requests for Information

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



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CITY OF PALMETTO, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,884,902	1,339,416	12,224,318
Receivables (net of allowance for uncollectible)	405,540	1,249,324	1,654,864
Due from other governments	189,021	--	189,021
Internal balances	1,072,023	(1,072,023)	--
Inventory	351,388	--	351,388
Prepaid expenses	93,401	--	93,401
Deferred charges	268,403	950,665	1,219,068
Net pension asset	474,969	--	474,969
Restricted assets			
Cash and cash equivalents	2,528,993	2,777,770	5,306,763
Capital assets (net of accumulated depreciation)			
Land	3,548,828	139,050	3,687,878
Buildings	444,607	268,136	712,743
Improvements other than buildings	--	22,461,281	22,461,281
Machinery and equipment	1,867,513	944,650	2,812,163
Infrastructure	23,501,881	--	23,501,881
Construction in progress	1,583,174	2,216,018	3,799,192
Total assets	<u>\$ 47,214,643</u>	<u>31,274,287</u>	<u>78,488,930</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 475,860	251,110	726,970
Accrued interest	--	89,261	89,261
Unearned revenue	--	283	283
Noncurrent liabilities			
Customer deposits	600	527,680	528,280
Interest rate swap contracts	268,403	950,665	1,219,068
Other post-employment benefits	42,927	8,073	51,000
Due within one year	758,914	635,319	1,394,233
Due in more than one year	6,886,375	11,617,799	18,504,174
Total liabilities	<u>8,433,079</u>	<u>14,080,190</u>	<u>22,513,269</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,180,322	15,824,203	42,004,525
Restricted for			
Street improvements	1,225,710	--	1,225,710
Special projects	27,276	--	27,276
Building permits and capital projects	840,491	--	840,491
Impact fees	210,255	121,427	331,682
Debt service	--	189,710	189,710
Unrestricted	10,297,510	1,058,757	11,356,267
Total net assets	<u>38,781,564</u>	<u>17,194,097</u>	<u>55,975,661</u>
Total liabilities and net assets	<u>\$ 47,214,643</u>	<u>31,274,287</u>	<u>78,488,930</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, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,495,082	1,667,917	--	--
Public safety	4,776,464	412,943	--	--
Highways and streets	895,995	247,958	--	--
Recreation	1,180,146	496,629	--	--
Intergovernmental	3,440,725	--	48,000	54,347
Interest on long-term debt	229,944	--	--	--
Total governmental activities	<u>15,018,356</u>	<u>2,825,447</u>	<u>48,000</u>	<u>54,347</u>
Business-type activities				
Solid Waste	2,041,362	2,120,933	--	--
Water and Sewer	4,489,574	4,689,607	--	44,906
Stormwater	675,366	824,822	--	--
Reuse	85,519	188,115	223,712	--
Total business-type activities	<u>7,291,821</u>	<u>7,823,477</u>	<u>223,712</u>	<u>44,906</u>
Total primary government	<u>\$ 22,310,177</u>	<u>10,648,924</u>	<u>271,712</u>	<u>99,253</u>
General revenues				
Property taxes				
Franchise taxes				
Sales taxes				
Utility taxes				
Motor fuels taxes				
Other taxes				
Interest and investment earnings				
Transfers				
Total general revenues and transfers				
Increases in net assets				
Net assets - beginning as restated				
Net assets - ending				

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

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

Primary Government		
Governmental Activities	Business-type Activities	Total
(2,827,165)	--	(2,827,165)
(4,363,521)	--	(4,363,521)
(648,037)	--	(648,037)
(683,517)	--	(683,517)
(3,338,378)	--	(3,338,378)
(229,944)	--	(229,944)
(12,090,562)	--	(12,090,562)
--	79,571	79,571
--	244,939	244,939
--	149,456	149,456
--	326,308	326,308
--	800,274	800,274
(12,090,562)	800,274	(11,290,288)
9,951,558	--	9,951,558
1,410,284	--	1,410,284
807,927	--	807,927
841,254	--	841,254
1,205,131	--	1,205,131
333,337	--	333,337
338,298	22,231	360,529
262,209	(262,209)	--
15,149,998	(239,978)	14,910,020
3,059,436	560,296	3,619,732
35,722,128	16,633,801	52,355,929
\$ 38,781,564	17,194,097	55,975,661

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2009

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 5,329,159	4,284,465	1,178,156	519	10,792,299
Receivables (net of allowance for uncollectible)	323,237	6,875	46,723	--	376,835
Due from other funds	1,005,000	--	--	--	1,005,000
Due from other governments	109,744	--	86,860	--	196,604
Inventory	351,388	--	--	--	351,388
Cash - restricted	194,548	713,613	26,846	1,593,986	2,528,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 7,313,076</u>	<u>5,004,953</u>	<u>1,338,585</u>	<u>1,594,505</u>	<u>15,251,119</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 252,852	37,247	21,780	--	311,879
Compensated absences	141,256	720	1,028	--	143,004
Deposit payable	600	--	--	--	600
Deferred revenue	63,629	--	44,772	--	108,401
Total liabilities	<u>458,337</u>	<u>37,967</u>	<u>67,580</u>	<u>--</u>	<u>563,884</u>
Fund balances					
Reserved for					
Street improvements	--	--	1,225,710	--	1,225,710
Encumbrances	77,127	375,767	11,948	126,399	591,241
Building permits	829,352	--	--	--	829,352
Inventory	351,388	--	--	--	351,388
Law enforcement	20,775	--	--	--	20,775
Special projects	--	--	6,501	--	6,501
Restricted assets					
Capital improvements	11,139	713,613	--	1,467,587	2,192,339
Impact fees	183,409	--	26,846	--	210,255
Unreserved - Trailer Park Trust	1,899,768	--	--	--	1,899,768
Unreserved	3,481,781	3,877,606	--	519	7,359,906
Total fund balances	<u>6,854,739</u>	<u>4,966,986</u>	<u>1,271,005</u>	<u>1,594,505</u>	<u>14,687,235</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 7,313,076</u>	<u>5,004,953</u>	<u>1,338,585</u>	<u>1,594,505</u>	<u> </u>
Adjustments for primary government total net assets					
Net assets for internal service fund activities reported in governmental funds					110,168
General capital assets net of accumulated depreciation					30,946,003
Net pension asset					474,969
Long-term receivables					268,403
Deferred revenue					108,401
Interest rate swap					(268,403)
Other post-employment benefits					(42,927)
Long term debt for capital lease, compensated absences and loans					(7,502,285)
Total net assets for governmental activities (page 21)					<u>\$ 38,781,564</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, 2009

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
REVENUES					
Taxes					
Property	\$ 4,966,769	4,984,789	--	--	9,951,558
Franchise	1,410,284	--	--	--	1,410,284
Sales	807,927	--	--	--	807,927
Utility	841,254	--	--	--	841,254
Motor fuels	11,053	--	1,194,078	--	1,205,131
Other	333,337	--	--	--	333,337
Licenses and permits	299,253	--	--	--	299,253
Intergovernmental revenues	54,347	48,000	--	--	102,347
Fines and forfeitures	113,690	--	--	--	113,690
Charges for services	1,657,466	--	80,798	--	1,738,264
Interest and investment earnings	289,474	35,559	12,094	1,171	338,298
Miscellaneous	1,253,680	1,261,047	10,135	--	2,524,862
Impact fees	94,031	--	83,580	--	177,611
Total revenues	<u>12,132,565</u>	<u>6,329,395</u>	<u>1,380,685</u>	<u>1,171</u>	<u>19,843,816</u>
EXPENDITURES					
Current					
General government	3,518,269	--	--	--	3,518,269
Public safety	4,571,897	--	--	--	4,571,897
Highways and streets	184,234	--	499,214	--	683,448
Recreation	1,098,184	--	--	--	1,098,184
Intergovernmental services	1,209,757	2,185,438	--	--	3,395,195
Capital outlay					
Streets	--	--	--	198,633	198,633
Other	125,042	163,207	--	46,218	334,467
Debt service principal and interest	266,977	449,532	211,427	--	927,936
Total expenditures	<u>10,974,360</u>	<u>2,798,177</u>	<u>710,641</u>	<u>244,851</u>	<u>14,728,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,158,205</u>	<u>3,531,218</u>	<u>670,044</u>	<u>(243,680)</u>	<u>5,115,787</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	535,212	--	--	1,166,898	1,702,110
Transfers out	(1,250,498)	(15,000)	(550,403)	--	(1,815,901)
Total other financing sources (uses)	<u>(715,286)</u>	<u>(15,000)</u>	<u>(550,403)</u>	<u>1,166,898</u>	<u>(113,791)</u>
Net change in fund balances	442,919	3,516,218	119,641	923,218	5,001,996
Fund balances - beginning (as originally stated)	6,411,820	--	1,151,364	671,287	8,234,471
Reclassification of fund balance for change in fund reporting	--	1,450,768	--	--	1,450,768
Fund balances - beginning (as restated)	6,411,820	1,450,768	1,151,364	671,287	9,685,239
Fund balances - ending	<u>\$ 6,854,739</u>	<u>4,966,986</u>	<u>1,271,005</u>	<u>1,594,505</u>	<u>14,687,235</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, 2009

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

Net change in fund balances - total governmental funds (page 25)	\$ 5,001,996
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.	(2,687,609)
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds and does not effect net assets. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	697,992
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(69,316)
Some revenues reported in the statement of activities do not increase current financial resources.	23,785
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.	(283,412)
Transfers made to the internal service funds by management to eliminate negative cash.	<u>376,000</u>
Changes in net assets of governmental activities (page 23)	<u><u>\$ 3,059,436</u></u>

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Fund
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary	
ASSETS						
Current assets						
Cash and cash equivalents	\$ 206,097	1,122,594	6,156	4,569	1,339,416	92,603
Accounts receivable (net of allowance for uncollectible)	216,870	931,548	77,214	23,692	1,249,324	122,106
Total current assets	422,967	2,054,142	83,370	28,261	2,588,740	214,709
P						
Noncurrent assets						
Restricted cash and investments						
Cash	--	554,708	591,262	794,196	1,940,166	--
Loan covenant accounts	--	--	188,364	1,346	189,710	--
Impact fees	--	120,214	--	--	120,214	--
Customer deposits	--	527,680	--	--	527,680	--
Deferred outflow of SWAP interest	--	523,987	309,137	117,541	950,665	--
	--	1,726,589	1,088,763	913,083	3,728,435	--
Capital assets						
Land	--	4,815	134,235	--	139,050	--
Buildings	--	493,516	--	--	493,516	--
Improvements other than buildings	--	24,610,722	8,045,350	2,513,838	35,169,910	--
Machinery and equipment	210,517	1,827,298	46,535	--	2,084,350	--
Construction in progress	--	998,695	738,239	479,084	2,216,018	--
Less accumulated depreciation	(210,062)	(11,785,610)	(1,705,434)	(372,603)	(14,073,709)	--
Total capital assets (net of accumulated depreciation)	455	16,149,436	7,258,925	2,620,319	26,029,135	--
Total noncurrent assets	455	17,876,025	8,347,688	3,533,402	29,757,570	--
Total assets	\$ 423,422	19,930,167	8,431,058	3,561,663	32,346,310	214,709

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Fund
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary	
LIABILITIES						
Current liabilities						
Accounts payable	\$ 136,216	106,118	8,776	--	251,110	163,981
Due to other funds	--	--	705,000	300,000	1,005,000	--
Compensated absences	3,085	21,273	4,706	--	29,064	--
Unearned revenue	--	283	--	--	283	--
Capital leases-current	--	46,827	--	--	46,827	--
Loans payable-current	--	230,395	280,053	48,980	559,428	--
Total current liabilities payable from unrestricted assets	<u>139,301</u>	<u>404,896</u>	<u>998,535</u>	<u>348,980</u>	<u>1,891,712</u>	<u>163,981</u>
Current liabilities payable from restricted assets						
Customer deposits payable	--	527,680	--	--	527,680	--
Accrued interest payable	--	33,869	47,159	8,233	89,261	--
Total current liabilities payable from restricted assets	<u>--</u>	<u>561,549</u>	<u>47,159</u>	<u>8,233</u>	<u>616,941</u>	<u>--</u>
Total current liabilities	<u>139,301</u>	<u>966,445</u>	<u>1,045,694</u>	<u>357,213</u>	<u>2,508,653</u>	<u>163,981</u>
Noncurrent liabilities						
Loans payable	--	5,296,505	5,031,998	1,175,642	11,504,145	--
Interest rate swap contracts	--	523,987	309,137	117,541	950,665	--
Other post-employment benefits	645	5,880	1,548	--	8,073	--
Compensated absences	9,255	63,817	14,117	--	87,189	--
Capital leases	--	26,465	--	--	26,465	--
Total noncurrent liabilities	<u>9,900</u>	<u>5,916,654</u>	<u>5,356,800</u>	<u>1,293,183</u>	<u>12,576,537</u>	<u>--</u>
Total liabilities	<u>149,201</u>	<u>6,883,099</u>	<u>6,402,494</u>	<u>1,650,396</u>	<u>15,085,190</u>	<u>163,981</u>
NET ASSETS						
Invested in capital assets, net of related debt	455	11,103,952	2,538,136	2,181,660	15,824,203	--
Restricted for						
Debt service	--	--	188,364	1,346	189,710	--
Impact fees	--	121,427	--	--	121,427	--
Unrestricted	<u>273,766</u>	<u>1,821,689</u>	<u>(697,936)</u>	<u>(271,739)</u>	<u>1,125,780</u>	<u>50,728</u>
Total net assets	<u>\$ 274,221</u>	<u>13,047,068</u>	<u>2,028,564</u>	<u>1,911,267</u>	<u>17,261,120</u>	<u>50,728</u>
Net assets for internal service fund activities reported in proprietary funds					<u>(67,023)</u>	
Total net assets for business-type activities on page 21.					<u>\$ 17,194,097</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, 2009

	Business-type Activities-Enterprise Funds		
	Solid Waste	Water and Sewer	Stormwater
Operating revenues			
Charges for sales and services			
Garbage and trash pickup	\$ 2,085,393	--	--
Water sales	--	2,466,770	--
Sewer charges	--	2,094,238	--
Stormwater fees	--	--	810,036
Reuse fees	--	--	--
Installation and connection charges	--	16,310	--
Penalties and check charges	35,528	95,358	14,768
Miscellaneous	12	16,931	18
Total revenues	<u>2,120,933</u>	<u>4,689,607</u>	<u>824,822</u>
Operating expenses			
Cost of sales and services	2,018,168	3,479,200	320,695
Depreciation	355	449,283	145,865
Total operating expenses	<u>2,018,523</u>	<u>3,928,483</u>	<u>466,560</u>
Operating income (loss)	<u>102,410</u>	<u>761,124</u>	<u>358,262</u>
Nonoperating revenues (expenses)			
Interest earnings	2,188	18,403	856
Interest expense	--	(244,232)	(208,806)
Gain (loss) on capital assets	--	(277,486)	--
Total nonoperating revenues (expenses)	<u>2,188</u>	<u>(503,315)</u>	<u>(207,950)</u>
Income (loss) before contributions and transfers	<u>104,598</u>	<u>257,809</u>	<u>150,312</u>
Capital contributions - impact fees	--	44,906	--
Capital contributions - grants	--	--	--
Transfers in	--	--	150,000
Transfers out	(43,354)	(296,336)	(72,519)
Change in net assets	<u>61,244</u>	<u>6,379</u>	<u>227,793</u>
Total net assets - beginning (as originally stated)	212,977	12,812,542	1,671,955
Reclassification of fund balance for change in fund reporting	--	228,147	128,816
Total net assets - beginning (as restated)	<u>212,977</u>	<u>13,040,689</u>	<u>1,800,771</u>
Total net assets - ending	<u>\$ 274,221</u>	<u>13,047,068</u>	<u>2,028,564</u>

Change in net assets from above
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Change in net assets of business type activities - page 23.

Business-type Activities-Enterprise Funds		Governmental Activities
Reuse	Total Proprietary	Internal Service Fund
--	2,085,393	--
--	2,466,770	--
--	2,094,238	--
--	810,036	--
183,536	183,536	--
--	16,310	--
4,579	150,233	--
--	16,961	3,162,196
<u>188,115</u>	<u>7,823,477</u>	<u>3,162,196</u>
2,479	5,820,542	3,507,819
32,213	627,716	--
<u>34,692</u>	<u>6,448,258</u>	<u>3,507,819</u>
<u>153,423</u>	<u>1,375,219</u>	<u>(345,623)</u>
784	22,231	--
(50,827)	(503,865)	--
--	(277,486)	--
<u>(50,043)</u>	<u>(759,120)</u>	<u>--</u>
103,380	616,099	(345,623)
--	44,906	--
223,712	223,712	--
--	150,000	376,000
--	(412,209)	--
<u>327,092</u>	<u>622,508</u>	<u>30,377</u>
1,530,511	16,227,985	20,351
53,664	410,627	--
<u>1,584,175</u>	<u>16,638,612</u>	<u>20,351</u>
<u>1,911,267</u>	<u>17,261,120</u>	<u>50,728</u>
\$	622,508	
(62,212)	
\$	<u>560,296</u>	

CITY OF PALMETTO, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Solid Waste	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,102,078	5,056,644
Payments to suppliers	(1,903,562)	(2,472,166)
Payments to employees	(107,791)	(982,983)
Net cash provided (used) by operating activities	90,725	1,601,495
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	--	--
Transfers to other funds	(43,354)	(296,336)
Net cash provided (used) by noncapital and related financing activities	(43,354)	(296,336)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	--	(844,357)
Impact fee capital contributions	--	44,906
Grant capital contributions	--	--
Payments paid on capital leases	--	(81,610)
Principal paid on capital debt	--	(220,416)
Interest paid on capital debt	--	(245,281)
Net cash provided (used) by capital and related financing activities	--	(1,346,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	2,188	18,403
Net cash provided by investing activities	2,188	18,403
Net increase (decrease) in cash and cash equivalents	49,559	(23,196)
Cash and cash equivalents - October 1	156,538	2,348,392
Cash and cash equivalents - September 30	\$ 206,097	2,325,196
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 102,410	761,124
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	355	449,283
(Increase) decrease in accounts receivable	(18,855)	370,595
Increase in inventories and other current assets	--	--
Increase (decrease) in accounts payable and accrued liabilities	6,815	24,051
Decrease in due to other funds	--	--
Decrease in customer deposits	--	(3,558)
Total adjustments	(11,685)	840,371
Net cash provided (used) by operating activities	\$ 90,725	1,601,495
Detail of cash and equivalents at September 30:		
Cash and equivalents	\$ 206,097	1,122,594
Restricted cash:		
Cash	--	554,708
Loan covenant accounts	--	--
Impact fees	--	120,214
Customer deposits	--	527,680
Total	\$ 206,097	2,325,196
NONCASH CAPITAL ACTIVITIES		
Change in fair market value of interest rate swaps	\$ --	295,840

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

Stormwater	Reuse	Total Proprietary	Internal Service Fund
1,016,924	95,743	8,271,389	3,142,660
(73,708)	(34,089)	(4,483,525)	(3,562,952)
(258,693)	--	(1,349,467)	--
<u>684,523</u>	<u>61,654</u>	<u>2,438,397</u>	<u>(420,292)</u>
150,000	--	150,000	376,000
(72,519)	--	(412,209)	--
<u>77,481</u>	<u>--</u>	<u>(262,209)</u>	<u>376,000</u>
(43,489)	--	(887,846)	--
--	--	44,906	--
--	223,712	223,712	--
(4,220)	--	(85,830)	--
(282,445)	(46,925)	(549,786)	--
(208,806)	(51,113)	(505,200)	--
<u>(538,960)</u>	<u>125,674</u>	<u>(1,760,044)</u>	<u>--</u>
856	784	22,231	--
<u>856</u>	<u>784</u>	<u>22,231</u>	<u>--</u>
223,900	188,112	438,375	(44,292)
561,882	611,999	3,678,811	136,895
<u>785,782</u>	<u>800,111</u>	<u>4,117,186</u>	<u>92,603</u>
358,262	153,423	1,375,219	(345,623)
145,865	32,213	627,716	--
297,102	(2,372)	646,470	(19,535)
--	--	--	(93,401)
(11,706)	(31,610)	(12,450)	38,267
(105,000)	(90,000)	(195,000)	--
--	--	(3,558)	--
<u>326,261</u>	<u>(91,769)</u>	<u>1,063,178</u>	<u>(74,669)</u>
<u>684,523</u>	<u>61,654</u>	<u>2,438,397</u>	<u>(420,292)</u>
6,156	4,569	1,339,416	92,603
591,262	794,196	1,940,166	--
188,364	1,346	189,710	--
--	--	120,214	--
--	--	527,680	--
<u>785,782</u>	<u>800,111</u>	<u>4,117,186</u>	<u>92,603</u>
180,321	63,877	540,038	--

CITY OF PALMETTO, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2009

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ 99,212
Interest and dividends receivable	50,837
Investments, at fair value	
Money market funds	753,525
U. S. Government securities	2,405,606
Corporate bonds	2,283,662
Corporate stocks	8,806,135
Total investments	<u>14,248,928</u>
Total assets	<u>14,398,977</u>
LIABILITIES	
Accounts payable	<u>374,072</u>
Total liabilities	<u>374,072</u>
NET ASSETS	
Held in trust for pension benefits	<u><u>\$ 14,024,905</u></u>

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2009

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 826,905
Plan members	268,503
State (from the General Fund)	102,966
Total contributions	<u>1,198,374</u>
Investment earnings	
Interest	232,508
Dividends	127,520
Net increase in the fair value of investments	82,795
Total investment earnings	<u>442,823</u>
Less investment expense	90,901
Net investment earnings	<u>351,922</u>
Total additions	<u>1,550,296</u>
DEDUCTIONS	
Benefits	1,032,236
Refunds of contributions	116,818
Administrative expenses	108,178
Total deductions	<u>1,257,232</u>
Change in net assets	293,064
Net assets - beginning	13,731,841
Net assets - ending	<u>\$ 14,024,905</u>

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



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CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Palmetto, Florida, (the City) was incorporated June 15, 1897, by referendum and amended in 2004. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida, in Manatee County and is comprised of five square miles with a population of 14,447. The current charter provides for an elected mayor and a five-member commission, all serving four year terms. The City provides municipal services such as public safety (police), roads and streets, recreation, public improvements, planning and zoning, and general administrative services. The City also has enterprise operations consisting of solid waste (garbage and trash collection), water, sewer, reclaimed water and stormwater.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the primary government.

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements by allocation of these activities on a fund basis based on the predominant users of the services. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for their support.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Property taxes, franchise 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.

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

protection, public works administration and parks and landscape are provided by the General Fund. Reported with the General Fund is the Trailer Park Trust, a “sub-fund” which is separated for the convenience of the City in tracking certain investments. The City allocates charges for indirect services provided by General Fund departments based on a cost allocation plan. The funds are reported as inter-fund transfers to the General Fund.

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

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

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

Proprietary funds report the following major funds:

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

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

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

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

Additionally, the proprietary funds report the following fund:

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

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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are from charges to customers for sales and services in the solid waste, water and sewer, stormwater and 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

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

The City's investment policy authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, and corporate bonds of investment grade, repurchase agreements, and the State

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasurer's Investment Pool. Investments for the City are reported at fair value. The cash and investment pool maintained by the City is invested in collateralized certificates of deposits, the State Board of Administration investment pool, and the Florida Municipal Investment Trust. The State Board of Administration Investment Pool operates in accordance with appropriate state laws and regulations.

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated Absences

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

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

7. Capital Assets

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

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

government-wide financial statements regardless of their amount.

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

8. Interest Rate Swap

The City has entered into three interest rate swap transactions to reduce the economic risks associated with variability in cash outflows for interest required under the Bank of America loan agreements for Series 2004, 2005 and 2007. Interest rate swaps are recognized as either assets or liabilities at their fair value on the statement of net assets and the fair value of the interest rate swaps are reported as either deferred inflows or deferred outflows in the statement of net assets.

The City is implementing GASB 53 effective the fiscal year ending September 30, 2009. See Note II for information on the restatement of net assets on page 46 and Note V, Section F-3 on page 67 for information on the implementation and processing of GASB 53.

9. Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Manatee County Property Appraiser as of the prior January 1. The property tax revenue for fiscal year 2009 was based on taxable assessed property values totaling \$929,295,191 as of January 1, 2008.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2008-2009 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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The property tax cycle is summarized as follows:

June 1	Preliminary taxable valuation
July 1	Certification of valuations
September 8	Tentative tax levy set and first public hearing
September 22	Tax levy and budget adopted
October 1	Fiscal year begins for which tax is to be levied
November 1 – March 31	Property taxes are due with various discount rates
April 1	Taxes 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 – RESTATEMENT OF OPENING NET ASSETS/FUND BALANCE

A. Community Redevelopment Agency

During Fiscal Year 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. The powers of the CRA will remain as they previously had, and will include all

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE II – RESTATEMENT OF OPENING NET ASSETS/FUND BALANCE (CONTINUED)

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 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 necessitates 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 as a discreetly presented component unit. However, beginning with fiscal year ending September 30, 2009, the CRA is included within the City’s reporting entity as the Community Redevelopment Special Revenue Fund, a blended component unit reported as a governmental activity in the government-wide statements on pages 21 - 23 as well as the fund statements on pages 24 - 25. This change in reporting necessitates a restatement in net assets to account for the reporting change in capital assets and long term liabilities. The net assets/fund balance have been restated at October 1, 2008 as follows:

Balances at October 1, 2008	Community Redevelopment (Discreetly Presented Component Unit)	Community Redevelopment (Special Revenue Fund Blended Component Unit)
Current assets	\$ 1,479,356	\$ 1,479,356
Capital assets (net of depreciation)	8,032,167	-
Total assets	<u>\$ 9,511,523</u>	<u>\$ 1,479,356</u>
Current liabilities	\$ 28,588	\$ 28,588
Noncurrent liabilities	3,975,209	-
Total liabilities	<u>4,003,797</u>	<u>28,588</u>
Total net assets/fund balance	<u>5,507,726</u>	<u>\$ 1,450,768</u>
Capital assets (net of depreciation)	8,032,167	
Noncurrent liabilities	<u>(3,975,209)</u>	
Required restatement	<u>\$ 4,056,958</u>	
Net assets at October 1, 2008 - as previously reported	\$ 5,507,726	
Required restatement	<u>4,056,958</u>	
Fund balance at October 1, 2008 - as restated	<u>\$ 1,450,768</u>	

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE II – RESTATEMENT OF OPENING NET ASSETS/FUND BALANCE (CONTINUED)

B. GASB 53 – Accounting and Financial Reporting for Derivative Instruments – Early Implementation

GASB 53 establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. It allows for the recording of a deferred asset to offset the liability once a hedge is determined to be effective. The City determined its interest rate SWAPs on the loans to be effective and has implemented GASB 53 in fiscal year 2009. GASB 53 is required to be implemented in fiscal year 2010.

In fiscal year 2008, the City recorded a total liability of \$527,913. This included \$117,286 to governmental activities and \$410,627 for business-type activities, for the fair market value of its interest rate SWAPs in both the governmental and business type activities. The offsetting expense was booked in fiscal year 2008 which reduced the associated net assets. Implementing GASB 53 requires a deferral to be recorded in place of the expense and will necessitate a restatement in net assets in the fund statements for the Water/Sewer, Stormwater and Reuse funds and in the governmental and business type activities in the government-wide statements. The net assets have been restated at October 1, 2008 as follows:

	Governmental Activities	Business-type activities	Water and Sewer Fund	Stormwater Fund	Reuse Fund
Estimated SWAP expense reported as of October 1, 2008	\$ 117,286	410,627	228,147	128,816	53,664
Required restatement	117,286	410,627	228,147	128,816	53,664
Net assets at October 1, 2008 - as previously stated before CRA restatement	30,097,116	16,223,174	12,812,542	1,671,955	1,530,511
Required restatement	117,286	410,627	228,147	128,816	53,664
Net assets at October 1, 2008 - as restated	<u>\$ 30,214,402</u>	<u>16,633,801</u>	<u>13,040,689</u>	<u>1,800,771</u>	<u>1,584,175</u>

In summary, the following illustrates the net effect of the two instances of restatements on the government-wide financial statements:

	Governmental Activities	Business-type Activities	Community Redevelopment (Component Unit)
Net assets at October 1, 2008 - as previously reported	\$ 30,097,116	16,223,174	5,507,726
Required restatement:			
- CRA reclassification	5,507,726	--	(5,507,726)
- GASB 53 implementation	117,286	410,627	--
Net assets at October 1, 2008 - as restated	<u>\$ 35,722,128</u>	<u>16,633,801</u>	<u>--</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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

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

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

1. *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 \$110,168 difference are as follows:

Net assets of the internal service funds	\$ 50,728
Plus: Internal service funds allocated to business type activities	67,023
Less: Miscellaneous adjustment	<u>(7,583)</u>
Net adjustment to increase <i>fund balance—total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ 110,168</u>

2. *General government capital assets net of accumulated depreciation:* Capital assets are not included as part of current assets in the fund statements and need to be reported as capital assets in the government-wide statement of net assets. The details of this \$30,946,003 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 3,548,828
Buildings	444,607
Machinery and equipment	1,867,513
Infrastructure	23,501,881
Construction in progress	<u>1,583,174</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ 30,946,003</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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

3. *Long-term debt for capital leases, compensated absences and loans:* Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the fund statements. The details of this \$7,502,285 differences, are as follows:

2004 loan payable	\$ (482,548)
2005 loan payable	(1,154,549)
2007 loan payable	(1,257,824)
CRA loan payable	(3,735,750)
Capital leases payable	(442,606)
Compensated absences	(572,012)
Add: Current portion reported in fund statements	<u>143,004</u>

Net adjustment to decrease <i>fund balance-total governmental funds</i> to arrive at <i>net assets—governmental activities</i>	<u>\$ (7,502,285)</u>
--	------------------------

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net 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 \$2,687,609 difference are as follows:

Capital outlay	\$ 533,100
Depreciation expense	(1,218,032)
Capital assets sales	<u>(2,002,677)</u>

Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (2,687,609)</u>
--	------------------------

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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

2. *The principal repayment of long-term debt (i.e. loans and capital leases):* The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, payments are reported as expenditures in the statement of activities. The details of this \$697,992 difference are as follows:

Principal repayments	
Principal repayments on long-term bank loans	\$ 334,537
Payments on capital lease	<u>363,455</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>\$ 697,992</u>

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses, therefore, are not reported as expenditures in governmental funds. The details of this \$69,316 are as follows:

Change in other post-employment benefits	\$(42,927)
Change in the net pension asset	(21,725)
Disposition of capital assets	<u>(4,664)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(69,316)</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 \$23,785 difference are as follows:

Miscellaneous revenue	\$ 22,951
Additional long-term receivables	<u>834</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>\$ 23,785</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

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

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

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

1. *Net assets for internal service fund activities reported in proprietary funds:* This adjustment is to reflect the consolidation of internal service fund activities related to enterprise funds. The details of this \$67,023 difference are as follows:

Net assets of the internal service funds	\$ 50,728
Less: Net assets allocated to governmental activities	(110,168)
Less: Miscellaneous adjustments	<u>(7,583)</u>
 Net adjustment to decrease <i>net asset total in the enterprise funds</i> to arrive at <i>net asset – business-type activities</i>	 <u>\$ (67,023)</u>

NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

4. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the departmental cost center level. Transfers of appropriations between cost centers or funds require the approval of the City Commission. The transfer of appropriations between line items within the same departmental cost center can be accomplished with Department Head and City Clerk approval.
5. All unencumbered and unexpended appropriations lapse at fiscal year end. Encumbered appropriations (i.e., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
6. The City Commission has the power to revise its budget appropriations by resolution from time to time during the fiscal year; however, no revision may be made by transferring any encumbered funds unless such funds are first released or discharged from any such encumbrance. Budgeted amounts are as originally adopted or amended by the City. Supplemental appropriations made during the fiscal year are included in the “Final Budget” columns on the statement of revenues, expenditures and changes in fund balances – budget and actual.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2009, the total expenditures/expenses of no cost centers exceeded appropriations at the departmental level however, the transfers out exceeded the budget by \$75,000 in the General Fund and \$6,000 in the Road and Bridge Fund. The transfers out are included in the City Clerk cost center for the General Fund and Streets cost center for the Road and Bridge Fund. The total budget was not exceeded in either cost center.

NOTE V — DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At September 30, 2009, the carrying amount of the City's primary government deposits was \$14,786,874. This amount includes collateralized certificates of deposit valued at \$6,282,137, the SBA investment of \$320,439, the FMIT investment of \$174,425 and \$2,619,588 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating account was \$5,390,285. All deposits are insured by either the Federal Depository

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Insurance Corporation or by the Multiple Financial Institution Collateral Pool established by Chapter 280 of the Florida Statutes. Chapter 280 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodians equal to a percentage between 25% and 200% determined by the State's Chief Financial Officer and based on information from nationally recognized financial rating services and established financial performance guidelines for the banking institutions. New and financially troubled institutions are required to pledge securities equal to 125% of municipal deposits with the State or third party custodians. All deposits of the City are insured or collateralized with securities held by the entity or by its agent in the entity's name.

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

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

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

The Local Government Surplus Funds Account is administered by the SBA under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. The objectives of the pool is to provide a short-term, very liquid, high quality investment vehicle to participating local governments and to operate consistent with Section 215.47 of the Florida Statutes and as a "2a7-like" 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 portfolios. These portfolios are actively traded and have been structured to meet a variety of investment horizons using those investments permitted under the Trust's investment policy. Fitch Ratings assigns bond fund ratings to the Trust's four fixed income funds and the

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

investment performance and compliance are monitored and audited in accordance with generally accepted auditing standards.

As of September 30, 2009, the City had the following investments and maturities:

Investment Maturities (In Years)					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Cash and Short Term Investments	\$ 15,269,365	15,269,365	--	--	--
State Investment Pool	320,440	320,440	--	--	--
US Agencies	5,199,619	2,994,460	803,630	624,272	777,257
Corporate Bonds	2,283,662	270,879	1,081,322	822,793	108,668
Common Stock	8,806,135	8,806,135	--	--	--
	<u>\$ 31,879,221</u>	<u>27,661,279</u>	<u>1,884,952</u>	<u>1,447,065</u>	<u>885,925</u>

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

2. *Credit Risk:* 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, \$633,802 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$852,194 is in U.S. Government Agency securities which are not rated; \$135,130 is in corporate bonds with a rating of AAA with Standard and Poor's; \$76,276 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$102,288 is in corporate bonds with a rating of AA with Standard and Poor's; \$101,723 is in corporate bonds with a rating of AA- with Standard and Poor's; \$298,034 is in corporate bonds with a rating of A+ with Standard and Poor's; \$319,163 is in corporate bonds with a rating of A with Standard and Poor's; \$60,464 is in corporate bonds with a rating of A- with Standard and Poor's; \$205,993 is in short term investments not rated; and \$4,027,536 is in common stock not rated. Of the investments the General Employee' Pension Fund holds, \$919,610 is in U.S. Government Agency securities with a rating of AAA with Standard and Poor's; \$51,905 is in corporate bonds with a rating of AA+ with Standard and Poor's; \$108,166 is in corporate bonds with a rating of AA with Standard and Poor's; \$195,702 is in corporate bonds with a rating of AA- with Standard and Poor's; \$474,365 is in corporate bonds with a rating of A+ with Standard and Poor's; \$360,446 is in corporate bonds with

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

a rating of A with Standard and Poor's; \$547,532 is in short term investments not rated; and \$4,778,599 is in common stock not rated.

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

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

B. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2009, for the City are as shown below:

	General	CRA	Road and Bridge	Solid Waste	Water and Sewer	Storm water	Reuse	Pension Trust	Internal Service	Total
Accounts receivable	\$ 252,041	--	--	285,044	871,554	101,518	31,167	--	122,106	1,663,430
Special assessments	63,625	--	44,772	--	422	--	--	--	--	108,819
Intergovernmental	109,744	--	--	--	--	--	--	--	--	109,744
Intergovernmental Restricted	--	--	86,860	--	212,796	--	--	--	--	299,656
Interest and Dividends	--	--	--	--	--	--	--	50,837	--	50,837
Interest	7,571	6,875	1,951	324	3,147	--	--	--	--	19,868
Gross receivables	432,981	6,875	133,583	285,368	1,087,919	101,518	31,167	50,837	122,106	2,252,354
Less: Allowance for uncollectible	--	--	--	(68,498)	(156,371)	(24,304)	(7,475)	--	--	(256,648)
Total receivables (net)	<u>\$ 432,981</u>	<u>6,875</u>	<u>133,583</u>	<u>216,870</u>	<u>931,548</u>	<u>77,214</u>	<u>23,692</u>	<u>50,837</u>	<u>122,106</u>	<u>1,995,706</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 balance sheet/statement of net assets for governmental funds and for proprietary funds.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

At September 30, 2009, the General fund had a \$1,005,000 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	\$ 705,000
General Fund	Reuse	300,000
	Total	<u>\$ 1,005,000</u>

2. Inter-fund Transfers

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

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

The composition of inter-fund transfers as of September 30, 2009, is as follows:

<u>Transfer Out</u>	<u>Transfer-In General Fund</u>	<u>Transfer-In Capital Projects Fund</u>	<u>Transfer-In Stormwater Fund</u>	<u>Transfer-In Internal Service Fund</u>	<u>Total Transfers</u>
General Fund	\$ --	1,025,498	--	225,000	1,250,498
CRA Fund	--	--	--	15,000	15,000
Road and Bridge	218,003	141,400	150,000	41,000	550,403
Solid Waste fund	33,354	--	--	10,000	43,354
Water and Sewer fund	226,336	--	--	70,000	296,336
Stormwater fund	57,519	--	--	15,000	72,519
Total	<u>\$ 535,212</u>	<u>1,166,898</u>	<u>150,000</u>	<u>376,000</u>	<u>2,228,110</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

On October 1, 2008, the City's Community Redevelopment Agency assets were transferred from the discreetly presented component unit to a special revenue fund. These assets are now reported as part of the governmental activities but are presented as a separate line for illustration purposes only.

Capital asset activity, with CRA reported separately for illustration purposes, for the year ended September 30, 2009, was as follows:

Primary Government	Beginning	Assets			Ending
	Balance	Transferred	Increases	Decreases	Balance
	Balance	from CRA			Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,380,955	--	55,586	(55,586)	2,380,955
Land - CRA	--	3,114,964	--	(1,947,091)	1,167,873
Construction in progress	324,905	--	244,852	--	569,757
Construction in progress - CRA	--	857,952	155,465	--	1,013,417
Total capital assets, not being depreciated:	<u>2,705,860</u>	<u>3,972,916</u>	<u>455,903</u>	<u>(2,002,677)</u>	<u>5,132,002</u>
Capital assets, being depreciated:					
Buildings	1,915,282	--	28,253	--	1,943,535
Machinery and equipment	6,699,834	--	34,657	(11,947)	6,722,544
Infrastructure	26,688,913	--	14,288	--	26,703,201
Infrastructure - CRA	--	4,128,461	--	--	4,128,461
Total capital assets, being depreciated:	<u>35,304,029</u>	<u>4,128,461</u>	<u>77,198</u>	<u>(11,947)</u>	<u>39,497,741</u>
Less accumulated depreciation for:					
Buildings	(1,412,818)	--	(86,110)	--	(1,498,928)
Machinery and equipment	(4,390,101)	--	(472,213)	7,283	(4,855,031)
Infrastructure	(6,600,862)	--	(610,780)	--	(7,211,642)
Infrastructure - CRA	--	(69,210)	(48,929)	--	(118,139)
Total accumulated depreciation	<u>(12,403,781)</u>	<u>(69,210)</u>	<u>(1,218,032)</u>	<u>7,283</u>	<u>(13,683,740)</u>
Total capital assets, being depreciated, net	<u>22,900,248</u>	<u>4,059,251</u>	<u>(1,140,834)</u>	<u>(4,664)</u>	<u>25,814,001</u>
Governmental activities capital assets, net	<u>\$ 25,606,108</u>	<u>8,032,167</u>	<u>(684,931)</u>	<u>(2,007,341)</u>	<u>30,946,003</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 139,050	--	--	139,050
Construction in progress	3,673,749	375,093	(1,832,824)	2,216,018
Total capital assets, not being depreciated:	<u>3,812,799</u>	<u>375,093</u>	<u>(1,832,824)</u>	<u>2,355,068</u>
Capital assets, being depreciated:				
Buildings	493,516	--	--	493,516
Machinery and equipment	2,061,409	22,941	--	2,084,350
Improvements other than buildings	33,114,406	2,055,504	--	35,169,910
Total capital assets, being depreciated:	<u>35,669,331</u>	<u>2,078,445</u>	<u>--</u>	<u>37,747,776</u>
Less accumulated depreciation for:				
Buildings	(211,000)	(14,380)	--	(225,380)
Machinery and equipment	(1,030,553)	(109,147)	--	(1,139,700)
Infrastructure	(12,204,440)	(504,189)	--	(12,708,629)
Total accumulated depreciation	<u>(13,445,993)</u>	<u>(627,716)</u>	<u>--</u>	<u>(14,073,709)</u>
Total capital assets, being depreciated, net	<u>22,223,338</u>	<u>1,450,729</u>	<u>--</u>	<u>23,674,067</u>
Business-type activities capital assets, net	<u>\$ 26,036,137</u>	<u>1,825,822</u>	<u>(1,832,824)</u>	<u>26,029,135</u>

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

Governmental activities:

General government	\$ 836,725
Public safety	100,146
Streets and roads	188,173
Intergovernmental services	40,898
Recreation	52,090
Total depreciation for governmental activities	<u>\$ 1,218,032</u>

Business-type activities:

Solid waste	\$ 355
Water and sewer	449,283
Stormwater	145,865
Reuse	32,213
Total depreciation for business-type activities	<u>\$ 627,716</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Construction Commitments

The City has various active construction projects that are separate from the CRA. At September 30, 2009, the City's commitments with contractors, with CRA listed separately for illustration purposes, are as follows:

CIP Projects	Spent-to-Date	Remaining Commitment															
Jackson Park	\$ 813,639	5,000															
Waste Water Treatment Plant Upgrades	721,984	434,034															
Reclaimed Water - ASR Well Design	479,084	493,096															
Waste Water Treatment Plant Evaluation	112,716	1,734															
13th Street Drainage	81,295	6,650															
Other Projects	577,057	197,809															
	\$ 2,785,775	1,138,323															
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CRA Projects</th> <th style="text-align: center; border-bottom: 1px solid black;">Spent-to-Date</th> <th style="text-align: center; border-bottom: 1px solid black;">Remaining Commitment</th> </tr> </thead> <tbody> <tr> <td>7th Street Signalization</td> <td style="text-align: right;">\$ 849,379</td> <td style="text-align: right;">12,787</td> </tr> <tr> <td>Ward I Phase II - Engineering</td> <td style="text-align: right;">150,002</td> <td style="text-align: right;">306,497</td> </tr> <tr> <td>Riverside Drive Improvements</td> <td style="text-align: right;">14,036</td> <td style="text-align: right;">73,565</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,013,417</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">392,849</td> </tr> </tbody> </table>			CRA Projects	Spent-to-Date	Remaining Commitment	7th Street Signalization	\$ 849,379	12,787	Ward I Phase II - Engineering	150,002	306,497	Riverside Drive Improvements	14,036	73,565		\$ 1,013,417	392,849
CRA Projects	Spent-to-Date	Remaining Commitment															
7th Street Signalization	\$ 849,379	12,787															
Ward I Phase II - Engineering	150,002	306,497															
Riverside Drive Improvements	14,036	73,565															
	\$ 1,013,417	392,849															
Total	\$ 3,799,192	1,531,172															

E. Capital Leases

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2009, are as follows:

	Year Ended		
	September 30, 2009		
	Governmental	Business-type	Total
	Activities	Activities	Total
Asset:			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 474,575	--	474,575
Light Duty & Equipment	196,437	65,346	261,783
Heavy Duty & Equipment	566,009	194,061	760,070
Office Systems	28,923	--	28,923
Less: Accumulated Depreciation	<u>(419,099)</u>	<u>(110,874)</u>	<u>(529,973)</u>
Total leases	<u>\$ 846,845</u>	<u>148,533</u>	<u>995,378</u>

During the fiscal year ending September 30, 2009, lease payments were made totaling \$482,356 which includes principal payments of \$449,285 and \$33,071 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, were as follows:

Year Ending September 30	Governmental	Business-type	Total
	Activities	Activities	
2010	\$ 289,883	49,243	339,126
2011	151,149	26,459	177,608
2012	<u>18,976</u>	<u>--</u>	<u>18,976</u>
Total minimum lease payments	460,008	75,702	535,710
Less: amount representing interest	<u>(17,402)</u>	<u>(2,410)</u>	<u>(19,812)</u>
Present value of minimum lease payments	<u>\$ 442,606</u>	<u>73,292</u>	<u>515,898</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Long Term Liabilities

1. State Revolving Fund Loans

Reuse Loan

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

As of September 30, 2009, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$55,952 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, 2009, loan payments were made totaling \$5,130 which includes principal payments of \$3,273 and \$1,857 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>
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
	<u>\$ 55,952</u>	<u>13,303</u>	<u>69,255</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Stormwater Loan

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

As of September 30, 2009, the City had drawn down available loan funds totaling \$2,872,229. The loan balance was \$1,870,889 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, 2009, loan payments were made totaling \$187,130 which includes principal payments of \$127,536 and \$59,594 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>
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	182,963	4,167	187,130
	<u>\$ 1,870,889</u>	<u>374,671</u>	<u>2,245,560</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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.

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, 2009, loan payments were made totaling \$198,805 which includes principal payments of \$101,230 and \$97,575 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, 2009 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), the Public Works portion of improvements to City buildings (\$55,998), and the Infiltration and Inflow Project (\$273,556).

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	105,048	567	105,615
Total	<u>\$ 2,197,663</u>	<u>743,497</u>	<u>2,941,160</u>

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 October 2025. Under terms of the Interest Rate Swap Agreement with Bank of America, NA, the City receives 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2009, loan payments were made totaling \$504,084 which includes principal payments of \$242,735 and \$261,349 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, 2009, was 19.90% to governmental funds and 80.10% to business-

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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), seven stormwater projects throughout the City (\$2,410,364), upgrades to the Waste Water Treatment Plant (\$1,488,589) and the Infiltration and Inflow Project (\$239,804).

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>
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
Total	<u>\$ 5,801,752</u>	<u>2,485,833</u>	<u>8,287,585</u>

2007 Bank of America Loan

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

During the fiscal year ending September 30, 2009, loan payments were made totaling \$382,961 which includes principal payments of \$177,058 and \$205,903 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The allocation at September 30, 2009, 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 completed and 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), upgrades to the Waste Water Treatment Plant (\$680,600) and the Infiltration and Inflow Project (\$207,083).

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	61,223	400,384
2025	354,365	46,400	400,765
2026	370,076	30,903	400,979
2027	386,483	14,719	401,202
2028	99,264	1,079	100,343
Total	<u>\$ 5,032,238</u>	<u>2,260,668</u>	<u>7,292,906</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 5th Street West to be used as public parking; (3) the acquisition of property adjacent to the Palmetto Elementary School for use for public education purposes; and (4) to refinance the 2004 CRA Capital Improvement Revenue Loan. The loan is payable from and secured by a pledge and lien upon the pledged Tax Increment Funding revenues.

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

During the fiscal year ending September 30, 2009, loan payments were made totaling \$306,335 which includes principal payments of \$219,750 and \$86,585 in interest. The interest payments were less than expected due to the variable interest rate. 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>
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>\$ 3,735,750</u>	<u>1,611,043</u>	<u>5,346,793</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Interest Rate Swap

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

GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, is intended to improve how the City reports information about derivative instruments in the financial statements and manage specific risks. It requires the derivative instruments to be reported on the face of financial statements using the accrual basis of accounting and provide transparency in the financial statements by reporting the fair market value of the derivatives. This statement is required to be implemented in the City's fiscal year 2010 financial statements; however, the City has chosen to early implement the new statement in fiscal year 2009.

In 2004, 2005 and 2007, the City entered into debt agreements for a total of \$16,137,000. The terms of the loans and associated interest rate swaps are described on pages 62-65. The fair value and changes in fair value are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value</u>		<u>Notional</u>
	<u>Classification</u>	<u>Amount</u>	<u>at September 30, 2009</u>	<u>Classification</u>	
Governmental activities					
Fair value hedges:					
Pay fixed-receive variable					
interest rate swap					
2004 Loan	Deferred inflow	\$ (23,601)	Debt	(36,469)	946,000
2005 Loan	Deferred inflow	(60,671)	Debt	(102,090)	1,300,000
2007 Loan	Deferred inflow	<u>(69,631)</u>	Debt	<u>(129,844)</u>	<u>1,334,250</u>
Total Governmental activities		<u>(153,903)</u>		<u>(268,403)</u>	<u>3,580,250</u>
Business-type activities					
Pay fixed-receive variable					
interest rate swap					
2004 Loan	Deferred inflow	(84,344)	Debt	(129,298)	3,354,000
2005 Loan	Deferred inflow	(243,349)	Debt	(408,359)	5,200,000
2007 Loan	Deferred inflow	<u>(209,560)</u>	Debt	<u>(413,008)</u>	<u>4,002,750</u>
Total Business-type activities		<u>(537,253)</u>		<u>(950,665)</u>	<u>12,556,750</u>
Total interest rate swaps		<u>\$ (691,156)</u>		<u>(1,219,068)</u>	<u>16,137,000</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,219,068 as of September 30, 2009. The swap's negative fair value may be countered in the future by an increase in interest rates resulting in a reduction in total interest payments. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk – As of September 30, 2009 the City was not exposed to credit risk because the swap had a negative fair value.

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

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

4. Conduit Debt

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

As of September 30, 2009, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$7,379,670.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

5. Other Information

In accordance with loan covenants and Section 148 of the Internal Revenue Code, the City is required to rebate the U.S. Treasury, every five years, earnings on loan proceeds in excess of bond yield. For the year ended September 30, 2009, no amounts were earned that are required to be rebated to the U.S. Treasury for 2009.

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

Details of the long-term liability for other post-employment benefits are included in Note VI, Section C beginning on page 83.

The following is a summary of changes in long-term liabilities for the year ended September 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Long-term bank loans					
2004 loan	\$ 504,775	--	22,227	482,548	23,292
2005 loan	1,202,853	--	48,304	1,154,549	50,463
2007 loan	1,302,080	--	44,256	1,257,824	46,219
CRA loan	3,955,500	--	219,750	3,735,750	219,750
Total long-term bank loans	<u>6,965,208</u>	<u>--</u>	<u>334,537</u>	<u>6,630,671</u>	<u>339,724</u>
Customer deposits	1,207	--	607	600	--
Interest rate swap contracts	117,286	151,117	--	268,403	--
Other post-employment benefits	--	42,927	--	42,927	--
Capital leases	806,061	--	363,455	442,606	276,186
Compensated absences	576,296	139,070	144,074	571,292	142,284
Compensated absences - CRA	19,709	--	18,989	720	720
Total governmental activity long-term liabilities	<u>\$ 8,485,767</u>	<u>333,114</u>	<u>861,662</u>	<u>7,957,219</u>	<u>758,914</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Long-term bank loans					
2004 loan	\$ 1,794,117	--	79,002	1,715,115	82,786
2005 loan	4,841,634	--	194,431	4,647,203	203,143
2007 loan	3,907,216	--	132,802	3,774,414	138,691
Total long-term bank loans	<u>10,542,967</u>	<u>--</u>	<u>406,235</u>	<u>10,136,732</u>	<u>424,620</u>
State revolving loans					
Stormwater	1,998,425	--	127,536	1,870,889	131,431
Reuse	59,225	--	3,273	55,952	3,377
Total state revolving loans	<u>2,057,650</u>	<u>--</u>	<u>130,809</u>	<u>1,926,841</u>	<u>134,808</u>
Total loans payable	<u>12,600,617</u>	<u>--</u>	<u>537,044</u>	<u>12,063,573</u>	<u>559,428</u>
Customer deposits	531,238	106,037	109,595	527,680	--
Interest rate swap contracts	410,627	540,038	--	950,665	--
Other post-employment benefits	--	8,073	--	8,073	--
Capital leases	159,122	--	85,830	73,292	46,827
Compensated absences	90,954	48,038	22,739	116,253	29,064
Total business-type activities					
long-term liabilities	<u>\$ 13,792,558</u>	<u>702,186</u>	<u>755,208</u>	<u>13,739,536</u>	<u>635,319</u>

G. Restricted Assets

The balances of the restricted asset accounts are as follows:

	<u>Governmental Funds</u>				
	<u>General</u>	<u>CRA</u>	<u>Road and Bridge</u>	<u>Capital Projects</u>	<u>Total</u>
2005 Capital Improvement Loan Proceeds	\$ --	--	--	24,540	24,540
2007 Capital Improvement Loan Proceeds	--	--	--	506,126	506,126
2006 CRA Loan Proceeds	--	713,613	--	--	713,613
Pooled Cash - Loan Proceeds	--	--	--	1,063,320	1,063,320
Contributions - Capital Improvements	11,139	--	--	--	11,139
Impact Fees	183,409	--	26,846	--	210,255
Total Governmental Restricted Assets	<u>\$ 194,548</u>	<u>713,613</u>	<u>26,846</u>	<u>1,593,986</u>	<u>2,528,993</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	Proprietary Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
2004 Capital Improvement Loan Proceeds	\$ --	163	125	20,007	20,295
2005 Capital Improvement Loan Proceeds	--	58,772	5,827	910	65,509
2007 Capital Improvement Loan Proceeds	--	495,773	585,310	549,567	1,630,650
Loan Covenants	--	--	188,364	1,346	189,710
Pooled Cash - Loan Proceeds	--	--	--	223,712	223,712
Impact Fees	--	120,214	--	--	120,214
Customer Deposits	--	527,680	--	--	527,680
Total Proprietary Restricted Assets	\$ --	1,202,602	779,626	795,542	2,777,770
			Total Restricted Assets	\$ 5,306,763	

NOTE VI — OTHER INFORMATION

A. Risk Management

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

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

1. Unemployment Insurance

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

2. Workmen's Compensation

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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

3. 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 and partially subsidized by the City. 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.

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

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 mainly related to the self-insured health insurance.

The following represent the changes in approximate aggregate liabilities for the City from October 1, 2007 to September 30, 2009:

	Year Ended September 30, 2009	Year Ended September 30, 2008
Unpaid claims, beginning of year	\$ 74,342	40,621
Incurred claims (including IBNRs)	1,453,294	1,136,885
Claims payments	<u>(1,400,531)</u>	<u>(1,103,164)</u>
Unpaid claims, end of year	<u>\$ 127,105</u>	<u>74,342</u>

B. Employee Retirement Systems and Pension Plans

1. Plan Description, Accounting Policies and Contribution Information

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

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

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

2. Palmetto General Employees' Pension Plan (PGEPP)

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

	As of Actuarial Report Dated October 1, 2008	As of September 30, 2009
Retirees, beneficiaries, and DROP participants receiving benefits	44	49
Terminated employees entitled to, But not yet receiving benefits	1	1
Active Plan Members	92	77
Total	137	127

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions 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. The actuarially determined accrued benefit liability at October 1, 2008, was \$12,697,837.

Effective October 18, 2004, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest if elected by the plan member at an effective rate of 6.5 percent per annum, compounded quarterly or at the actual net rate of investment return realized by the plan. At September 30, 2009, eight employees were participating in the DROP program and the total liability was \$307,753.

Effective May 19, 2008, the City approved an ordinance creating a partial lump sum option plan (PLOP). This plan allows a retiree to elect to receive 10%, 15%, 20% or 25% of the total value of his retirement benefit as a lump sum with the remaining value of the benefit used to determine the monthly annuity benefit. Since this option is actuarially equal to other options, there is no funding impact in adding this option. This option is an alternative to the Deferred Retirement Option Plan (DROP). The member is not permitted to elect both the DROP and PLOP since such an election would result in a large such payment from the plan and would dramatically reduce the monthly lifetime benefit payment to the retiree. This program resulted in an expense of \$12,183 during fiscal year 2009.

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

Membership consisted of:

	As of Actuarial Report Dated October 1, 2008	As of September 30, 2009
Retirees, beneficiaries, and DROP participants receiving benefits	20	21
Terminated employees entitled to, But not yet receiving benefits	4	4
Active Plan Members	36	34
Total	60	59

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

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 62%). A not in line of duty disability with 10 years of service or 20% with 5 or more years of service 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.

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound. The actuarially determined accrued benefit liability at October 1, 2007, was \$9,059,310.

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest as elected by the plan member at an effective rate of 6.5% per annum, compounded quarterly, or at the actual net rate of investment return realized by the plan. As of September 30, 2009, one sworn officer participated in the DROP program with a liability of \$66,319.

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.

There were no changes in benefits, however there were several changes in actuarial assumptions for the Palmetto Police Officers' Pension Plan. The investment return assumption was reduced from 8.25% to 8.00%; the calculation of the Actuarial Value of Assets (AVA) was changed from 10% of market value to 20%; and the amortization period for actuarial gains and losses was increased from 15 to 25 years.

There were changes in benefits and actuarial assumptions for the Palmetto General Employees' Pension Plan. The revisions in benefits were adopted by Ordinance No. 08-968. The changes to benefits included the creation of the Partial Lump sum Option Plan (PLOP) for those members who do not elect to participate in the DROP program have the option of electing a partial lump sum benefit with the remaining portion of their benefit. It also allowed terminated employees who received a refund of their accumulated contributions and return to work, the option of repaying the full amount of the refund plus 5.0% to reinstate their prior service. Revisions in the actuarial

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

assumptions included the reduction of the investment earnings assumption from 7.75% to 7.50%; the actuarial value of assets corridor was increased from 10% to 20%; and the amortization period for actuarial gains and losses was increased from 15 to 25 years.

As of October 1, 2008, the actuarial accrued liability in excess of assets for the Palmetto General Employees' Pension Plan was \$4,179,341 and was \$1,080,066 for the Palmetto Police Officers' Pension Plan, determined as follows:

	PGEPP	PPPP
Total actuarial accrued liability	\$ 12,697,837	9,059,310
Actuarial value of assets	8,518,496	7,979,244
Actuarial accrued liability in excess of assets	\$ 4,179,341	1,080,066
Funding Ratio	67.1	88.1

For the actuarial report dated October 1, 2008, the PGEPP experienced a net actuarial loss of \$1,446,623 and the PPPP experienced a net actuarial loss of \$1,499,855 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, 2009, of \$639,605 was computed through an actuarial valuation performed as of October 1, 2007. The required contribution consisted of \$314,155 (8.47% of assumed covered payroll) normal cost, \$277,875 amortization of the unfunded actuarially accrued liability (7.49% of the assumed covered payroll), and \$47,575 additional expense (0.61% of assumed covered payroll). The actual contribution made by the City during fiscal year 2009 was \$639,605.

The required schedule of funding progress, immediately following the notes to the financials on page 95, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

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, 2009, of \$281,987 was computed through an actuarial valuation performed as of October 1, 2007. This includes a required contribution of \$180,120 from the City and \$101,867 from the State of Florida. The required contribution consisted of \$291,042 (16.37% of assumed covered payroll) normal cost, a credit of \$30,184 amortization of the unfunded actuarially accrued liability (1.70% of the assumed covered payroll), and \$21,129 additional expense (1.14% of assumed covered payroll). The actual contribution made by the City and state during fiscal year 2009, was \$186,422 and \$102,966, respectively. The state's contribution on behalf of the City was recognized as revenues and expenses during fiscal year 2009.

The required schedule of funding progress, immediately following the notes to the financials on page 97, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

6. Pension Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contributions</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>PGEPP</u>				
9/30/2007	\$ 405,362	397,559	98.1%	(299,376)
9/30/2008	512,925	516,320	100.7%	(302,771)
9/30/2009	657,406	639,605	97.3%	(284,970)
<u>PPPP</u>				
9/30/2007	171,153	213,467	124.7%	(190,816)
9/30/2008	265,317	260,851	98.3%	(186,350)
9/30/2009	285,759	289,408	101.3%	(189,999)

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI— OTHER INFORMATION (CONTINUED)

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

7. Additional information as of the latest actuarial valuation:

	PGEPP	PPPP
Valuation date	10/1/2008	10/1/2008
Contribution rates		
Employer	19.20%	21.86%
Plan members	5.00%	5.00%
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization method	30 years	30 Years
Asset valuation method	Within 20% of Market Value of Assets	Within 20% of Market Value of Assets
Actuarial assumptions:		
Investment rate of return	7.5%	8.0% 4.0% - 9.4% depending on years of service
Projected salary increases	6.0 - 7.5%	
Includes inflation and other increases at Cost-of-living adjustment	3.0% None	4.0% None

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

PGEPP

Employer FYE September	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution (ARC)	639,605	495,147	394,861
Interest on Net Pension Obligation (NPO) (22,708)	(23,202)	(26,110)
Adjustment to ARC	(40,509)	(40,980)	(36,611)
Annual Pension Cost (APC)	657,406	512,925	405,362
Contributions made	639,605	516,320	397,559
Increase (decrease) in NPO	17,801	(3,395)	7,803
NPO at beginning of year	(302,771)	(299,376)	(307,179)
NPO at end of year	(284,970)	(302,771)	(299,376)

PPPP

Employer FYE September	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution (ARC) *	281,987	260,206	167,449
Interest on Net Pension Obligation (NPO) (15,374)	(15,742)	(12,251)
Adjustment to ARC	(19,146)	(20,853)	(15,955)
Annual Pension Cost (APC)	285,759	265,317	171,153
Contributions made	289,408	260,851	213,467
Increase (decrease) in NPO	(3,649)	4,466	(42,314)
NPO at beginning of year	(186,350)	(190,816)	(148,502)
NPO at end of year	(189,999)	(186,350)	(190,816)

* Includes expected state contribution

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.

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

The fair value at September 30, 2009 for each of the pension plan investments is as follows:

	<u>PGEPP</u>	<u>PPPP</u>	<u>Total</u>
Investments, at fair value:			
Money market funds	\$ 547,532	205,993	753,525
U. S. government securities	919,610	1,485,996	2,405,606
Corporate bonds	1,190,584	1,093,078	2,283,662
Corporate stocks	4,778,599	4,027,536	8,806,135
	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 7,436,325</u>	<u>6,812,603</u>	<u>14,248,928</u>

Combining fiduciary funds are as follows:

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2009

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 27,653	71,559	99,212
Interest and dividends receivable	27,226	23,611	50,837
Investments, at fair value			
Money market funds	205,993	547,532	753,525
U. S. government securities	1,485,996	919,610	2,405,606
Corporate bonds	1,093,078	1,190,584	2,283,662
Corporate stocks	4,027,536	4,778,599	8,806,135
Total investments	<u>6,812,603</u>	<u>7,436,325</u>	<u>14,248,928</u>
Total assets	<u>6,867,482</u>	<u>7,531,495</u>	<u>14,398,977</u>
LIABILITIES			
Accounts payable	<u>66,319</u>	<u>307,753</u>	<u>374,072</u>
Total liabilities	<u>66,319</u>	<u>307,753</u>	<u>374,072</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 6,801,163</u>	<u>7,223,742</u>	<u>14,024,905</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended September 30, 2009

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 186,422	640,483	826,905
Plan members	89,027	179,476	268,503
State (from the General Fund)	102,966	--	102,966
Total contributions	<u>378,415</u>	<u>819,959</u>	<u>1,198,374</u>
Investment earnings			
Interest	121,857	110,651	232,508
Dividends	59,927	67,593	127,520
Net increase(decrease) in the fair value of investments	133,611	(50,816)	82,795
Total investment earnings	<u>315,395</u>	<u>127,428</u>	<u>442,823</u>
Less investment expense	29,151	61,750	90,901
Net investment earnings	<u>286,244</u>	<u>65,678</u>	<u>351,922</u>
Total additions	<u>664,659</u>	<u>885,637</u>	<u>1,550,296</u>
DEDUCTIONS			
Benefits	458,307	573,929	1,032,236
Refunds of contributions	14,619	102,199	116,818
Administrative expenses	51,382	56,796	108,178
Total deductions	<u>524,308</u>	<u>732,924</u>	<u>1,257,232</u>
Change in net assets	140,351	152,713	293,064
Net assets - beginning	<u>6,660,812</u>	<u>7,071,029</u>	<u>13,731,841</u>
Net assets - ending	<u>\$ 6,801,163</u>	<u>7,223,742</u>	<u>14,024,905</u>

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (OPEB)

Plan Description

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

Funding Policy and Annual OPEB Cost

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

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

Required contribution rates:	Pay-as-you-go
Employer	N/A
Plan members	N/A
Annual required contribution (ARC)	\$ 111,000
Interest on the Net OPEB Obligation	--
Adjustment to the ARC	--
Annual OPEB Cost	\$ 111,000
Employer contributions	(59,000)
Interest on Employer Contributions	(1,000)
Increase in the Net OPEB	\$ 51,000
Net OPEB obligation (beginning of year)	--
Net OPEB obligation (end of year)	\$ 51,000

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 was:

Fiscal year ended	9/30/2009
Annual OPEB cost	\$111,000
Percentage of OPEB cost contributed	54%
Net OPEB obligation	\$ 51,000

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

CITY OF PALMETTO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

Significant methods and assumptions were as follows:

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

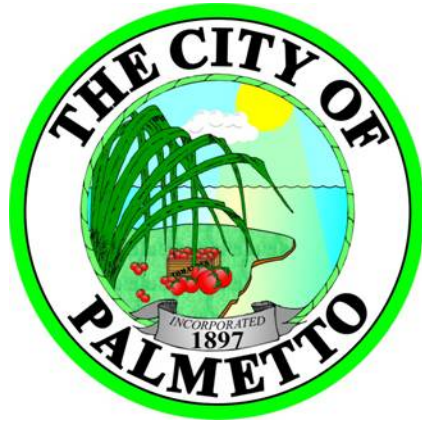
D. Contingent Liabilities

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

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

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and investment earnings	\$ --	--	1,171	1,171
Total revenues	--	--	1,171	1,171
EXPENDITURES				
Capital outlay				
Streets	162,733	304,133	198,633	105,500
Other	135,000	135,000	46,218	88,782
Total expenditures	297,733	439,133	244,851	194,282
Excess of revenues over expenditures	(297,733)	(439,133)	(243,680)	195,453
OTHER FINANCING SOURCES (USES)				
Transfers in	--	1,166,898	1,166,898	--
Total other financing sources (uses)	--	1,166,898	1,166,898	--
Net change in fund balances	(297,733)	727,765	923,218	195,453
Fund balances - beginning	671,287	671,287	671,287	--
Fund balances - ending	\$ 373,554	1,399,052	1,594,505	195,453



REQUIRED SUPPLEMENTARY INFORMATION

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



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CITY OF PALMETTO, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 4,923,957	4,799,930	4,966,769	166,839
Franchise	1,313,960	1,313,960	1,410,284	96,324
Sales	850,965	809,268	807,927	(1,341)
Utility	822,121	822,121	841,254	19,133
Motor Fuels	10,000	10,000	11,053	1,053
Other	337,471	319,559	333,337	13,778
Licenses and permits	212,632	212,632	299,253	86,621
Intergovernmental revenues	236,903	407,130	54,347	(352,783)
Fines and forfeitures	79,703	79,703	113,690	33,987
Charges for services	1,743,966	1,743,966	1,657,466	(86,500)
Interest and investment earnings	78,000	61,192	289,474	228,282
Miscellaneous	125,707	1,228,936	1,253,680	24,744
Impact fees	28,757	28,757	94,031	65,274
Total revenues	<u>10,764,142</u>	<u>11,837,154</u>	<u>12,132,565</u>	<u>295,411</u>
EXPENDITURES				
Current				
General government				
Commission	190,085	192,639	174,506	18,133
City Clerk	2,644,294	2,580,837	2,507,591	73,246
Finance	525,158	530,241	521,948	8,293
Human resources	109,741	100,373	94,450	5,923
City Attorney	250,000	234,000	219,774	14,226
Total general government	<u>3,719,278</u>	<u>3,638,090</u>	<u>3,518,269</u>	<u>119,821</u>
Public safety				
Police	3,749,154	3,758,389	3,712,894	45,495
Code enforcement	158,419	158,334	149,385	8,949
Planning and zoning	281,007	267,173	263,238	3,935
Building department	465,153	482,305	446,380	35,925
Total public safety	<u>4,653,733</u>	<u>4,666,201</u>	<u>4,571,897</u>	<u>94,304</u>
Highways and streets				
Engineering	205,026	198,899	184,234	14,665
Total highways and streets	<u>205,026</u>	<u>198,899</u>	<u>184,234</u>	<u>14,665</u>
Recreation				
Parks and recreation	1,233,860	1,268,597	1,098,184	170,413
Intergovernmental services				
Information technology	302,222	283,598	240,286	43,312
Public works administration	797,778	786,838	760,185	26,653
Fleet maintenance	212,202	210,450	209,286	1,164
Total intergovernmental services	<u>1,312,202</u>	<u>1,280,886</u>	<u>1,209,757</u>	<u>71,129</u>
Capital outlay	245,500	450,048	125,042	325,006
Debt service	275,857	270,639	266,977	3,662
Total expenditures	<u>11,645,456</u>	<u>11,773,360</u>	<u>10,974,360</u>	<u>799,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(881,314)</u>	<u>63,794</u>	<u>1,158,205</u>	<u>1,094,411</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	548,258	560,208	535,212	(24,996)
Transfers out	--	(1,175,498)	(1,250,498)	(75,000)
Total other financing sources (uses)	<u>548,258</u>	<u>(615,290)</u>	<u>(715,286)</u>	<u>(99,996)</u>
Net change in fund balances	<u>(333,056)</u>	<u>(551,496)</u>	<u>442,919</u>	<u>994,415</u>
Fund balances - beginning	6,411,820	6,411,820	6,411,820	--
Fund balances - ending	<u>\$ 6,078,764</u>	<u>5,860,324</u>	<u>6,854,739</u>	<u>994,415</u>

CITY OF PALMETTO, FLORIDA
COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 4,567,784	4,984,790	4,984,789	(1)
Intergovernmental revenues	--	--	48,000	48,000
Interest and investment earnings	38,529	33,981	35,559	1,578
Miscellaneous	116,782	1,377,329	1,261,047	(116,282)
Total revenues	<u>4,723,095</u>	<u>6,396,100</u>	<u>6,329,395</u>	<u>(66,705)</u>
EXPENDITURES				
Intergovernmental services	4,127,939	4,252,080	2,185,438	2,066,642
Capital outlay - other	24,000	420,592	163,207	257,385
Debt service principal and interest	571,156	593,639	449,532	144,107
Total expenditures	<u>4,723,095</u>	<u>5,266,311</u>	<u>2,798,177</u>	<u>2,468,134</u>
Excess of revenues over expenditures	<u>--</u>	<u>1,129,789</u>	<u>3,531,218</u>	<u>2,401,429</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	--	(15,000)	(15,000)	--
Total other financing sources (uses)	<u>--</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>--</u>
Net change in fund balances	<u>--</u>	<u>1,114,789</u>	<u>3,516,218</u>	<u>2,401,429</u>
Fund balances - beginning (as originally stated)	--	--	--	--
Reclassification of fund balance for change in fund reporting	1,450,768	1,450,768	1,450,768	--
Fund balances - beginning (as restated)	<u>1,450,768</u>	<u>1,450,768</u>	<u>1,450,768</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,450,768</u>	<u>2,565,557</u>	<u>4,966,986</u>	<u>2,401,429</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Motor fuels	\$ 1,126,511	1,126,511	1,194,078	67,567
Charges for services	78,986	81,070	80,798	(272)
Interest and investment earnings	20,536	11,290	12,094	804
Miscellaneous	1,000	1,000	10,135	9,135
Impact fees	10,000	10,000	83,580	73,580
Total revenues	<u>1,237,033</u>	<u>1,229,871</u>	<u>1,380,685</u>	<u>150,814</u>
EXPENDITURES				
Highways and streets	539,661	547,618	499,214	48,404
Capital outlay	2,500	37,300	--	37,300
Debt service principal and interest	328,819	290,462	211,427	79,035
Total expenditures	<u>870,980</u>	<u>875,380</u>	<u>710,641</u>	<u>164,739</u>
Excess of revenues over expenditures	<u>366,053</u>	<u>354,491</u>	<u>670,044</u>	<u>315,553</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(356,053)	(544,403)	(550,403)	(6,000)
Total other financing sources (uses)	<u>(356,053)</u>	<u>(544,403)</u>	<u>(550,403)</u>	<u>(6,000)</u>
Net change in fund balances	10,000	(189,912)	119,641	309,553
Fund balances - beginning	1,151,364	1,151,364	1,151,364	--
Fund balances - ending	<u>\$ 1,161,364</u>	<u>961,452</u>	<u>1,271,005</u>	<u>309,553</u>



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REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Numbers 25 and 27, 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) (3)-(2)*	(5) Funded Ratio (2)/(3)	(6) Annual Covered Payroll*	(7) UAAL as % of Payroll (4)/(6)
10/01/08	8,518	12,697	4,179	67.1%	3,857	108.3%
10/01/07	8,107	11,176	3,069	72.5%	3,707	82.8%
10/01/06	7,545	8,894	1,349	84.8%	3,161	42.7%
10/01/05	6,955	7,745	790	89.8%	2,831	27.9%
10/01/04	6,423	7,390	967	86.9%	2,753	35.1%
10/01/03	5,868	6,959	1,091	84.3%	2,752	39.6%
10/01/02	5,274	6,396	1,122	82.5%	2,832	39.6%
10/01/01	5,509	5,769	260	95.5%	2,251	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%

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

Year Ended September 30,	(1) Annual Required Contribution (ARC)	Actual Contributions	Percentage Contributed
2009	639,605	639,605	100.0%
2008	495,147	516,320	104.3%
2007	394,861	397,559	100.7%
2006	390,060	397,805	102.0%
2005	370,979	370,979	100.0%
2004	356,845	357,556	100.2%
2003	375,985	375,985	100.0%
2002	188,284	320,706	170.3%
2001	187,773	263,008	140.1%
2000	261,249	262,060	100.3%

(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)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation Date	Actuarial Value of Assets (AVA)*	Entry Age Normal Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)*	Funded Ratio (2)/(3)	Annual Covered Payroll*	UAAL as % of Payroll (4)/(6)
10/01/08	7,979	9,059	1,080	88.1%	1,880	57.4%
10/01/07	7,982	7,968	(14)	100.2%	1,777	-0.8%
10/01/06	7,485	7,616	131	98.3%	1,653	7.9%
10/01/05	6,787	6,632	(155)	102.3%	1,452	-10.7%
10/01/04	6,354	6,274	(80)	101.3%	1,388	-5.8%
10/01/03	5,976	5,833	(143)	102.5%	1,370	-10.4%
10/01/02	5,629	5,595	(34)	100.6%	1,267	-2.7%
10/01/01	5,837	5,283	(554)	110.5%	1,163	-47.6%
10/01/00	5,578	5,036	(542)	110.8%	1,067	-50.8%
10/01/99	5,138	4,840	(298)	106.2%	1,136	-26.2%

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

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

<u>Year Ended</u> <u>September 30,</u>	<u>Annual Required Contribution (ARC)</u>			<u>Percentage of ARC</u> <u>Contributed</u>
	<u>City</u>	<u>State</u>	<u>Total</u>	
2009	180,120	101,867	281,987	102.6%
2008	158,339	101,867	260,206	100.2%
2007	107,889	59,560	167,449	127.5%
2006	133,228	59,560	192,788	105.5%
2005	122,710	59,560	182,270	100.0%
2004	115,749	59,560	175,309	100.0%
2003	89,734	59,560	149,294	100.0%
2002	9,640	59,560	69,200	139.5%
2001	1,538	59,560	61,098	137.8%
2000	34,553	57,050	91,603	101.6%

<u>Year Ended</u> <u>September 30,</u>	<u>Actual Annual Contributions</u>			<u>Percentage of ARC</u> <u>Contributed</u>
	<u>City</u>	<u>State</u>	<u>Total</u>	
2009	186,422	102,966	289,388	102.6%
2008	158,984	101,867	260,851	100.2%
2007	111,600	101,867	213,467	127.5%
2006	143,827	59,560	203,387	105.5%
2005	113,602	68,668	182,270	100.0%
2004	115,767	59,560	175,327	100.0%
2003	89,734	59,560	149,294	100.0%
2002	36,996	59,560	96,556	139.5%
2001	24,620	59,560	84,180	137.8%
2000	33,524	59,560	93,084	101.6%



COMBINING FUND STATEMENTS

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

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



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CITY OF PALMETTO, FLORIDA
CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest and investment earnings	\$ --	--	1,171	1,171
Total revenues	--	--	1,171	1,171
EXPENDITURES				
Capital outlay				
Streets	162,733	304,133	198,633	105,500
Other	135,000	135,000	46,218	88,782
Total expenditures	297,733	439,133	244,851	194,282
Excess(deficiency) of revenues over(under) expenditures	(297,733)	(439,133)	(243,680)	195,453
OTHER FINANCING SOURCES (USES)				
Transfers in	--	1,166,898	1,166,898	--
Total other financing sources (uses)	--	1,166,898	1,166,898	--
Net change in fund balances	(297,733)	727,765	923,218	195,453
Fund balances - beginning	671,287	671,287	671,287	--
Fund balances - ending	\$ 373,554	1,399,052	1,594,505	195,453

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 September 30, 2009

	Police Pension	General Employees Pension	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 27,653	71,559	99,212
Interest and dividends receivable	27,226	23,611	50,837
Investments, at fair value			
Money market funds	205,993	547,532	753,525
U. S. government securities	1,485,996	919,610	2,405,606
Corporate bonds	1,093,078	1,190,584	2,283,662
Corporate stocks	4,027,536	4,778,599	8,806,135
Total investments	<u>6,812,603</u>	<u>7,436,325</u>	<u>14,248,928</u>
Total assets	<u>6,867,482</u>	<u>7,531,495</u>	<u>14,398,977</u>
LIABILITIES			
Accounts payable	<u>66,319</u>	<u>307,753</u>	<u>374,072</u>
Total liabilities	<u>66,319</u>	<u>307,753</u>	<u>374,072</u>
NET ASSETS			
Held in trust for pension benefits and other purposes	<u>\$ 6,801,163</u>	<u>7,223,742</u>	<u>14,024,905</u>

CITY OF PALMETTO, FLORIDA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 For the Year Ended September 30, 2009

	Police Pension	General Employees Pension	Total Fiduciary Funds
ADDITIONS			
Contributions			
Employer	\$ 186,422	640,483	826,905
Plan members	89,027	179,476	268,503
State (from the General Fund)	102,966	--	102,966
Total contributions	<u>378,415</u>	<u>819,959</u>	<u>1,198,374</u>
Investment earnings			
Interest	121,857	110,651	232,508
Dividends	59,927	67,593	127,520
Net increase(decrease) in the fair value of investments	133,611	(50,816)	82,795
Total investment earnings	<u>315,395</u>	<u>127,428</u>	<u>442,823</u>
Less investment expenses	29,151	61,750	90,901
Net investment earnings	<u>286,244</u>	<u>65,678</u>	<u>351,922</u>
Total additions	<u>664,659</u>	<u>885,637</u>	<u>1,550,296</u>
DEDUCTIONS			
Benefits	458,307	573,929	1,032,236
Refunds of contributions	14,619	102,199	116,818
Administrative expenses	51,382	56,796	108,178
Total deductions	<u>524,308</u>	<u>732,924</u>	<u>1,257,232</u>
Change in net assets	140,351	152,713	293,064
Net assets - beginning	<u>6,660,812</u>	<u>7,071,029</u>	<u>13,731,841</u>
Net assets - ending	<u>\$ 6,801,163</u>	<u>7,223,742</u>	<u>14,024,905</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.

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

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	\$ 15,145,102	17,560,157	21,403,804
Restricted	2,261,062	2,189,592	2,724,927
Unrestricted	<u>3,508,728</u>	<u>3,627,879</u>	<u>5,855,614</u>
Total governmental activities net assets	<u>\$ 20,914,892</u>	<u>23,377,628</u>	<u>29,984,345</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 9,897,665	11,786,061	14,035,556
Restricted	2,459,694	2,230,171	578,920
Unrestricted	<u>656,153</u>	<u>(766,062)</u>	<u>(1,082,103)</u>
Total business-type activities net assets	<u>\$ 13,013,512</u>	<u>13,250,170</u>	<u>13,532,373</u>
Primary government			
Invested in capital assets, net of related debt	\$ 25,042,767	29,346,218	35,439,360
Restricted	4,720,756	4,419,763	3,303,847
Unrestricted	<u>4,164,881</u>	<u>2,861,817</u>	<u>4,773,511</u>
Total primary government net assets	<u>\$ 33,928,404</u>	<u>36,627,798</u>	<u>43,516,718</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.

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

Fiscal Year		
2007	2008	2009
22,066,324	21,790,336	26,180,322
2,701,868	2,951,584	2,303,732
5,427,424	5,355,196	10,297,510
<u>30,195,616</u>	<u>30,097,116</u>	<u>38,781,564</u>
15,142,690	15,222,642	15,824,203
232,947	265,339	311,137
(428,519)	735,193	1,058,757
<u>14,947,118</u>	<u>16,223,174</u>	<u>17,194,097</u>
37,209,014	37,012,978	42,004,525
2,934,815	3,216,923	2,614,869
4,998,905	6,090,389	11,356,267
<u>45,142,734</u>	<u>46,320,290</u>	<u>55,975,661</u>

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
Expenses						
Governmental activities:						
General government	\$ 1,396,588	2,981,693	4,075,661	5,339,790	5,240,552	4,495,082
Public safety	3,007,137	3,428,503	3,907,346	4,368,584	4,399,244	4,776,464
Highways and streets	658,110	771,667	857,423	814,556	772,807	895,995
Recreation	429,782	1,039,920	1,043,437	1,277,409	1,215,704	1,180,146
Intergovernmental services	3,613,236	3,638,131	131,386	248,752	702,212	3,440,725
Interest on long-term debt	--	--	--	--	--	229,944
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>	<u>15,018,356</u>
Business-type activities:						
Solid Waste	1,459,239	1,585,078	1,906,150	2,108,258	2,138,301	2,041,362
Water and Sewer	3,433,266	4,279,563	3,834,184	4,059,466	4,368,485	4,489,574
Stormwater	250,831	536,781	947,434	729,909	971,958	675,366
Reuse	49,541	100,434	161,881	87,150	147,375	85,519
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>	<u>7,291,821</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>	<u>22,310,177</u>
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 98,614	138,457	204,406	152,740	297,739	1,667,917
Public safety	661,429	1,039,659	1,297,956	515,604	338,004	412,943
Highways and streets	69,559	95,172	91,527	193,103	92,672	247,958
Recreation	8,785	57,833	161,100	448,272	123,862	496,629
Intergovernmental services	1,748,469	3,619,497	--	--	--	--
Operating grants and contributions	411,332	357,364	639,740	1,139,797	1,081,897	48,000
Capital grants and contributions	25,000	752,746	258,683	349,373	264,360	54,347
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>	<u>2,927,794</u>
Business-type activities:						
Charges for services:						
Solid Waste	1,596,682	1,545,791	1,902,409	2,118,189	2,127,525	2,120,933
Water and Sewer	4,483,508	4,974,057	4,607,750	4,620,521	4,826,409	4,689,607
Stormwater	304,669	311,182	337,507	535,429	708,504	824,822
Reuse	75,907	117,090	179,257	168,656	183,824	188,115
Operating grants and contributions	1,500	--	--	--	127,577	223,712
Capital grants and contributions	223,564	464,730	866,963	826,323	861,282	44,906
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>	<u>8,092,095</u>
Net (expense)/revenue						
Governmental activities	(6,081,665)	(5,799,186)	(7,361,841)	(9,250,202)	(10,131,985)	(12,090,562)
Business-type activities	1,492,953	910,994	1,044,237	1,284,335	1,209,002	800,274
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>	<u>(11,290,288)</u>

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
General Revenues and Other						
Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 2,425,855	2,770,129	3,299,629	4,428,513	4,663,292	9,951,558
Franchise taxes	1,049,572	1,098,552	1,278,485	1,361,267	1,358,799	1,410,284
Sales taxes	917,131	925,089	980,876	915,019	859,157	807,927
Utility taxes	671,709	725,086	750,455	817,117	821,401	841,254
Motor fuel taxes	913,466	861,918	868,596	1,104,761	1,170,680	1,205,131
Other taxes	278,864	360,813	368,696	372,673	363,776	333,337
Investment earnings	83,459	141,493	288,388	393,731	205,031	338,298
Gain (loss) on sale of capital assets	36,957	--	180,547	--	--	--
Capital contributions from community redevelopment	--	--	--	--	544,140	--
Transfers	779,010	810,670	1,068,154	68,392	(153,791)	262,209
Total governmental activities	7,156,023	7,693,750	9,083,826	9,461,473	9,832,485	15,149,998
Business-type activities:						
Investment earnings	21,719	102,896	279,253	198,802	114,263	22,231
Gain (loss) on sale of capital assets	(24,978)	33,438	26,867	--	--	--
Transfers	(779,010)	(810,670)	(1,068,154)	(68,392)	(88,209)	(262,209)
Total business-type activities	(782,269)	(674,336)	(762,034)	130,410	26,054	(239,978)
Total primary government	\$ 6,373,754	7,019,414	8,321,792	9,591,883	9,858,539	14,910,020
Change in Net Assets						
Governmental activities	\$ 1,074,358	1,894,564	1,721,985	211,271	(299,500)	3,059,436
Business-type activities	710,684	236,658	282,203	1,414,745	1,235,056	560,296
Total primary government	\$ 1,785,042	2,131,222	2,004,188	1,626,016	935,556	3,619,732

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

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

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

	Fiscal Year			
	2000	2001	2002	2003
General fund				
Reserved	\$ 590,566	775,592	410,550	2,104,427
Unreserved	1,549,608	2,092,775	2,186,696	1,921,175
Total general fund	<u>\$ 2,140,174</u>	<u>2,868,367</u>	<u>2,597,246</u>	<u>4,025,602</u>
All other governmental funds				
Reserved	\$ 17,432	48,732	48,614	1,207,317
Unreserved, reported in:				
Special revenue funds	45,064	60,025	--	--
Capital projects funds	398,067	766,057	801,651	--
Total all other governmental funds	<u>\$ 460,563</u>	<u>874,814</u>	<u>850,265</u>	<u>1,207,317</u>

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

Fiscal Year					
2004	2005	2006	2007	2008	2009
2,273,887	2,063,927	2,423,319	2,156,783	1,696,641	1,473,190
3,534,751	3,527,178	4,580,605	4,605,911	4,715,179	5,381,549
<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>	<u>6,854,739</u>
1,287,911	915,801	1,094,953	1,081,700	1,822,132	3,954,371
--	--	--	--	--	3,877,606
--	--	--	--	519	519
<u>1,287,911</u>	<u>915,801</u>	<u>1,094,953</u>	<u>1,081,700</u>	<u>1,822,651</u>	<u>7,832,496</u>

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

	Fiscal Year				
	2000	2001	2002	2003	2004
Revenues					
Taxes	\$ 3,184,932	3,374,924	3,744,653	5,365,718	6,256,597
Licenses and permits	244,305	233,033	236,103	336,532	564,021
Intergovernmental	1,626,012	1,208,050	1,600,757	598,580	125,632
Charges for services	88,522	129,043	118,337	248,104	453,873
Fines	135,880	141,869	88,837	85,968	97,408
Investments earnings	2,910	164,130	23,177	92,489	83,459
Impact Fees ³	--	--	--	--	--
Miscellaneous	187,694	77,052	33,288	79,916	107,699
Total revenues	<u>5,470,255</u>	<u>5,328,101</u>	<u>5,845,152</u>	<u>6,807,307</u>	<u>7,688,689</u>
Expenditures					
General government	520,769	1,736,151	1,596,079	852,975	1,308,007
Public safety	2,389,291	2,527,112	2,868,900	2,897,630	3,210,466
Highways and streets	823,779	622,619	1,600,495	948,352	744,587
Economic and physical development	113,745	170,642	--	1,650,673	1,454,569
Cultural and recreation	471,898	594,966	608,651	1,014,361	788,984
Capital outlay	1,573,923	--	--	171,494	408,772
Debt service					
Interest	34,303	34,608	31,789	--	140
Principal	61,111	66,667	66,667	738,888 ¹	26,461
Other charges	36,948	--	--	--	--
Total expenditures	<u>6,025,767</u>	<u>5,752,765</u>	<u>6,772,581</u>	<u>8,274,373</u>	<u>7,941,986</u>
Excess(deficiency) of revenues over (under) expenditures	(555,512)	(424,664)	(927,429)	(1,467,066)	(253,297)
Other financing sources (uses)					
Transfers in	1,394,890	1,822,176	1,046,536	1,733,205 ¹	862,657
Transfers out	(1,323,988)	(255,068)	(414,774)	(69,492)	(83,647)
Loan proceeds	--	--	--	--	1,337,915
Capital leases	--	--	--	48,801 ²	347,626
Total other financing sources (uses)	<u>70,902</u>	<u>1,567,108</u>	<u>631,762</u>	<u>1,712,514</u>	<u>2,464,551</u>
	<u>\$ (484,610)</u>	<u>1,142,444</u>	<u>(295,667)</u>	<u>245,448</u>	<u>2,211,254</u>
Debt service as a percentage of noncapital expenditures	2.14%	1.76%	1.45%	9.12%	0.35%

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

¹ Revenue bonds were issued in FY1999 for Stormwater projects. During FY2003, bonds were reassigned to the Stormwater fund and removed from the governmental funds, thus showing an increase to the principal payments and transfers in for the bond payment from Stormwater funds.

² A Master Lease Agreement was established in FY2003 and capital items have been leased in the subsequent years.

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

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



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

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Utility Tax	Motor Fuel Tax	Other Taxes	Total
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
2009	9,951,558	1,410,284	807,927	841,254	1,205,131	333,337	14,549,491

Change:

2000 - 2009	682.24%	71.44%	9270.53%	41.05%	148.43%	35.26%	356.82%
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Notes: For Sales Tax and Other Taxes, the percent of change is based on the difference between 2003 to 2009.

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

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

Real Property				
Fiscal Year Ended September 30	Residential Property	Commercial Property	Other	Personal Property
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
2009	800,179,028	226,838,156	148,447,421	69,541,573

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

N/A Information not available.

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

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

<u>Fiscal Year</u>	<u>City Direct Rates (1)</u>	<u>Overlapping Rates</u>		
	<u>General Fund</u>	<u>School District (2)</u>	<u>County (3)</u>	<u>Total</u>
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
2009	4.67	7.54	7.10	19.30

Source: (1) Office of the City Clerk
(2) Manatee County School Board Administration Office
(3) Manatee County Tax Collector's Office
<http://www.taxcollector.com/documents/currMillage09.pdf>

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

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Riviera Dunes Development Partners	\$ 31,646,695	1	3.41%			
Real Property Holding 0 Palmetto FL LLC	18,204,808	2	1.96%			
Wal-Mart Stores East LP	17,959,235	3	1.93%			
TBR II Development LLC	16,227,994	4	1.75%			
R D Marina LLC	11,616,637	5	1.25%			
Sanctuary Residential Partners LLC	11,327,146	6	1.22%			
Waterford Palms at Riviera Dunes LLC	10,808,970	7	1.16%			
Pacific Tomato Growers	7,666,183	8	0.82%	3,504,587	6	1.12%
Bright house Networks Loc	7,108,024	9	0.76%			
Florida Power & Light Co	6,144,402	10	0.66%			
Vorbeck, Mick				8,754,786	1	2.79%
Fru-Con Ocean Park, Ltd.				5,476,082	2	1.74%
Palmetto Dunes, Ltd				4,780,000	3	1.52%
Regatta Pointe Marina				4,256,033	4	1.36%
Palmetto Mobile Home Club				3,614,652	5	1.15%
NationsBank				3,373,797	7	1.07%
Manatee Health Properties				2,941,376	8	0.94%
Sandhurst Properties Ltd.				2,752,566	9	0.88%
Bradenton Yacht Club				2,702,787	10	0.86%
Totals	<u>\$ 138,710,094</u>		<u>14.93%</u>	<u>42,156,666</u>		<u>13.43%</u>
Total taxable assessed value	<u>\$ 929,295,191</u>			<u>314,015,436</u>		

Source: Manatee County Property Tax Roll 2009 Tax Roll (Real/Personal Property)



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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (2)	
		Current Tax Collections (1)	Percent of Levy Collected
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%
2009	5,052,558	4,966,769	98.3%

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

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

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

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

Fiscal Year	Governmental Activities			Business-type Activities			
	Bank Qualified Loans	Revenue Bonds	Capital Leases	Bank Qualified Loans	Revenue Bonds	State Revolving Loan Funds	Capital Leases
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
2009	6,630,671	--	442,606	10,136,732	--	1,926,841	73,292

Total Primary Government	Percentage of Personal Income	Per Capita
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
19,210,142	2.70%	1,309

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

Fiscal Year	Population	Assessed Value ³	Gross Bonded Debt ^{3,4}	Net Bonded Debt ³	Percentage of Actual Taxable Value of Property ³	Per Capita ³
2000 ¹	12,571	314,015,436	872,222	872,222	0.28%	69
2001 ¹	12,571	337,331,411	805,555	805,555	0.24%	64
2002 ¹	12,921	377,876,426	738,889	738,889	0.20%	57
2003 ⁵	13,109	418,568,688	672,222	672,222	0.16%	51
2004 ⁵	13,109	485,251,199 [#]	--	--	0.00%	--
2005 ⁵	13,132	553,648,553	--	--	0.00%	--
2006 ⁵	13,035	661,503,856	--	--	0.00%	--
2007 ⁵	14,002	884,008,892	--	--	0.00%	--
2008 ⁵	14,447	1,028,605,848	--	--	0.00%	--
2009 ⁵	14,447	929,295,191	--	--	0.00%	--

Source: ¹ U.S. Census Bureau

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

³ Office of the City Clerk

⁴ Reclassed to Proprietary Fund - Stormwater, Fiscal Year 2003

⁵ Manatee County Economic Development Council

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

CITY OF PALMETTO, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT AND LEGAL DEBT MARGIN
 AS OF SEPTEMBER 30, 2009

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
City of Palmetto	\$ 7,073,277	100%	7,073,277
Overlapping:			
Manatee County	16,655,000	4.61%	767,930
Manatee County School Board	337,490,739	4.61%	15,561,053
Total direct and overlapping debt			<u>\$ 23,402,260</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

Fiscal Year	City Population(1)	Personal Income thousand \$(1)	Personal Income Per Capital(2)	Median Age(3)	School Enrollment(4)	Manatee County Unemployment Rate(5)
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%
2009	14,447	712,557	48,536	36.8	42,075	6.8%

- Source: (1) University of Florida, Bureau of Economic and Business Research. Per capita income available 2008. Population figures are estimates
- (2) U.S. Department of Commerce, Bureau of Economic Analysis Manatee County, 2005 data most current
- (3) U. S. Census Bureau - new median age is only reported every ten years
- (4) Florida Enterprise Florida, Manatee County labor force.
- (5) Manatee County School Board. School enrollment exceeds the city population because the school system serves the entire county.

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

Employer	2009			2000		
	Employees (1)	Rank	Percentage of Total County Employment	Employees (1)	Rank	Percentage of Total County Employment (2)
Manatee County School Board	5,300	1	4.24%	4,662	1	3.94%
Manatee County Government	1,864	2	1.49%	1,509	3	1.27%
Beall's Inc.	1,500	3	1.20%	3,200	2	2.70%
Manatee Memorial Hospital	1,500	4	1.20%	1,473	4	1.24%
Tropicana Products, Inc	1,500	5	1.20%	639	10	0.54%
Blake Medical Center	1,156	6	0.93%	1,073	5	0.91%
Manatee County Sheriff's Dept	1,067	7	0.85%	1,015	6	0.86%
Publix	860	8	0.69%	-	-	-
Hoveround Corp.	670	9	0.54%	-	-	-
City of Bradenton	583	10	0.47%	-	-	-
Wellcraft Marine	-	-	0.00%	950	7	0.80%
Freedom Village Group	-	-	0.00%	810	8	0.68%
Hi-Stat Manufacturing, Inc.	-	-	0.00%	685	9	0.58%
Total	<u>16,000</u>		<u>12.80%</u>	<u>16,016</u>		<u>13.53%</u>

Source:

(1) Data was unavailable specifically for the City of Palmetto. The above information is based on the county in which the City resides. Manatee County Chamber of Commerce: Economic Development Council and Florida Research Economic Database.

(2) 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

Full-time Equivalent Employees as of September 30,										
Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	33	31	34	33	34	38	41	49	37	32
Public safety										
Police										
Officers	29	31	32	30	30	31	33	36	38	35
Civilians	15	18	19	17	17	18	16	13	13	13
Highways and streets										
Engineering	3	4	4	4	3	3	4	2	3	3
Maintenance	8	9	10	8	8	8	9	3	4	4
Sanitation	7	7	9	7	3	2	1	2	2	1
Culture and recreation	14	19	19	20	19	17	23	17	17	13
Water	13	15	16	16	16	17	20	24	19	13
Sewer	3	3	3	3	3	6	7	5	6	6
Total	125	137	146	138	133	140	154	151	139	120

Source: Payroll Reports:Cost Center Analysis

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

Function	Fiscal Year				
	2000	2001	2002	2003	2004
Police (1)					
Total arrests	N/A	N/A	N/A	N/A	N/A
Juvenile arrests	N/A	N/A	N/A	N/A	N/A
Traffic violations	N/A	N/A	N/A	N/A	N/A
Traffic warnings	N/A	N/A	N/A	N/A	N/A
Water					
New connections (2)	88	85	76	55	124
Average daily consumption (3) (million of gallons)	1.44	1.41	1.45	1.42	1.47
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00	2.00
Wastewater					
New connections (2)	85	76	68	45	25
Average daily sewage treatment (3) (million of gallons)	1.19	1.34	1.37	1.79	1.18
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40	2.40
Reuse					
New connections (2)	N/A	190	359	64	N/A
Average daily consumption (3) (million of gallons)	1.19	1.08	1.01	1.07	0.67
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

2005	2006	2007	2008	2009
N/A	547	504	511	567
N/A	112	132	130	112
2,207	2,823	2,050	2,003	2,450
840	869	924	860	1,380
117	76	44	14	17
1.47	1.50	1.48	1.43	1.29
2.00	2.00	2.00	2.00	2.00
65	122	85	27	28
1.50	1.28	0.95	0.89	1.18
2.40	2.40	2.40	2.40	2.40
274	79	125	28	42
0.74	0.86	0.98	0.89	1.02
1.87	1.87	4.07	1.22	2.00

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

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

Fiscal Year						
2004	2005	2006	2007	2008	2009	
1	1	1	1	1	1	1
36	39	39	46	49	48	
2	1	1	2	2	1	
41.09	41.09	41.20	41.20	42.00	42.00	
11	11	11	11	11	11	
728	728	864	864	864	864	
64.74	64.74	64.74	64.74	64.74	64.74	
12	12	12	12	12	12	
1	1	1	1	1	1	
66.06	66.06	66.06	66.06	66.66	66.66	
46.00	46.00	46.00	46.00	47.60	49.10	
11.76	11.76	11.76	11.76	11.76	11.90	
17.80	17.80	22.00	22.00	22.00	22.80	



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2010. 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 opinion 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.

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 first paragraph of this section 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*.

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
February 23, 2010



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, 2009, and have issued our report thereon dated February 23, 2010, 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. Disclosures in that report, which are dated February 23, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports:

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. In connection with our audit, we did not have any such recommendation.

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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this 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, did not meet 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 five year plan (2008-2012) to increase user rates, provide subsidies from other funds, and continue to evaluate the user fees. The City did not proceed with additional rate increases in fiscal year 2009 or 2010. This decision was made as a result of the weak economic conditions and the additional pressures it would place on the residents. 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 2010. 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 2009, the City implemented a scheduled 3% increase in user fees. A rate study for Reuse will be performed in fiscal year 2010 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, 2009, 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, 2009. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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 assessment was done as of September 30, 2009.

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

CPA Associates

Bradenton, Florida
February 23, 2010

STATUS OF PRIOR YEAR AUDIT 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.

Status: During the fiscal year 2008 audit, testing revealed a small amount of unsigned timesheets. The payroll procedures for the processing of timesheets were reviewed. Payroll now ensures that all timesheets are reviewed and signed by the supervisor or a designated substitute.

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.

Status: This recommendation is a repeat of 07-06. The City's policy concerning the writing off of past-due accounts and the procedures was reviewed. The City now reviews all utility receivables monthly and deals with past due accounts according to policy by shutting off service, attempting to collect past due amounts and assigning the account to a collection agency. Balances to be written off are handled on a case-by-case basis depending on the age and size of the receivable.

However, one large receivable with Manatee County School Board continues as an unpaid account. Other municipalities are in similar situations and are experiencing legal actions over the validity of the charges. These situations are being closely monitored for the final determination.

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, 2009, 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.

Status: It was noted during the fiscal year 2008 audit that the City's capitalization threshold for capital assets is too low for a City the size of Palmetto, Florida. The City implemented Resolution 09-19 changing the capitalization threshold to \$2,000 and creating a separate threshold of \$20,000 for land, buildings, improvement not buildings and infrastructure. The policy also instituted tracking procedures for equipment items with historical costs between \$500 and \$2,000.