

CITY OF PALATKA,  
FLORIDA

COMPREHENSIVE  
ANNUAL  
FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2008

PREPARED BY:

ELWIN C. BOYNTON, JR.  
CITY MANAGER

RUBY M. WILLIAMS  
FINANCE DIRECTOR

**City of Palatka, Florida  
Comprehensive Annual Financial Report  
For The Year Ended September 30, 2008**

**Table of Contents**

	Page
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal .....	i
GFOA Certificate of Achievement .....	viii
Organizational Chart .....	x
List of Elected and Appointed Officials .....	xi
<b><u>FINANCIAL SECTION</u></b>	
INDEPENDENT AUDITORS' REPORT .....	xii
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	xiv
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets .....	1
Statement of Activities .....	2
Governmental Fund Financial Statements:	
Balance Sheet .....	3
Reconciliation of the Balance Sheet to the Statement of Net Assets .....	4
Statement of Revenues, Expenditures and Changes in Fund Balances .....	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	6
Proprietary Fund Financial Statements:	
Statement of Net Assets .....	7
Statement of Revenues, Expenses and Changes in Fund Net Assets .....	8
Statement of Cash Flows .....	9
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets .....	11
Statement of Changes in Fiduciary Net Assets .....	12
Notes to Financial Statements .....	13
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Downtown Redevelopment Agency Fund .....	35
Schedules of Funding Progress .....	36
Schedules of Contributions from Employer and Other Contributing Entities .....	37
Notes to Required Supplementary Information .....	38

**City of Palatka, Florida  
Comprehensive Annual Financial Report  
For The Year Ended September 30, 2008**

**Table of Contents**

	<b>Page</b>
<b>SUPPLEMENTAL INFORMATION:</b>	
Combining Statement of Fiduciary Net Assets – Pension Trust Funds .....	39
Combining Statement of Changes in Fiduciary Net Assets – Pension Trust Funds .....	40
 <b><u>STATISTICAL SECTION</u></b>	
Table 1 – Net Assets by Component .....	41
Table 2 – Changes in Net Assets .....	42
Table 3 – Fund Balances, Governmental Funds .....	43
Table 4 – Changes in Fund Balances, Governmental Funds.....	44
Table 5 – Taxable and Estimated Actual Value of Taxable Property.....	45
Table 6 – Property Tax Levies and Collections .....	46
Table 7 – Property Tax Rates - Direct and Overlapping Governments.....	47
Table 8 – Principal Taxpayers .....	48
Table 9 – Ratios of Net General Bonded Debt Outstanding .....	49
Table 10 – Computation of Legal Debt Margin .....	50
Table 11 – Computation of Direct and Overlapping General Obligation Bonds.....	51
Table 12 – Ratios of Outstanding Debt by Type.....	52
Table 13 – Pledged Revenue Coverage.....	53
Table 14 – Demographic Statistics .....	54
Table 15 – Principal Employers .....	55
Table 16 – Operating Indicators by Function/Program.....	56
Table 17 – Capital Asset Statistics by Function/Program.....	57
Table 18 – Full-time Equivalent City Government Employees by Function .....	58
 <b><u>SINGLE AUDIT SECTION</u></b>	
Management Letter .....	59
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	61
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	63
Report on Compliance and on Internal Control Over Compliance Applicable to Each Major Federal Program and State Project .....	65
Schedule of Findings and Questioned Costs.....	67

**City of Palatka, Florida  
Comprehensive Annual Financial Report  
For The Year Ended September 30, 2008**

**Table of Contents**

<u><b>Unnumbered Pages</b></u>	<b>Page</b>
Management's Follow-up of Audit Findings:	.....
Summary Schedule of Prior Audit Findings	--
Corrective Action Plan (For Current Year Audit Findings)	--
Affidavit of Compliance with Section 163.31801, Florida Statutes	--

KARL N. FLAGG  
MAYOR - COMMISSIONER

MARY LAWSON BROWN  
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS  
COMMISSIONER

VERNON MYERS  
COMMISSIONER

JAMES NORWOOD, JR.  
COMMISSIONER



ELWIN C. "WOODY" BOYNTON, JR.  
CITY MANAGER

BETSY JORDAN DRIGGERS  
CITY CLERK

RUBY M. WILLIAMS  
FINANCE DIRECTOR

GARY S. GETCHELL  
CHIEF OF POLICE

MICHAEL LAMBERT  
CHIEF FIRE DEPT.

DONALD E. HOLMES  
CITY ATTORNEY

*Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.*

April 24, 2009

Honorable Mayor and  
Members of the City Commission  
City of Palatka, Florida

Mayor and Commissioners:

We are pleased to present to you, the City Commission and the citizens of Palatka, the Comprehensive Annual Financial Report of the City of Palatka (the "City") for the fiscal year ended September 30, 2008.

This report was completed by the City Manager and Finance Director, with close cooperation of the external auditors, Davis, Monk & Company, and represents the official report of the financial operations and condition of the City of Palatka to its citizens. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal should be read in conjunction with Management's Discussion and Analysis, which can be found beginning on page xiv.

### THE REPORTING ENTITY

The City of Palatka is a political subdivision of the state of Florida, which was incorporated January 8, 1853. Palatka is in the Northeast section of Florida in Putnam County (the "County") and is the County Seat. Palatka lies along the St. Johns River and is approximately 50 miles south of Jacksonville, 26 miles west of St. Augustine and 50 miles east of Gainesville.

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 11,100 residents by providing a full range of municipal services including General Administration, Public Safety, Planning and Zoning and Community Enrichment and Development. In addition, the City operates a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility systems. The Palatka Downtown Redevelopment Agency, and the Palatka Gas Authority are considered component units of the City, and the City is financially accountable for them. Accordingly, these component units are included in the City's Comprehensive Annual Financial Report.

### ECONOMIC CONDITION

Palatka's population is estimated at 11,264 persons according to the last University of Florida estimate. Due to current economic conditions, the City of Palatka like many communities continues to experience serious budget constraints. During the budget planning for fiscal year 2008-09, the City proposed a

## **ECONOMIC CONDITION (Concluded)**

budget that was similar to the previous year. Although the total budget reflected a number similar to the previous year; increases in health care expenses, pension contributions as well as other increase in operating costs, the City had to suspend or eliminate most capital improvement projects and capital outlay expenses for fiscal year 2008-09. Estimated reductions in ad valorem taxes, sales taxes and other fees collected were offset by an unanticipated increase in the City's telecommunication service fee.

However, half-way through the 2008-09 budget year, the telecommunications service fee was significantly reduced, creating an almost \$500,000.00 shortfall in anticipated revenues. The City has had to adjust its 2008-09 budget to account for this lack of income including reducing the contingency, utilizing balances carried forward and eliminating certain programs and professional services that were originally anticipated.

The millage rate was 8.50% mills, which was less than the previous fiscal year 2006-07. With declining state share revenues, the major challenge the City faces in the next few years is maintaining the current level of service it provides its citizens without increasing the millage rate significantly.

Whether enough growth takes place in the coming year to offset increases in operating cost is questionable. Normal personnel increases in payroll, pension and health coverage may outpace any additional revenues, which become available. Due to this concern, balancing the budget in the short-term will remain difficult.

## **MAJOR INITIATIVES**

### CURRENT PROJECTS

The City's Riverfront Redevelopment Project continues to move forward. A developer has been selected and we are currently in negotiations on a Developers Agreement. The anticipated project includes a hotel and conference center, additional retail and a restaurant. We believe this project will increase the number of people visiting and shopping in the area and have a positive effect on all property in the Community Redevelopment District.

The City continues to be a leader in removing its wastewater from the St. Johns River. The first step in wastewater reclamation was the construction of additional treatment at the wastewater treatment plant, a transmission line to the City's golf course, and an irrigation system at the course. The next phase of the project was constructing a pump station and 12,000 linear feet of transmission line to service the school department's and City's recreational fields, local cemeteries and the St. Johns River Community College. The next phase of the project includes additional treatment capacity at the wastewater treatment plant and additional service lines to the airport, SJRWMD complex and the baseball fields on St. Johns Avenue near CR 309C.

The City has secured 85% state funding for additional treatment facilities at its potable water plant. These improvements are part of the City's long-range plan to stay ahead of tightening EPA regulations on potable water supplies. Last year the City began construction of a \$12 million water quality improvement project. This project includes degasification and ultra-filtration treatment of the water and will treat 6 mgd of water and is expected to be fully operational in 2009.

The one-cent sales surtax money (Better Place Funds) is dedicated to capital improvements within the City. This year's improvements were primarily for sidewalk and building renovations.

## **MAJOR INITIATIVES (Concluded)**

Approximately one-third of the Better Place monies will be used to fund the repayment of a loan used to purchase property owned by the Palatka Housing Authority and demolish a 7-story high-rise that once stood on this property. Other improvements were made to City facilities which included the Larimer Center, Bronson House, Tilghman House, Old Waterworks facility and City Hall. This revenue has led to noticeable improvements to the City's buildings, roads and sidewalks.

The City continued to upgrade the pavement and drainage systems at the airport with the help of Federal Aviation Administration and Florida Department of Transportation grants. Over \$2.3 million was invested in making these improvements. The City also commenced construction of a new \$1.7 million terminal building. In addition, ten (10) T-hangars and a new bulk hangar are being constructed at a total cost of approximately \$1.1 million.

### Future Projects

Better Place Funds raised through the local sales tax initiative will continue to be used to improve the City's infrastructure and for major equipment purchases. The improvements to the City's roads and sidewalks are clearly visible. This use of Better Place Funds will continue next fiscal year and thereafter until all streets and sidewalks in the City are addressed.

The City anticipates resurfacing its north-south runway at the airport as well as making other drainage improvements in 2009. The City has also received a portion of money from the Federal Economic Stimulus Package and intends to resurface Moseley Avenue and St. Johns Avenue from Palm Avenue to SR-19. An engineering/planning proposal was recently awarded to evaluate and design improvements to the City's riverfront property including but not limited to dockage, boardwalk and other interactive programs to entice people of all ages to utilize the waterfront. Work is underway at the Old Waterworks facility to construct new restrooms, an amphitheater and other safety improvements.

Other projects that will need further evaluation and discussion over the next few years are: upgrading the City's water transmission lines, expansion of the City's wastewater treatment plant and expansion of current utilities to outside of the City's current boundaries. The priority of these projects will change as the City grows.

## **FINANCIAL INFORMATION**

### INTERNAL CONTROL STRUCTURE

The City's general governmental fund operations are accounted for by using the modified accrual basis of accounting, with revenues being recognized when they become measurable and available. Expenditures are recorded when goods or services are received and the related liability is incurred. The City's enterprise funds and government wide activities are reported on the accrual basis of accounting.

The City Manager serves as the chief financial officer of the City. The Finance Director is responsible for financial accounting and reporting. The City Manager also serves as the budget officer and presents the preliminary budget, based on departmental requests, to the City Commission for approval. All budgeted amounts lapse at year's end.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition, that (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The concept

**FINANCIAL INFORMATION  
(Concluded)**

of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**BUDGETARY CONTROL**

Budgetary control is maintained at the fund level. The City Manager may authorize budget transfers between major categories within the departments and between departments. Departmental expenditures are monitored on a monthly basis by the City Manager and Finance Director. The City Commission is provided with a monthly budget status report. Each department is required to present a quarterly budget status report to the City Manager and City Commission to report potential problems that could result in exceeding their budget. Encumbrances lapse at year's end.

**GENERAL GOVERNMENT**

**FUND ACCOUNTING**

The financial transactions of the City are recorded in individual funds. Each fund has a self-balancing set of accounts that comprise its assets, liabilities, fund equities, or balances to carry on specific activities in accordance with special regulations, restrictions or limitations.

**GENERAL FUND**

The General Fund is the principal fund of the City and is used to account for all activities of the City not otherwise accounted for by a specified fund.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas tax. Total taxes increased by \$404,266 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 8.50 mills and generated \$3,363,291, an increase of \$132,098 from the prior year.

Several departments of the General Fund had increases in their expenditures. General Government had an increase due to the purchase of property on the riverfront; Culture and Recreation increase was due to grant funds expenditures and operational costs; Debt Service payments increased due to the repayment to the Gas Authority for a loan in the prior year; Physical Environment increased due to the balance of the city's share of a grant; Human Services showed a decrease in their expenditures; Public Safety and Transportation decreased because there wasn't any large capital purchases or improvements in this fiscal year.

Unreserved fund balance in the General Fund increased \$1,592,241 from the prior year due to the Golf fund repaying the advance they received in the prior year.

**SPECIAL REVENUE FUNDS**

Special revenue funds account for revenues from sources that are restricted for specific purposes. Tax increment revenues are a significant source of these funds. The combined fund balance for special revenue funds was \$1,437,259 at September 30, 2008.

## **ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis is financed through user charges. The City operate four enterprise funds: the Water Revenue Fund, Municipal Golf Course Fund, Sanitation Fund, and Airport Fund.

### WATER REVENUE FUND

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Several of the City's major projects and initiatives are directly relate to the Water Revenue Fund. The Water Revenue Fund received federal and state grant funds in the amount of \$5,802,123. Net assets increased by \$5,416,659 or 61.5% from the prior year.

### SANITATION FUND

There was a decrease in operating revenue of \$10,589. Expenditures increased by \$11,352 due to the increase in fuels. Personal services and depreciation were less and other operating expenses increased about \$31,000. Net assets decreased by \$20,231.

### GOLF COURSE FUND

Revenue showed a slight increase of \$3,108 from the prior year. Operating expenses, which had a slight increase from prior year, exceeded operating revenues by \$250,146. Net assets decreased by \$225,404.

### AIRPORT FUND

Operating revenue increased by \$205,114 from the prior year due to the increase in fuel prices. The airport received \$498,940 from state and federal grants. Net assets increased by \$83,289.

## **FIDUCIARY FUNDS**

### PENSION TRUST FUNDS

The City administers a single-employer Public Employee Retirement System (the "System"). The System provides an employee contributory defined benefit pension plan for its employees which covers police officers, fire fighters, and general employees. Benefits vary depending on the particular membership in the plan. The City is responsible for funding liabilities of the plan based upon actuarial valuations. At September 30, 2008, the employees' retirement fund had net assets available for benefits of \$28,487,493. The assets are managed through a contract with a private investment company. Further details are included in the notes to the financial statements.

## **GOVERNMENTAL CAPITAL ASSETS**

The capital assets of the governmental funds are those assets used in the performance of general governmental functions and exclude the assets of the Enterprise Funds. As of September 30, 2008, the governmental capital assets of the City amounted to \$14,844,802, net of depreciation. This was an increase of \$2,757,737 over the prior year. The majority of this increase was due to the purchase of property on the riverfront. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at fair value at the date of contribution.

### **DEBT ADMINISTRATION**

At September 30, 2008, the City had \$4,125,099 of revenue bonds & notes payable from specific general fund revenue sources other than ad valorem taxes. Also, outstanding were, \$5,668,653 Water and Sewer System Improvement and Refunding Bonds, Series 1998, payable from the net revenues of the Water and Sewer system and Public Service Tax Revenues; \$571,851 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$7,915,079 interim construction loan that is due August 2010; \$973,764 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system; \$1,700,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$765,231 Airport Hangar Revenue notes and a \$1,250,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes; \$471,919 Sanitation note payable from the net revenues of the Sanitation system.

The City has no general obligation debt (debt secured by ad valorem taxes) outstanding.

### **RISK MANAGEMENT**

The City is exposed to various risks of loss related to general liability (workers' compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions). The City participates in the Florida League of Cities Self Insurance Fund (the Fund), a public entity risk pool, currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the fund for its coverage. The premiums are designed to fund the liability risks assumed by the fund and are based on certain actual exposures of each member. The City had no settlement in excess of coverage provided by the Fund during the year ended September 30, 2008.

### **CASH MANAGEMENT**

The City utilizes a sweep account or zero balance account and pools all cash into a single interest-bearing account. Only funds necessary to cover paid checks are transferred automatically from the account as needed.

During the year, idle cash balances were invested in short-term certificates of deposit at local banks. Interest rates varied from a high of 4.865% to a low of .90%. Total interest income increased from the prior year by \$422,192 due to the funds that were held in escrow for the interim financing for the construction of the new water plant.

### **INDEPENDENT AUDIT**

Florida Statutes require an audit of the financial statements of the City of Palatka by an independent certified public accountant selected by the City Commission. The City complied with this requirement, and the auditor's opinion is included in the financial section of this report.

### **AWARDS**

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 Palatka for its comprehensive annual financial report for the fiscal year ended September 30, 2007. This was the sixteenth year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

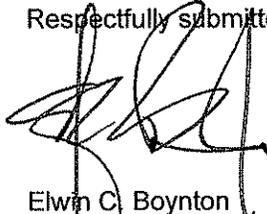
A certificate of achievement is valid for one year only. We believe this report satisfies the requirements of generally accepted accounting principles, applicable legal requirements, and certificate of achievement program requirements, and we are submitting it to the GFOA for consideration for an award.

### ACKNOWLEDGMENTS

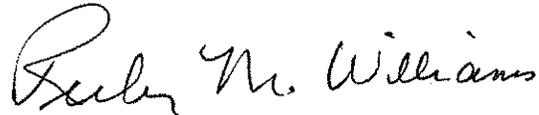
The preparation of this report was accomplished through the efforts and dedication of the City's financial staff.

We would also like to thank the members of the City Commission for their interest and support in planning and conducting the fiscal operations of the City of Palatka.

Respectfully submitted,



Elwin C. Boynton  
City Manager



Ruby M. Williams  
Finance Director

**GFOA Certificate of Achievement**

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2007 is presented on the following page.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palatka  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2007

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



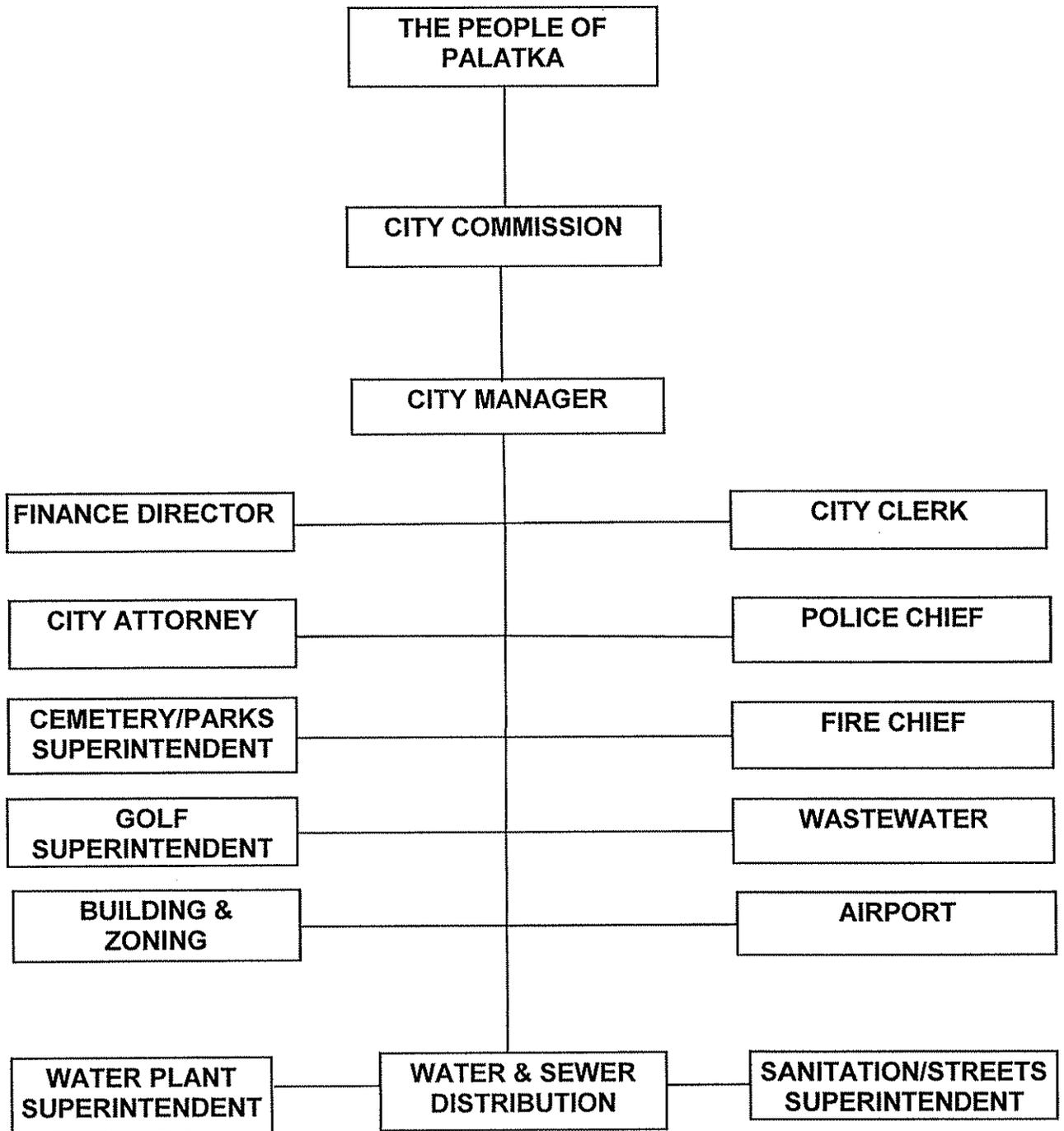
A handwritten signature in black ink, appearing to read "M. L. R.", is positioned above the title "President".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is positioned above the title "Executive Director".

Executive Director

**CITY OF PALATKA, FLORIDA  
ORGANIZATION CHART**



**City of Palatka, Florida**  
**Elected Officials**  
**Appointed Officials**  
**Department Superintendents**  
**Auditors**

**ELECTED OFFICIALS**

Mayor-Commissioner  
Vice Mayor-Commissioner  
Commissioner  
Commissioner  
Commissioner

Karl N. Flagg  
Mary Lawson Brown  
James Norwood, Jr.  
Vernon Myers  
Allegra Kitchens

**APPOINTED OFFICIALS**

City Manager  
Finance Director  
City Clerk  
City Attorney  
Police Chief  
Fire Chief

Elwin C. Boynton  
Ruby M. Williams  
Betsy Jordan Driggers  
Donald E. Holmes  
Gary Getchell  
William M. Lambert

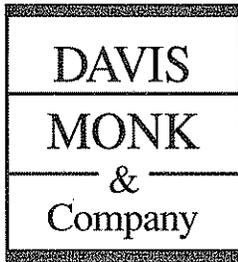
**DEPARTMENT SUPERINTENDENTS**

Building Official  
Planning Director  
Golf  
Parks & Cemeteries  
Sanitation, Maintenance & Streets  
Water Treatment Plant  
Wastewater Treatment Plant  
Water/Sewer Distribution

Joffre Filion  
James Lee  
Michael Aaron  
Jeff Norton  
Ed Chandler  
Melvin Register  
Platt Drew  
Rhett McCamey

**AUDITORS**

Davis Monk & Company



Independent Auditors' Report

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Certified Public Accountants
& Business Consultants

A Partnership Consisting of
Professional Associations

Gainesville

4010 N.W. 25th Place
P.O. Box 13494 (32604)
Gainesville, Florida 32606
Phone: (352) 372-6300
(800) 344-5034
Fax: (352) 375-1583

Palatka

906 South State Road 19
Palatka, Florida 32177
Phone: (386) 325-4561
Fax: (386) 328-1014

St. Augustine

1301 Plantation Island Dr.
Suite 205A
St. Augustine, Florida 32080
Phone: (904) 471-3445
Fax: (904) 471-3825

Website:

www.davismonk.com

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows 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 April 24, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath International

Management's Discussion and Analysis and the required supplementary information listed in the table of contents 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The information listed in the table of contents as "supplemental information", and the Schedule of Expenditures of Federal Awards and State Financial Assistance, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the information provided in the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such additional 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.



April 24, 2009  
Palatka, Florida

**City of Palatka  
Management's Discussion and Analysis  
September 30, 2008**

As management of the City of Palatka, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

**Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$38,642,145. Of this amount, \$10,521,423 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,162,006 (18.9%). Due to the millage rate of 8.50 mills, grants, one-cent discretionary sales tax and telecommunications tax, governmental net assets increased by \$907,693 (or 7%). The Enterprise funds net assets increased by \$5,254,313 (or 26.7%) due to grants received during the fiscal year.
- The total net assets in the Enterprise funds were: Water \$14,231,381, Sanitation \$373,767, Golf \$265,186 and Airport \$10,026,203.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$3,444,120, an increase of \$ 717,154.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$2,006,861 or 15.8% of total General Fund expenditures and transfers out for recurring operational costs reported in other funds. (i.e. transfer to golf) Downtown Redevelopment Agency fund balance was \$1,335,132.
- Net assets of the General, Police and Firefighter's Pension Trust Funds decreased by \$2,298,018, \$763,062 and \$761,951, respectively. These decreases were the result of the decline of the stock market which affects the carrying value of the investments.

**Overview of 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 of Palatka'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 *State of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

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, streets and drainage, economic development and culture and recreation. The business type activities of the City include the utility (water and wastewater), the airport, the golf course, sanitation and the component unit, gas authority.

The government-wide financial statements include not only the City of Palatka, but also the Palatka Gas Authority, an independent component unit of the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 & 2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palatka can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Downtown Redevelopment Agency fund, which are considered major funds. Data from the non-major governmental fund is included in the Other Governmental fund column.

The City adopts an annual appropriated budget for its General fund and the Downtown Redevelopment special revenue fund. Budgetary comparison schedules have been provided for the General fund and Downtown Redevelopment special revenue fund in the required supplementary information section.

The basic governmental fund financial statements can be found on pages 3 - 6 of this report.

### ***Proprietary Funds***

The City maintains several enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility, Golf, Airport and Sanitation operations, as well as the independent Gas Authority.

Proprietary funds 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 funds listed above, all of which are considered to be major funds of the City.

The proprietary fund financial statements can be found on pages 7 – 10 of this report.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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 basic fiduciary fund financial statements can be found on pages 11 & 12 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 33 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 34 – 38 of this report.

Combining fund statements can be found on pages 39 – 40 of this report immediately following the required supplementary information.

### **Government-wide Financial Analysis**

#### **Net Assets**

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 of Palatka, assets exceeded liabilities by \$38,642,145 at the close of the most recent fiscal year.

The majority of the City's net assets (67%) rest in its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should 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.

#### **City of Palatka Summary of Net Assets For the Year Ended September 30, 2008**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$3,747,852	\$3,254,698	\$11,466,120	\$2,999,227	\$15,213,972	\$6,253,925
Capital assets	\$14,844,802	\$12,087,065	\$34,852,610	\$26,561,885	\$49,697,412	\$38,648,950
Total assets	\$18,592,654	\$15,341,763	\$46,318,730	\$29,561,112	\$64,911,384	\$44,902,875
Long-term liabilities						
Outstanding	\$4,582,250	\$2,020,872	\$19,698,990	\$8,706,341	\$24,281,240	\$10,727,213
Other liabilities	\$264,796	\$482,976	\$1,723,203	\$1,212,547	\$1,987,999	\$1,695,523
Total liabilities	\$4,847,046	\$2,503,848	\$21,422,193	\$9,918,888	\$26,269,239	\$12,422,736
Net assets:						
Invested in capital assets, net of related debt	\$10,614,552	\$10,466,693	\$15,276,203	\$18,066,125	\$25,890,755	\$28,532,818
Restricted	\$1,437,259	\$1,042,741	\$792,708	\$773,851	\$2,229,967	\$1,816,592
Unrestricted	\$1,693,797	\$1,328,481	\$8,827,626	\$802,248	\$10,521,423	\$2,130,729
Total net assets	\$13,745,608	\$12,837,915	\$24,896,537	\$19,642,224	\$38,642,145	\$32,480,139

An additional portion of the City's net assets \$2,229,967 (5.77%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$10,521,423 may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

### Change in Net Assets

Governmental activities increased the City's net assets by \$907,693 thereby accounting for 14.73% of the total growth in the net assets of the City. Key elements of this increase were the ad valorem revenue and grants that the city received during the year.

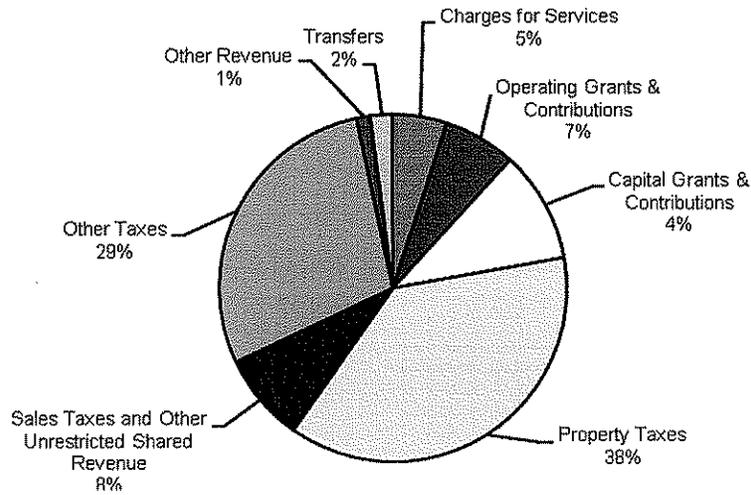
### City of Palatka Changes in Net Assets For the year ended September 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$533,944	\$534,163	\$6,580,750	\$6,235,867	\$7,114,694	\$6,770,030
Operating Grants & Contributions	\$705,287	\$912,670		\$7,000	\$705,287	\$919,670
Capital Grants & Contributions	\$1,090,723	\$1,463,953	\$6,301,063	\$2,451,986	\$7,391,786	\$3,915,939
General Revenues:					\$0	\$0
Property Taxes	\$3,942,201	\$3,805,051			\$3,942,201	\$3,805,051
Sales Taxes and Other Unrestricted					\$0	\$0
Shared Revenues	\$863,426	\$894,912			\$863,426	\$894,912
Other Taxes	\$3,013,264	\$2,658,806			\$3,013,264	\$2,658,806
Other Revenue	\$131,350	\$148,749	\$542,801	\$473,533	\$674,151	\$622,282
<b>Total Revenues</b>	<b>\$10,280,195</b>	<b>\$10,418,304</b>	<b>\$13,424,614</b>	<b>\$9,168,386</b>	<b>\$23,704,809</b>	<b>\$19,586,690</b>
<b>Expenses:</b>						
General Government	\$852,906	\$677,251			\$852,906	\$677,251
Public Safety	\$6,210,601	\$6,203,873			\$6,210,601	\$6,203,873
Physical Environment	\$295,824	\$481,343			\$295,824	\$481,343
Transportation	\$973,566	\$1,282,350			\$973,566	\$1,282,350
Economic Environment	\$148,148	\$102,299			\$148,148	\$102,299
Human Services	\$232,009	\$227,525			\$232,009	\$227,525
Culture/Recreation	\$822,826	\$561,238			\$822,826	\$561,238
Interest on Long-Term Debt	\$49,532	\$37,155			\$49,532	\$37,155
Water			\$4,342,447	\$3,809,776	\$4,342,447	\$3,809,776
Sanitation			\$1,473,689	\$1,430,766	\$1,473,689	\$1,430,766
Golf Course			\$1,014,105	\$1,004,007	\$1,014,105	\$1,004,007
Airport			\$1,127,150	\$974,382	\$1,127,150	\$974,382
<b>Total Expenses</b>	<b>\$9,585,412</b>	<b>\$9,573,034</b>	<b>\$7,957,391</b>	<b>\$7,218,931</b>	<b>\$17,542,803</b>	<b>\$16,791,965</b>
Increase in Net Assets before Transfers	\$694,783	\$845,270	\$5,467,223	\$1,949,455	\$6,162,006	\$2,794,725
Transfers	\$212,910	\$142,873	(\$212,910)	(\$142,873)	\$0	\$0
Increase in Net Assets	\$907,693	\$988,143	\$5,254,313	\$1,806,582	\$6,162,006	\$2,794,725
Net Assets-Beginning of Year	\$12,837,915	\$11,849,772	\$19,642,224	\$17,835,642	\$32,480,139	\$29,685,414
Net Assets-End of Year	\$13,745,608	\$12,837,915	\$24,896,537	\$19,642,224	\$38,642,145	\$32,480,139

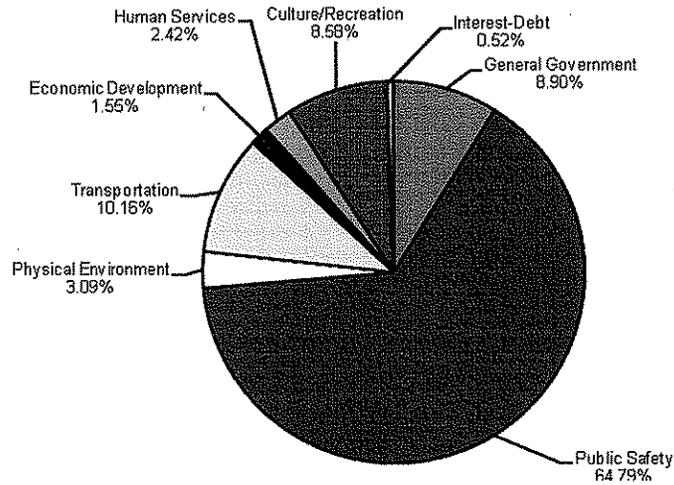
### Governmental Activities

The City's total net assets increased \$6,162,006 over the previous year with an increase of \$907,693 resulting from governmental activities and an increase of \$5,254,313 from business activities. The primary reasons for these changes were ad-valorem, telecommunications tax and grants that were received during the year.

### Revenue by Source - Governmental Activity



### Expenses - Governmental Activities



### **Business-type Activities**

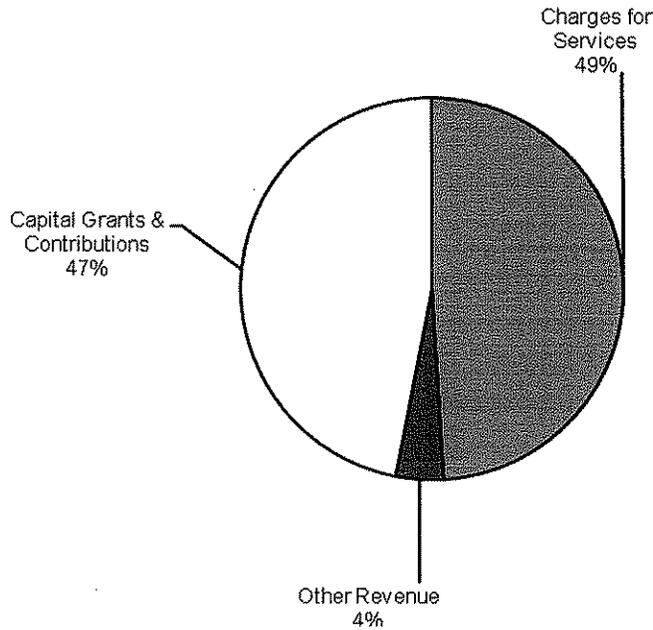
Business-type activities increased the City's net assets by \$5,254,313 accounting for a 85.27% growth in the City's net assets. Key elements in this increase are as follows:

The Airport fund received state and federal grants of \$498,940 during the fiscal year.

The Water fund received grant funds of \$5,802,123 from the Department of Environmental Protection.

The most significant expenses were improvements related to grants received. Operational which included depreciation increased by \$129,671, of that amount \$96,609 was personnel cost.

### Revenue by Source – 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 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 financing 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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,444,120, an increase of \$717,154 in comparison to the prior year. This total includes unreserved fund balance of \$2,006,861 in the General Fund, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$2,006,861. The Downtown Redevelopment fund balance was \$1,335,132, an increase of \$350,812 from the prior year.

#### Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of September 30, 2008, total net assets amounted to \$24,896,537.

Unrestricted net assets of the water fund at the end of the year amounted to \$6,954,223, the airport fund \$1,840,982 and the sanitation fund \$69,307. The golf course reduced their deficit in unrestricted net assets by \$1,240,900 during the fiscal year. The condition of the course continues to improve. The city has reduced costs and is working to increase the revenues at the golf course by offering special incentives to their customers. Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities above.

### General Fund Budgetary Highlights

The general fund budget was amended during the fiscal year by \$4,238,190 (including transfers) an increase of 44.87% over the original projections. These increases were mostly attributed to balance forwards and unanticipated revenues received during the year. The variance between original and final budget amounts for the year is composed of the following:

- Balance forward of \$460,405 was from the Discretionary Sales Tax that was pledged but not spent in fiscal year 2007. This was primarily spent in Public Safety and Transportation. Prior year Impact fee balance was \$40,369 that was spent in Public Safety. Other balance forwards of \$141,306 were from an assortment of contribution accounts that were earmarked in the police and fire department. The Intergovernmental was increased to show the Division of Retirement 175/185 contribution of \$135,825 to the police and fire pension plans. Loan proceeds of \$3,243,802 for the purchase of property on the riverfront and police vehicles. Other contributions and services of \$33,847 for various programs in the police and fire departments.
- Federal and state grants received during the year that amounted to \$142,267.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers and debt issuance, were \$97,290 less than budgeted. The majority of the revenues not received were grants that are to be reimbursed when funds are expended.

Significant variances in actual versus final budget expenditures were as follows:

- General Government actual expenditures were \$501,218 less than final budget due to monies that were still being spent for property improvements that will carry forward into the new fiscal year.
- Culture and recreation actual expenditures were \$196,951 more than anticipated due to personnel and operating expenses.
- Better Place Funds (Discretionary Surtax) had a balance of \$404,637 that was not expended that will carry forward into the next fiscal year.
- Public Safety actual expenditures were \$251,355 less than anticipated due to grants and other projects that were not completed and will carry forward in the next fiscal year.

### Capital Asset and Debt Administration

#### City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2008

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Improvements	\$6,746,180	\$3,954,430	\$4,580,159	\$4,580,159	\$11,326,339	\$8,534,589
Buildings and Improvements	2,803,722	2,680,671	7,104,199	7,462,511	9,907,921	10,143,182
Infrastructure	2,909,118	3,097,425			2,909,118	3,097,425
Equipment	1,741,565	1,829,893	1,194,951	1,225,858	2,936,516	3,055,751
Water and Sewer Distributions System			11,749,548	12,053,285	11,749,548	12,053,285
Construction in Progress	644,217	524,646	10,223,753	1,240,072	10,867,970	1,764,718
	<b>\$14,844,802</b>	<b>\$12,087,065</b>	<b>\$34,852,610</b>	<b>\$26,561,885</b>	<b>\$49,697,412</b>	<b>\$38,648,950</b>

## Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2008, (net of accumulated depreciation) amounts to \$49,697,412. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total increase in the City's net investment in capital assets was \$11,048,462.

Major capital asset events during the fiscal year were in airport, water and transportation. The city received FAA and FDOT grants that paid 80% to 95% of the projects at the airport. The water fund received grants from the Department of Environmental Protection. The capital asset expenditures of \$12,910,848 were for the following:

- Purchase of property and improvements to the riverfront.
- Rehabilitation of runways, runway lights, signage and drainage improvements at the airport.
- Construction in progress of terminal building and t-hangars. Installing security fence at airport.
- Construction in progress of a new water treatment plant.
- Wastewater reuse improvements.
- Purchase of city vehicles.

Additional information on the City's capital assets is found in Note 4 in the notes to the financial statements.

## Long-Term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$23,441,596. Of this amount, \$1,298,496 comprises debt backed by the full faith and credit of the City, \$143,563 water/sewer agreements with other agencies, \$105,151 of capital leases and the remainder represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### City of Palatka Long-Term Debt Obligations

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue Bonds	\$98,522	\$270,649	\$5,668,653	\$6,101,762	\$5,767,175	\$6,372,411
Notes Payable	4,026,577	1,182,352	13,647,844	2,237,255	17,674,421	3,419,607
Capital Lease Obligations	105,151	167,371	0	8,778	105,151	176,149
Water/Sewer Agreements			143,563	147,966	143,563	147,966
<b>Total</b>	<b>\$4,230,250</b>	<b>\$1,620,372</b>	<b>\$19,460,060</b>	<b>\$8,495,761</b>	<b>\$23,690,310</b>	<b>\$10,116,133</b>

The City's total long-term debt increased \$13,574,177 from the prior year, while the long-term liability for compensated absences decreased by \$20,150.

### Governmental Activities:

- The City entered into a note payable for the purchase and improvements of riverfront property for \$3,200,000.
- The City entered into a note payable for the purchase of police vehicles for \$43,802.
- The City made the following principal payments during the year: revenue bonds - \$172,127; notes payable - \$399,577.
- Governmental obligations for compensated absences decreased by 12.1% or \$48,500.

***Business-type activities:***

- The City entered into a interim construction loan for a new water plant for \$7,915,079. and a \$973,764 Drinking Water State Revolving Fund loan.
- The City entered into a \$750,000 Airport T-hangar and a \$1,250,000 Terminal loan.
- The City entered into a \$1,700,000 Golf note to reimburse the City's General Fund and certain Enterprise Funds for prior advances.
- The following principal payments were made during the year: revenue bonds - \$448,850, notes payable - \$235,242.
- Compensated absences increased by 13.46% or \$28,350.

The City's current bond rating is Aaa from Moody's Investor Service. There are no limitations placed on the amount of debt the City may issue by either the City's charter, code of ordinances or Florida State Statutes.

Additional information on the City's long-term liabilities can be found in Note 5 in the notes to the financial statements.

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

Expected reductions in ad valorem taxes, state sales taxes and other fees received by the City will continue to place an extra burden on the city to maintain the level of service that we provide our citizens. We are continuing to limit capital improvement projects and capital outlay expenditures. We are now looking at reducing operating expenses so that all employees can be retained.

The City had prepared balanced budgets for the 2008-09 fiscal year, however due to a significant reduction from telecommunications service fees, the City has had to reduce these budgets by approximately \$500,000. Department Heads are preparing the next fiscal year budgets with significant cuts and restructuring to maintain their budgets at or below last year's budget. This includes no pay raises for all personnel.

In addition, we are striving to maintain all fees and rate structures at the current level within each enterprise fund. The City continues to address budget issues associated with the golf course. Although only minor transfers have been made to the golf course fund, we continue to monitor this enterprise to ensure its viability.

***Request for Information***

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Finance Director, 201 N. 2<sup>nd</sup> Street, Palatka, Florida 32177.

**City of Palatka, Florida**  
**Statement of Net Assets**  
**September 30, 2008**

	<u>Primary Government</u>			<u>Component</u> <u>Unit</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Palatka Gas</u> <u>Authority</u>
<b>ASSETS</b>				
Cash and Equivalents	\$ 2,980,423	\$ 6,767,560	9,747,983	\$ 232,582
Investments	723,776	-	723,776	3,658,754
Accounts Receivable	19,739	386,435	406,174	168,894
Due From Other Governments	323	2,781,996	2,782,319	-
Inventory	-	252,910	252,910	86,124
Mortgages Receivable	23,591	-	23,591	-
Other Assets	-	-	-	30,919
Restricted Cash and Equivalents	-	775,334	775,334	-
Restricted Investments	-	501,885	501,885	-
Capital Assets:				
Non-Depreciable	7,390,397	14,803,912	22,194,309	194,147
Depreciable, Net	7,454,405	20,048,698	27,503,103	1,510,951
<b>TOTAL ASSETS</b>	<u>18,592,654</u>	<u>46,318,730</u>	<u>64,911,384</u>	<u>5,882,371</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	262,771	1,351,490	1,614,261	98,019
Deposits	2,025	371,713	373,738	212,997
Noncurrent Liabilities:				
Due Within One Year	549,390	739,973	1,289,363	-
Due in More Than One Year	4,032,860	18,959,017	22,991,877	28,500
<b>TOTAL LIABILITIES</b>	<u>4,847,046</u>	<u>21,422,193</u>	<u>26,269,239</u>	<u>339,516</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	10,614,552	15,276,203	25,890,755	1,705,098
Restricted For:				
Downtown Redevelopment	1,335,132	-	1,335,132	-
Housing and Community Development	102,127	-	102,127	-
Debt Service	-	28,153	28,153	-
Bond Reserve	-	593,782	593,782	-
Renewal and Replacement	-	51,439	51,439	-
Rate Stabilization	-	119,334	119,334	-
Unrestricted	1,693,797	8,827,626	10,521,423	3,837,757
<b>TOTAL NET ASSETS</b>	<u>\$ 13,745,608</u>	<u>\$ 24,896,537</u>	<u>\$ 38,642,145</u>	<u>\$ 5,542,855</u>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2008**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Operating Grants and Contributions			Primary Government Business-type Activities			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>PRIMARY GOVERNMENT:</b>							
<b>GOVERNMENTAL ACTIVITIES:</b>							
General Government	\$ 852,906	\$ 116,431	\$ -	\$ (736,475)	\$ -	\$ (736,475)	\$ -
Public Safety	6,210,601	235,176	-	(5,763,853)	-	(5,763,853)	-
Physical Environment	295,824	-	153,427	(142,397)	-	(142,397)	-
Transportation	973,566	51,654	802,482	260,093	-	260,093	-
Economic Environment	148,148	-	-	(148,148)	-	(148,148)	-
Human Services	232,009	116,168	104,467	(11,374)	-	(11,374)	-
Culture and Recreation	822,826	14,515	134,814	(663,772)	-	(663,772)	-
Interest on Long-Term Debt	49,532	-	-	(49,532)	-	(49,532)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>9,585,412</b>	<b>533,944</b>	<b>1,090,723</b>	<b>(7,255,458)</b>	<b>-</b>	<b>(7,255,458)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	4,342,447	-	5,802,123	-	5,076,489	5,076,489	-
Sanitation	1,473,689	-	-	-	26,452	26,452	-
Golf Course	1,014,105	-	-	-	(259,777)	(259,777)	-
Airport	1,127,150	709,468	488,940	-	81,258	81,258	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>7,957,391</b>	<b>705,287</b>	<b>6,301,063</b>	<b>(7,255,458)</b>	<b>4,924,422</b>	<b>4,924,422</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 17,542,803</b>	<b>\$ 7,114,694</b>	<b>\$ 7,391,786</b>	<b>(7,255,458)</b>	<b>4,924,422</b>	<b>(2,331,036)</b>	<b>-</b>
<b>COMPONENT UNIT:</b>							
Palatka Gas Authority	\$ 1,475,572	\$ 1,228,082	\$ -	3,942,201	-	3,942,201	(247,490)
<b>GENERAL REVENUES:</b>							
Property Taxes							
Sales Tax and Intergovernmental Unrestricted							
Shared Revenues							
Franchise Taxes							
Utility Taxes							
Communications Service Tax							
Investment Earnings							
Gain on Sale of Assets							
Miscellaneous							
Transfers							
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>							
<b>CHANGE IN NET ASSETS</b>							
<b>NET ASSETS - BEGINNING OF YEAR</b>							
<b>NET ASSETS - END OF YEAR</b>							

See accompanying notes.

**City of Palatka, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2008**

	<u>General Fund</u>	<u>Downtown Redevelopment Agency Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Equivalents	\$ 2,207,868	\$ 741,020	\$ 31,535	\$ 2,980,423
Investments	39,024	598,815	85,937	723,776
Accounts Receivable	19,739	-	-	19,739
Due From Other Governments	323	-	-	323
Mortgages Receivable	-	-	23,591	23,591
	<u>2,266,954</u>	<u>1,339,835</u>	<u>141,063</u>	<u>3,747,852</u>
<b>TOTAL ASSETS</b>				
<b><u>LIABILITIES</u></b>				
Accounts Payable and Accrued Liabilities	\$ 258,068	\$ 4,703	\$ -	\$ 262,771
Deposits	2,025	-	-	2,025
Deferred Revenue	-	-	38,936	38,936
	<u>260,093</u>	<u>4,703</u>	<u>38,936</u>	<u>303,732</u>
<b>TOTAL LIABILITIES</b>				
<b><u>FUND BALANCES</u></b>				
Unreserved, Reported In:				
General Fund	2,006,861	-	-	2,006,861
Special Revenue Funds	-	1,335,132	102,127	1,437,259
	<u>2,006,861</u>	<u>1,335,132</u>	<u>102,127</u>	<u>3,444,120</u>
<b>TOTAL FUND BALANCES</b>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,266,954</u>	<u>\$ 1,339,835</u>	<u>\$ 141,063</u>	<u>\$ 3,747,852</u>

See accompanying notes.

**City of Palatka, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2008**

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 3,444,120
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net.....	14,844,802
Long-term liabilities are not reported in the governmental funds.	
Bonds and Notes Payable.....	(4,125,099)
Capital Leases.....	(105,151)
Compensated Absences.....	(352,000)
Liabilities for earned but unavailable revenue are reported in the governmental funds but not in the statement of net assets.	
Deferred Revenue.....	38,936
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 13,745,608

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2008**

	<u>General Fund</u>	<u>Downtown Redevelopment Agency Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES</u></b>				
Taxes	\$ 7,511,986	\$ 578,911	\$ -	\$ 8,090,897
Licenses and Permits	191,364	-	-	191,364
Intergovernmental	1,367,611	-	153,427	1,521,038
Charges for Services	176,968	-	-	176,968
Fines and Forfeitures	85,850	-	-	85,850
Miscellaneous	190,912	30,292	13,163	234,367
<b>TOTAL REVENUES</b>	<u>9,524,691</u>	<u>609,203</u>	<u>166,590</u>	<u>10,300,484</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	3,900,803	-	-	3,900,803
Public Safety	6,127,251	-	-	6,127,251
Physical Environment	163,198	-	132,626	295,824
Transportation	759,315	-	-	759,315
Economic Environment	-	143,842	4,306	148,148
Human Services	227,715	-	-	227,715
Culture and Recreation	897,530	-	-	897,530
Debt Service:				
Principal Retirement	522,124	111,800	-	633,924
Interest and Fiscal Charges	46,783	2,749	-	49,532
<b>TOTAL EXPENDITURES</b>	<u>12,644,719</u>	<u>258,391</u>	<u>136,932</u>	<u>13,040,042</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,120,028)</u>	<u>350,812</u>	<u>29,658</u>	<u>(2,739,558)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	245,000	-	14,048	259,048
Transfers Out	(46,138)	-	-	(46,138)
Debt Issued	3,243,802	-	-	3,243,802
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>3,442,664</u>	<u>-</u>	<u>14,048</u>	<u>3,456,712</u>
<b>NET CHANGE IN FUND BALANCES</b>	322,636	350,812	43,706	717,154
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<u>1,684,225</u>	<u>984,320</u>	<u>58,421</u>	<u>2,726,966</u>
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 2,006,861</u>	<u>\$ 1,335,132</u>	<u>\$ 102,127</u>	<u>\$ 3,444,120</u>

See accompanying notes.

**City of Palatka, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended September 30, 2008**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 717,154

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Acquisitions of Capital Assets.....	3,359,965
Current Year Depreciation Expense.....	(587,760)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However, in the governmental funds, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.

Loss on disposal of capital assets.....	(14,468)
---	----------

Issuance of debt provides current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Assets.....

(3,243,802)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.

Principal Payments.....	633,924
-------------------------	---------

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.

Compensated Absences.....	48,500
---------------------------	--------

The timing of revenue recognition sometimes differs between the governmental funds and governmental activities.

Change in Deferred Revenues.....	<u>(5,820)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 907,693</u></u>
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See accompanying notes.

**City of Palatka, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2008**

	<u>Business-type Activities – Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Airport Fund</u>	
<b><u>CURRENT ASSETS</u></b>					
Cash and Equivalents	\$ 5,122,103	\$ 61,632	\$ 1,250	\$ 1,582,575	\$ 6,767,560
Restricted Cash and Equivalents	484,511	-	-	-	484,511
Accounts Receivable	257,795	112,294	3,401	12,945	386,435
Due From Other Governments	2,376,903	-	-	405,093	2,781,996
Inventory	183,136	-	16,936	52,838	252,910
<b>TOTAL CURRENT ASSETS</b>	<b>8,424,448</b>	<b>173,926</b>	<b>21,587</b>	<b>2,053,451</b>	<b>10,673,412</b>
<b><u>NONCURRENT ASSETS</u></b>					
Restricted Cash and Equivalents	290,823	-	-	-	290,823
Restricted Investments	501,885	-	-	-	501,885
Capital Assets, Net	21,873,707	776,378	2,002,072	10,200,453	34,852,610
<b>TOTAL NONCURRENT ASSETS</b>	<b>22,666,415</b>	<b>776,378</b>	<b>2,002,072</b>	<b>10,200,453</b>	<b>35,645,318</b>
<b>TOTAL ASSETS</b>	<b>31,090,863</b>	<b>950,304</b>	<b>2,023,659</b>	<b>12,253,904</b>	<b>46,318,730</b>
<b><u>CURRENT LIABILITIES</u></b>					
Accounts Payable and Accrued Liabilities	1,078,173	56,800	15,694	200,823	1,351,490
Deposits	340,380	-	25,388	5,945	371,713
Current Portion of Long-Term Liabilities	389,696	123,008	76,345	150,924	739,973
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,808,249</b>	<b>179,808</b>	<b>117,427</b>	<b>357,692</b>	<b>2,463,176</b>
<b><u>NONCURRENT LIABILITIES</u></b>					
Long-term Liabilities	15,051,233	396,729	1,641,046	1,870,009	18,959,017
<b>TOTAL LIABILITIES</b>	<b>16,859,482</b>	<b>576,537</b>	<b>1,758,473</b>	<b>2,227,701</b>	<b>21,422,193</b>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets, Net of Related Debt	6,484,450	304,460	302,072	8,185,221	15,276,203
Restricted For Debt Service	28,153	-	-	-	28,153
Restricted for Bond Reserve	593,782	-	-	-	593,782
Restricted for Renewal and Replacement	51,439	-	-	-	51,439
Restricted for Rate Stabilization	119,334	-	-	-	119,334
Unrestricted	6,954,223	69,307	(36,886)	1,840,982	8,827,626
<b>TOTAL NET ASSETS</b>	<b>\$ 14,231,381</b>	<b>\$ 373,767</b>	<b>\$ 265,186</b>	<b>\$ 10,026,203</b>	<b>\$ 24,896,537</b>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2008**

	<u>Business-type Activities – Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Airport Fund</u>	
<u>OPERATING REVENUES</u>					
User Fees	\$ 3,531,176	\$ 1,499,976	\$ 754,328	\$ 711,499	\$ 6,496,979
Other Operating Revenues	183,773	9,732	683	-	194,188
<b>TOTAL OPERATING REVENUES</b>	<u>3,714,949</u>	<u>1,509,708</u>	<u>755,011</u>	<u>711,499</u>	<u>6,691,167</u>
<u>OPERATING EXPENSES</u>					
Personal Services	1,926,213	741,817	415,775	124,091	3,207,896
Operating Expenses	840,995	617,261	518,797	627,054	2,604,107
Depreciation and Amortization	696,529	57,633	70,585	374,748	1,199,495
<b>TOTAL OPERATING EXPENSES</b>	<u>3,463,737</u>	<u>1,416,711</u>	<u>1,005,157</u>	<u>1,125,893</u>	<u>7,011,498</u>
<b>OPERATING INCOME (LOSS)</b>	<u>251,212</u>	<u>92,997</u>	<u>(250,146)</u>	<u>(414,394)</u>	<u>(320,331)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	421,634	-	-	-	421,634
Interest Expense	(878,710)	(19,574)	(8,948)	(1,257)	(908,489)
Gain (Loss) on Disposal of Capital Assets	400	(28,654)	1,600	-	(26,654)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(456,676)</u>	<u>(48,228)</u>	<u>(7,348)</u>	<u>(1,257)</u>	<u>(513,509)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(205,464)</u>	<u>44,769</u>	<u>(257,494)</u>	<u>(415,651)</u>	<u>(833,840)</u>
Capital Contributions	5,802,123	-	-	498,940	6,301,063
Transfers In	-	-	32,090	-	32,090
Transfers Out	(180,000)	(65,000)	-	-	(245,000)
<b>CHANGE IN NET ASSETS</b>	<u>5,416,659</u>	<u>(20,231)</u>	<u>(225,404)</u>	<u>83,289</u>	<u>5,254,313</u>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<u>8,814,722</u>	<u>393,998</u>	<u>490,590</u>	<u>9,942,914</u>	<u>19,642,224</u>
<b>NET ASSETS – END OF YEAR</b>	<u>\$ 14,231,381</u>	<u>\$ 373,767</u>	<u>\$ 265,186</u>	<u>\$ 10,026,203</u>	<u>\$ 24,896,537</u>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2008**

	<u>Business-type Activities – Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Airport Fund</u>	
<b><u>OPERATING ACTIVITIES</u></b>					
Receipts From Customers	\$ 3,551,061	\$ 1,561,399	\$ 760,835	\$ 508,990	\$ 6,382,285
Payments to Suppliers	(973,919)	(616,235)	(1,768,908)	(645,234)	(4,004,296)
Payments to Employees	(1,895,235)	(731,688)	(412,483)	(119,907)	(3,159,313)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>681,907</u>	<u>213,476</u>	<u>(1,420,556)</u>	<u>(256,151)</u>	<u>(781,324)</u>
<b><u>NONCAPITAL FINANCING ACTIVITIES</u></b>					
Transfers In	-	-	32,090	-	32,090
Transfers Out	(180,000)	(65,000)	-	-	(245,000)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(180,000)</u>	<u>(65,000)</u>	<u>32,090</u>	<u>-</u>	<u>(212,910)</u>
<b><u>CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Issued Debt	7,945,830	-	1,700,000	2,000,000	11,645,830
Capital Contributions	5,802,123	-	-	498,940	6,301,063
Acquisitions of Capital Assets	(8,828,896)	-	(65,181)	(646,306)	(9,540,383)
Principal Paid on Debt	(340,102)	(104,520)	(239,101)	(13,551)	(697,274)
Interest Paid on Debt	(700,862)	(19,574)	(8,948)	(1,257)	(730,641)
Proceeds From Sale of Capital Assets	400	37,250	1,600	-	39,250
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>3,878,493</u>	<u>(86,844)</u>	<u>1,388,370</u>	<u>1,837,826</u>	<u>7,017,845</u>
<b><u>INVESTING ACTIVITIES</u></b>					
Interest Received	421,634	-	-	-	421,634
Proceeds from Investments	104,985	-	-	-	104,985
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>526,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>526,619</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	4,907,019	61,632	(96)	1,581,675	6,550,230
<b>CASH AND EQUIVALENTS – BEGINNING OF YEAR</b>	<u>990,418</u>	<u>-</u>	<u>1,346</u>	<u>900</u>	<u>992,664</u>
<b>CASH AND EQUIVALENTS – END OF YEAR</b>	<u>\$ 5,897,437</u>	<u>\$ 61,632</u>	<u>\$ 1,250</u>	<u>\$ 1,582,575</u>	<u>\$ 7,542,894</u>

(continued)

**City of Palatka, Florida  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2008**

(concluded)

	<u>Business-type Activities – Enterprise Funds</u>				<u>Total Enterprise Funds</u>
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Golf Course Fund</u>	<u>Airport Fund</u>	
OPERATING INCOME (LOSS)	\$ 251,212	\$ 92,997	\$ (250,146)	\$ (414,394)	\$ (320,331)
Depreciation and Amortization	696,529	57,633	70,585	374,748	1,199,495
Change In:					
Accounts Receivable	22,121	1,696	2,234	22,128	48,179
Due From Other Funds	282,033	49,995	-	-	332,028
Due From Other Governments	(463,926)	-	-	(223,747)	(687,673)
Inventory	(37,297)	-	21,216	2,912	(13,169)
Accounts Payable and Accrued Liabilities	201,638	5,681	(429)	127,335	334,225
Due to Other Funds	(284,672)	-	(1,269,606)	(146,735)	(1,701,013)
Compensated Absences	18,385	5,474	2,001	2,492	28,352
Customer Deposits	(4,116)	-	3,589	(890)	(1,417)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 681,907</u>	 <u>\$ 213,476</u>	 <u>\$(1,420,556)</u>	 <u>\$ (256,151)</u>	 <u>\$ (781,324)</u>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2008**

ASSETS

Investments:

Money Market and Other Cash Equivalents	\$ 1,419,085
Government Bonds and Notes	4,048,075
Corporate Bonds and Notes	7,692,014
Mutual Funds (REIT)	529,019
Mutual Funds - Equities	9,349,055
Common Stock/Equities	5,363,189
Total Investments	<u>28,400,437</u>

Accounts Receivable	<u>104,144</u>
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TOTAL ASSETS 28,504,581

LIABILITIES 17,088

NET ASSETS

Held in Trust for Pension Benefits \$ 28,487,493

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2008**

ADDITIONS

CONTRIBUTIONS:

Employer	\$ 981,454
Member	393,079
State on behalf, through General Fund	<u>135,825</u>

TOTAL CONTRIBUTIONS 1,510,358

INVESTMENT INCOME (LOSS):

Net Depreciation in Fair Value of Investments	(4,008,092)
Interest	296,746
Dividends	<u>272,360</u>
	(3,438,986)
Less Investment Management Fee	<u>160,512</u>

NET INVESTMENT LOSS (3,599,498)

TOTAL ADDITIONS (2,089,140)

DEDUCTIONS

Member Benefits	1,519,132
Withdrawals	98,381
Administrative Expense	<u>116,378</u>

TOTAL DEDUCTIONS 1,733,891

CHANGE IN NET ASSETS (3,823,031)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,  
Beginning of Year 32,310,524

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,  
End of Year \$ 28,487,493

See accompanying notes.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Palatka, Florida (the "City"), which is located in northeast Florida, was incorporated January 8, 1853 under the Laws of the State of Florida, Chapter 492. The City operates under an elected Mayor-Commissioner and a Board of Commissioners (four members) and provides human services, community enrichment and development, law enforcement, fire protection and rescue service.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable. The component units are included in the reporting entity because of the significance of their operational relationship with the City. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the City's operations and, accordingly, data from these units are combined with the data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

**Blended Component Unit**

The Palatka Downtown Redevelopment Agency (the "Agency") is a legally separate entity created pursuant to Florida Statutes following the adoption of an approving Resolution (No. 4-12, dated November 10, 1983) by the City. The Agency is governed by a five-member board whose members are the same as the City Commission. The operations of the Agency are reported in a governmental fund.

**Discretely Presented Component Unit**

The Palatka Gas Authority (the "Gas Authority") was created by an Act of the Florida Legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The members of the Gas Authority's governing board are appointed by the City Commission. Additionally, bond issues and operational and capital budgets must be approved by the City Commission. Annually, the Gas Authority provides a contribution to the City from its net income. The contribution is one-half of annual profits.

Complete financial statements of the Gas Authority can be obtained directly from:

The Palatka Gas Authority  
518 Main Street  
Palatka, Florida 32177

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Related Organization**

The Palatka Housing Authority (the "Housing Authority") was established by the City in 1962 pursuant to Chapter 421, Florida Statutes. The purpose of the Housing Authority is to provide affordable housing to the Palatka community and surrounding areas. The Housing Authority is considered a related organization because its Board members are appointed by the Mayor of the City of Palatka. The City is not financially accountable for the Housing Authority, nor does it meet other criteria of a component unit and, accordingly, the Housing Authority is not included in the accompanying financial statements.

**Joint Ventures**

The City did not participate in any joint ventures during the 2007-2008 fiscal year.

**Basis of Presentation**

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are hereafter described.

**Government-wide 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 nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used, if any, are not eliminated in the process of consolidation. *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 charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements**

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 and enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

*General Fund* – the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

*Downtown Redevelopment Agency Fund* – to account for the assets and operations of the City's Downtown Redevelopment Agency.

The City reports the following major proprietary funds:

*Water Fund* – to account for the assets, operation and maintenance of the City-owned water and sewer system.

*Sanitation Fund* – to account for the assets, operation and maintenance of the City's solid waste department.

*Golf Course Fund* – to account for the assets, operation and maintenance of the City-owned golf course.

*Airport Fund* – to account for the assets, operation and maintenance of the City-owned airport.

Additionally, the City reports the following fiduciary funds:

*Pension Trust Funds* – to account for activities of the City's pension plans.

**Measurement Focus and Basis of Accounting**

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 at the time liabilities are 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 funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Application of FASB Pronouncements**

For its enterprise funds, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents**

For purpose of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Enterprise Funds are net of a \$143,000 allowance. Accounts receivable of the Gas Authority are net of a \$51,590 allowance.

Most of the Mortgages Receivable balance is not expected to be repaid within the next fiscal year.

**Investments**

Investments are reported at fair value based on quoted market prices, except for money market investments, which are reported at cost, which approximates fair value.

**Inventories**

Inventories are stated at cost, based on the first-in, first-out method. Expense is charged as items are consumed.

**Long-Term Receivables**

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet, without regard to the fund's measurement focus. However, special reporting treatment is used to indicate that these receivables are not considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans and advances receivable are offset by fund balance reserves.

**Capital Assets**

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than infrastructure. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, use a capitalization threshold of \$100,000.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City began prospective reporting of general infrastructure assets at the effective date of GASB Statement No. 34. Effective October 1, 2006, the City began retroactive reporting of all major general governmental infrastructure assets. The estimated cost of the initial reporting of these assets was obtained through backtrending (i.e. estimating the current replacement cost of the infrastructure and using appropriate indices to deflate the cost to the estimated acquisition year). The reported values exclude basic road resurfacing, or other normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	30
Furniture, equipment and vehicles	3 – 10
Water and sewer distribution system	15 – 50
Plant assets and equipment	20 – 50
General infrastructure	35 – 50

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2008.

**Claims and Judgments**

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

**Compensated Absences**

The City's policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In prior years, compensated absence liabilities associated with governmental funds were liquidated by the funds that incurred the liabilities.

**Property Taxes**

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2008, property taxes receivable were not material.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Details of the City's tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November - February
No Discount Period	March
Delinquent Date	April 1

**Operating Revenues and Expenses**

The enterprise 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 an enterprise fund's principal ongoing operations. 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.

**Restricted Net Assets**

In the accompanying government-wide and proprietary funds' statements of net assets, *restricted net assets* are subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

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.

**Fund Balance Reserves**

*Governmental Funds* - Reserves represent portions of fund balances which cannot be appropriated for expenditure or which have been legally restricted for specific future uses.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

All of the City's and the Gas Authority's demand deposits, certificates of deposit, and money market accounts are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Investments**

Section 218.415, Florida Statutes, authorizes the City to invest excess public funds in the following:

- ◆ Direct obligations of the U.S. Treasury;
- ◆ Savings accounts and certificates of deposit in qualified public depositories;
- ◆ The Local Government Surplus Funds Trust Fund;
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating.

Deposits and investments are classified in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of Net Assets:		
Cash and Equivalents	\$ 9,747,983	\$ 232,582
Investments	723,776	3,658,754
Restricted Cash and Equivalents	775,334	-
Restricted Investments	501,885	-
Statement of Fiduciary Net Assets:		
Investments	<u>28,400,437</u>	<u>-</u>
Total Deposits and Investments	<u>\$ 40,149,415</u>	<u>\$ 3,891,336</u>

For purposes of risk disclosures, deposits and investments are comprised of the following:

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits with Financial Institutions, including Certificates of Deposit	\$ 11,247,093	\$ 3,891,336
Investments - Other than Pension	501,885	-
Investments - Pension	<u>28,400,437</u>	<u>-</u>
Total Deposits and Investments	<u>\$ 40,149,415</u>	<u>\$ 3,891,336</u>

The City's investments at September 30, 2008 are summarized in the following table:

	<u>Maturities</u>			
		<u>0-5 yrs</u>	<u>5-10 yrs</u>	<u>10+ yrs</u>
Pension Investments:				
Money Market & Other Cash Equivalents	\$ 1,419,085	\$ 1,419,085	\$ -	\$ -
Government Bonds and Notes	4,048,076	1,231,105	1,035,557	1,781,414
Corporate Bonds and Notes	7,692,014	1,365,070	6,326,944	-
Common Stock	5,363,190	5,363,190	-	-
Mutual Funds (REIT)	529,018	529,018	-	-
Mutual Funds (Foreign Equities)	1,142,629	1,142,629	-	-
Mutual Funds (Equities)	<u>8,206,425</u>	<u>8,206,425</u>	<u>-</u>	<u>-</u>
Total Pension Investments	28,400,437	19,256,522	7,362,501	1,781,414
Other Investments:				
Money Market Mutual Funds	501,885	501,885	-	-
Total	<u>\$ 28,902,322</u>	<u>\$ 19,758,407</u>	<u>\$ 7,362,501</u>	<u>\$ 1,781,414</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The City's investments in common stock, corporate bonds and notes, and government bonds and notes are rated as follows. Ratings are reported as of September 30, 2008, other than for certain equities of the General Employees Pension, totaling \$2,373,741, which are reported as of January 2009. Ratings for those equities are not available as of September 30, 2008, but are not believed to have changed substantially in that period.

<u>Common Stock</u>		<u>Corporate Bonds and Notes</u>		<u>Government Bonds and Notes</u>	
A+	12%	AAA	77%	AAA	100%
A	18%	AA2	4%	-	-
A-	10%	AA3	2%	-	-
B+	12%	A1	8%	-	-
B	19%	A2	6%	-	-
B-	6%	A3	1%	-	-
		BAA2	2%		
Not rated	23%	Not rated	0%	Not rated	-
Total	<u>100%</u>		<u>100%</u>		<u>100%</u>

The City's investments in mutual funds, money markets and foreign equities are not rated for credit quality by a nationally recognized statistical rating organization.

The City is exposed to the following risks associated with its investment portfolio:

*Credit Risk* - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

*Interest Rate Risk* - the risk that changes in interest rates will adversely affect the fair value of an investment.

*Concentration of Credit Risk* – the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. However, the City's three pension plans have each adopted investment policies that address the risks described above and set other investing guidelines. Those policies require the investments to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Furthermore, the policies of the Police and Firefighter Plan require diversification to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank in which the financial instruments are bought and sold. The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor's A1 or Moody's P-1 for cash instruments; Standard and Poor's BBB or Moody's Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 3 – INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2008 consisted of the following:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 245,000	\$ 46,138
Other Governmental Funds	14,048	-
Major Enterprise Funds:		
Water Fund	-	180,000
Sanitation Fund	-	65,000
Golf Course Fund	32,090	-
Total	<u>\$ 291,138</u>	<u>\$ 291,138</u>

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 4 – CAPITAL ASSET ACTIVITY**

During the year ended September 30, 2008, the following changes in capital assets occurred:

<u>Primary Government</u>	<u>Balance October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2008</u>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 3,954,430	\$ 2,791,750	\$ -	\$ 6,746,180
Construction in Progress	524,646	119,571	-	644,217
Total Capital Assets Not Being Depreciated	<u>4,479,076</u>	<u>2,911,321</u>	<u>-</u>	<u>7,390,397</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,647,098	329,692	-	4,976,790
Infrastructure	8,021,423	-	-	8,021,423
Furniture and Equipment	3,125,548	118,952	135,066	3,109,434
Total Capital Assets Being Depreciated	<u>15,794,069</u>	<u>448,644</u>	<u>135,066</u>	<u>16,107,647</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,966,427	206,641	-	2,173,068
Infrastructure	4,923,998	188,307	-	5,112,305
Furniture and Equipment	1,295,655	192,812	120,598	1,367,869
Total Accumulated Depreciation	<u>8,186,080</u>	<u>587,760</u>	<u>120,598</u>	<u>8,653,242</u>
Total Capital Assets Being Depreciated, Net	<u>7,607,989</u>	<u>(139,116)</u>	<u>14,468</u>	<u>7,454,405</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,087,065</u>	<u>\$ 2,772,205</u>	<u>\$ 14,468</u>	<u>\$ 14,844,802</u>
	<u>Balance October 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2008</u>
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 4,580,159	\$ -	\$ -	\$ 4,580,159
Construction in Progress	1,240,072	8,994,181	10,500	10,223,753
Total Capital Assets Not Being Depreciated	<u>5,820,231</u>	<u>8,994,181</u>	<u>10,500</u>	<u>14,803,912</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	13,011,009	67,590	-	13,078,599
Furniture and Equipment	2,620,711	189,468	240,234	2,569,945
Water and Sewer Distribution System	8,251,631	208,141	-	8,459,772
Plant Assets and Equipment	14,448,782	91,503	-	14,540,285
Total Capital Assets Being Depreciated	<u>38,332,133</u>	<u>556,702</u>	<u>240,234</u>	<u>38,648,601</u>
Less Accumulated Depreciation for:				
Building and Improvements	5,548,498	425,902	-	5,974,400
Furniture and Equipment	1,394,853	154,470	174,329	1,374,994
Water and Sewer Distribution System	2,824,866	211,010	-	3,035,876
Plant Assets and Equipment	7,822,262	392,371	-	8,214,633
Total Accumulated Depreciation	<u>17,590,479</u>	<u>1,183,753</u>	<u>174,329</u>	<u>18,599,903</u>
Total Capital Assets Being Depreciated, Net	<u>20,741,654</u>	<u>(627,051)</u>	<u>65,905</u>	<u>20,048,698</u>
Business-type Activities Capital Assets, Net	<u>\$ 26,561,885</u>	<u>\$ 8,367,130</u>	<u>\$ 76,405</u>	<u>\$ 34,852,610</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 4 – CAPITAL ASSET ACTIVITY**

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

Governmental Activities:	
General Government	\$ 187,628
Public Safety	160,582
Transportation	214,252
Human Services	4,294
Culture and Recreation	<u>21,004</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 587,760</u>
Business-type Activities:	
Water and Sewer	\$ 680,787
Sanitation	57,633
Airport	374,748
Golf Course	<u>70,585</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 1,183,753</u>

**Discretely Presented Component Unit**

Capital assets activity for the Gas Authority for the year ended September 30, 2008 follows:

	Balance October 1, 2007	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2008
Capital Assets Not Being Depreciated:				
Land	\$ 194,147	\$ -	\$ -	\$ 194,147
Capital Assets Being Depreciated:				
Buildings and Improvements	571,542	-	-	571,542
Furniture and Equipment	519,788	31,977	17,388	534,377
Plant Assets and Equipment	<u>2,683,972</u>	<u>69,961</u>	<u>690</u>	<u>2,753,243</u>
Total Capital Assets Being Depreciated	<u>3,775,302</u>	<u>101,938</u>	<u>18,078</u>	<u>3,859,162</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	60,337	14,280	-	74,617
Furniture and Equipment	383,206	35,019	17,388	400,837
Plant Assets and Equipment	<u>1,818,095</u>	<u>55,352</u>	<u>690</u>	<u>1,872,757</u>
Total Accumulated Depreciation	<u>2,261,638</u>	<u>104,651</u>	<u>18,078</u>	<u>2,348,211</u>
Total Capital Assets Being Depreciated, Net	<u>1,513,664</u>	<u>(2,713)</u>	<u>-</u>	<u>1,510,951</u>
Gas Authority Capital Assets, Net	<u>\$ 1,707,811</u>	<u>\$ (2,713)</u>	<u>\$ -</u>	<u>\$ 1,705,098</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 5 – LONG-TERM OBLIGATIONS**

Revenue bonds and notes payable consist of the following:

**Governmental Activities**

\$850,000 Fire truck loan, payable in quarterly installments through 10/1/2021, plus interest at 3.85%, revenue source - non-ad valorem revenues.	\$ 784,796
\$500,000 Road Improvement Revenue Bond, due in monthly installments including interest at 5.5%, through April 2010, payable from General Fund and secured by a covenant to budget and appropriate from legally available non-ad valorem revenues.	98,522
\$3,200,000 Infrastructure Surtax Revenue Note, payable in annual installments of \$266,667 through April 2020, plus interest at 5.19%, payable semiannually, secured by the One-Cent Infrastructure Surtax and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$4,279,520. During the current year, the City recognized infrastructure surtax revenues of \$802,482. No principal or interest payments were made or due as of September 30, 2008.	3,200,000
\$43,802 Police Vehicle Loan, payable from non-ad valorem revenues in annual installments of \$9,524 through June 2013, plus interest at 3.34%.	<u>41,781</u>
Total	<u>\$ 4,125,099</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 5 – LONG-TERM OBLIGATIONS**

**Business-type Activities**

<p>\$7,335,000 Water and Sewer System Improvement and Refunding Revenue Bonds, Series 1998, payable in varying installments through October 1, 2021, bearing interest from 4.25% to 5.0%, secured by a pledge of the net revenues of the water and sewer system and public service tax revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$7,814,373. During the current year, the City recognized net revenues of \$1,369,775 and made \$564,578 principal and interest payments.</p>	<p>\$ 5,785,000</p>
<p>\$714,914 Water Reuse System State Revolving Loan; interest rate of 1.34%. Repayment began in September 2005 in 30 semiannual payments. Secured by a pledge of the net revenues of the water and sewer system after satisfaction of senior obligations. The approximate amount of the pledge is equal to the remaining principal and interest of \$618,862. During the current year, the City recognized net revenues of \$1,369,775, which are first pledged to the senior obligation of the Series 1998 Bonds, and made \$53,822 principal and interest payments.</p>	<p>571,851</p>
<p>\$7,915,079 interim construction loan at 5.02% interest, due August 2010, payable solely from the proceeds of the permanent financing. The proceeds were used for construction of a new water treatment plant. The approximate amount of the pledge is equal to the remaining principal and interest of \$8,959,741. During the current year, the City recognized permanent financing proceeds of \$973,764 loan and \$4,568,907 grant, and made interest payments of \$576,015. No principal payments were made or due as of September 30, 2008.</p>	<p>7,915,079</p>
<p>\$973,764 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$32,945, payable in semiannual installments of \$23,389, including interest at 2.71%, through August 2038, from net revenues of the water and sewer system. The proceeds are to be used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that will not be covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,311,650. During the current year, the City recognized net revenues of \$1,369,775. No principal or interest payments were made or due as of September 30, 2008.</p>	<p>973,764</p>
<p>\$765,510 Sanitation Equipment Note; payable in monthly installments of \$10,341 including interest at 3.70% variable rate through October 31, 2012, revenue source - non-ad valorem revenues.</p>	<p>471,919</p>
<p>\$86,282 Airport Hangar Phase 4 Note, payable in monthly installments of \$1,198 plus interest at 5.15% through September 10, 2009, revenue source – net revenues of the airport operations. The approximate amount of the pledge is equal to the remaining principal and interest of \$15,634. During the current year, the City recognized net revenues of \$459,294, and made \$14,807 principal and interest payments.</p>	<p>15,231</p>
<p>\$750,000 Airport T-Hangar Revenue Note, payable in annual installments of \$50,000, plus interest at 6.5% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The proceeds are to be used for the construction of new hangars. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,146,533. During the current year, the City recognized net revenues of \$459,294. No principal or interest payments were made or due as of September 30, 2008.</p>	<p>750,000</p>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 5 – LONG-TERM OBLIGATIONS**

**Business-type Activities**

\$1,250,000 Airport Terminal Revenue Note, payable in annual installments of \$83,333, plus interest at 4.39%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The proceeds are to be used for a new airport terminal. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,695,341. During the current year, the City recognized net revenues of \$459,294. No principal or interest payments were made or due as of September 30, 2008. 1,250,000

\$1,700,000 Taxable Golf Course Revenue Note, Series 2008, payable in annual installments, plus interest at 6.5% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. Proceeds were used to reimburse the City's General and certain Enterprise Funds for prior advances, and to consolidate other smaller debt. The approximate amount of the pledge is equal to the remaining principal and interest of \$2,728,353. During the current year, the City had deficit net revenues of (\$145,871) and made \$240,008 principal and interest payments. The Golf Course Fund had available net assets carried over from prior year to cover the deficit net revenues. 1,700,000

Less Unamortized Discounts and Costs (116,347)

Total \$ 19,316,497

Aggregate maturities of revenue bonds and notes payable are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 382,529	\$ 200,754	\$ 680,973	\$ 1,049,110
2010	360,650	181,661	8,633,606	1,020,137
2011	325,523	164,964	744,300	465,179
2012	327,744	148,898	770,325	431,337
2013	327,760	132,667	687,556	396,818
2014-2018	1,636,764	422,050	3,759,909	1,471,366
2019-2023	764,129	57,387	3,791,897	492,934
2024-2028	-	-	276,647	36,283
2029-2033	-	-	87,631	3,595
Totals	<u>\$ 4,125,099</u>	<u>\$ 1,308,381</u>	<u>\$ 19,432,844</u>	<u>\$ 5,366,759</u>

Following is a summary of changes in long-term obligations:

**Governmental Activities**

	<u>Balance</u> <u>October 1,</u> <u>2007</u>			<u>Balance</u> <u>September 30,</u> <u>2008</u>		<u>Due</u> <u>Within</u> <u>One Year</u>
	<u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>2008</u>		
Revenue Bonds and Notes Payable	\$ 1,453,001	\$ 3,243,802	\$ 571,704	\$ 4,125,099	\$ 382,529	
Capital Leases	167,371	-	62,220	105,151	66,861	
Compensated Absences	400,500	238,600	287,100	352,000	100,000	
Total	<u>\$ 2,020,872</u>	<u>\$ 3,482,402</u>	<u>\$ 921,024</u>	<u>\$ 4,582,250</u>	<u>\$ 549,390</u>	

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 5 – LONG-TERM OBLIGATIONS**

**Business-type Activities**

	Balance October 1, <u>2007</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2008</u>	Due Within <u>One Year</u>
Water and Sewer Refunding Revenue					
Bonds Series 1998	\$ 6,075,000	\$ -	\$ 290,000	\$ 5,785,000	\$ 300,000
Less: Unamortized Issuance Costs	(132,088)	-	(15,741)	(116,347)	-
Drinking Water State Revolving Fund Loan	-	973,764	-	973,764	7,392
Sanitation Equipment	576,439	-	104,520	471,919	108,848
Water Reuse Loan	617,550	-	45,699	571,851	46,314
Florida Rural Utility Loan	943,012	6,972,067	-	7,915,079	-
Golf Course Revenue Bond	158,849	-	158,849	-	-
Golf Course Turf Maintenance Note	71,473	-	71,473	-	-
Golf Revenue Note	-	1,700,000	-	1,700,000	69,855
Airport Hangar Phase 4 Note	28,782	-	13,551	15,231	15,231
Airport Terminal Revenue Note	-	1,250,000	-	1,250,000	50,000
Airport T-Hangars Revenue Note	-	750,000	-	750,000	83,333
Total Revenue Bonds and Notes	<u>8,339,017</u>	<u>11,645,831</u>	<u>668,351</u>	<u>19,316,497</u>	<u>680,973</u>
Capital Leases	8,778	-	8,778	-	-
County Water/Sewer Agreement	136,673	-	4,403	132,270	-
SJRWMD Water/Sewer Agreement	11,293	-	-	11,293	-
Compensated Absences	210,580	154,850	126,500	238,930	59,000
Total	<u>\$ 8,706,341</u>	<u>\$ 11,800,681</u>	<u>\$ 808,032</u>	<u>\$ 19,698,990</u>	<u>\$ 739,973</u>

The City has a \$84,225, 5.25% capital lease for a street sweeper due in annual installments of \$44,711, maturing October 2008 and a \$92,000, 4.45% capital lease for police vehicles due in monthly installments of \$2,098 payable from the General Fund and reported in governmental activities.

Future lease payments, together with the present value of the minimum lease payments, are summarized in the following tabulation:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental</u> <u>Activities</u>
2009	71,721
2010	25,186
2011	14,533
Total Minimum Lease Payments	<u>111,440</u>
Less: Amount Representing Interest	6,289
Present Value of Net Minimum Lease Payments	<u>\$ 105,151</u>

The City has long-term water/sewer agreements with the St. Johns River Water Management District and Putnam County, which are liquidated when permit costs are incurred or new business hook-ups are made in the Highway 19 corridor.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 6 – RESTRICTED NET ASSETS**

The following schedule displays restricted assets, liabilities payable from those assets, and restricted net assets.

	<b>Business-type Activities</b>
Restricted Assets:	
Cash and Equivalents	\$ 775,334
Investments	<u>501,885</u>
Total	<u>1,277,219</u>
Liabilities Payable from Restricted Assets:	
Current Portion of Debt Service:	
Principal	346,314
Interest	<u>138,197</u>
Total	<u>484,511</u>
Restricted Net Assets	<u><u>\$ 792,708</u></u>

The City has no net assets reported on the Statement of Net Assets that are restricted by enabling legislation.

**NOTE 7 – EMPLOYEE BENEFITS**

**Pension Plan**

*Plan Description.* The City sponsors a single-employer public employee retirement system (the "System") administered by the City of Palatka, Pension Boards of Trustees. The System administers the City Employees Retirement Plan (the "Plan") which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2008 the City recognized \$74,734 and \$61,091 in the General Fund for State contributions to the Police Officers' and Firefighters' Retirement Funds, respectively. The City accounts for the Plan in three Pension Trust Funds, corresponding to three benefit groups as follows:

- General – all members not included in Police Officers and Firefighters
- Police Officers – all state-certified police officers
- Firefighters – all state-certified firefighters

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 7 – EMPLOYEE BENEFITS**

The Plan provides for vesting of benefits after 7 years of creditable service. All members are eligible for normal retirement after 7 years of service and attaining age 50 or after 30 years of service regardless of age. Additionally, police and fire employees are also eligible after age 55 and attaining 10 years of service, or after age 52 and attaining 25 years of service. The Plan also provides for disability, retirement and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer and firefighter members, annual benefits for the plan year beginning October 1, 2006, are equal to total years of service times 2.5%, 2.5% and 3.3%, respectively, of final average compensation (highest 3 consecutive years of the last five). No other changes in benefit provisions have been made for the plan year beginning October 1, 2006. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. The minimum benefit for non-duty disability for all members is 25% of final average compensation.

The Boards of Trustees establish and may amend provisions of the plan related to participant eligibility, contribution requirements, vesting, and benefit provisions. However, these plan provisions are subject to minimum requirements established in Chapters 112, 175, and 185, Florida Statutes. The Plan does not issue a stand-alone financial report.

Current membership in the Plan as of September 30, 2008 is as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Active Employees	117	36	17	170
Service Retirees and Beneficiaries	56	18	7	81
Disability Retirees	-	2	-	2
Terminated Vested	5	3	3	11
DROP	13	-	3	16
<b>Total</b>	<u>191</u>	<u>59</u>	<u>30</u>	<u>280</u>

Funded Status and Funding Progress: The funded status of each plan as of October 1, 2008, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
General Plan	\$ 16,024	\$ 16,624	\$ 600	96%	\$ 3,512	17%
Police Officers Plan	\$ 8,173	\$ 8,073	\$ (100)	101%	\$ 1,708	(6)%
Firefighters Plan	\$ 6,269	\$ 7,235	\$ 965	87%	\$ 718	135%

The required schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 7 – EMPLOYEE BENEFITS**

*Funding Policy and Annual Pension Cost.* Administrative costs of the Plan are financed through investment earnings. The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Contribution Rates:			
City	15.6%	15.5%	17.5%
Plan Members	6.0%	6.0%	6.0%
Annual Pension Cost	559,533	297,845	124,076
Contributions Made	559,533	297,845	124,076
Actuarial Valuation Date	10/1/2006	10/1/2006	10/1/2006
Actuarial Cost Method	Frozen Entry Age	Frozen Entry Age	Entry Age Normal
Amortization Method	Level % of Payroll-Closed	Level % of Payroll-Closed	Level % of Payroll-Closed
Remaining Amortization Period	27 Years	30 Years	30 Years
Asset Valuation Method	4 Year Smooth	4 Year Smooth	4 Year Smooth
Actuarial Assumptions:			
Investment Rate of Return	8.0%	8.0%	8.0%
Projected Salary Increases*	6.0%	6.0%	6.0%
* Includes Inflation at	3.0%	3.0%	3.0%

**THREE YEAR TREND INFORMATION**

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General	9/30/2008	\$559,533	100%	\$ -
	9/30/2007	602,616	100%	-
	9/30/2006	482,801	100%	-
Police Officers	9/30/2008	\$297,845	100%	\$ -
	9/30/2007	256,341	100%	-
	9/30/2006	195,000	100%	-
Firefighters	9/30/2008	\$124,076	100%	\$ -
	9/30/2007	121,177	100%	-
	9/30/2006	113,054	100%	-

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 7 – EMPLOYEE BENEFITS**

**Combining Statement of Fiduciary Net Assets**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Money Market and Other Cash Equivalents	\$ 455,330	\$ 501,831	\$ 461,924	\$ 1,419,085
Government Bonds and Notes	-	2,095,790	1,952,285	4,048,075
Corporate Bonds and Notes	5,881,319	1,003,864	806,831	7,692,014
Mutual Funds (REIT)	-	271,367	257,652	529,019
Mutual Funds - Equities	5,381,055	2,173,958	1,794,042	9,349,055
Common Stock/Equities	<u>3,109,051</u>	<u>1,198,380</u>	<u>1,055,758</u>	<u>5,363,189</u>
Total Investments	14,826,755	7,245,190	6,328,492	28,400,437
Receivables	<u>26,796</u>	<u>58,891</u>	<u>18,457</u>	<u>104,144</u>
<b>TOTAL ASSETS</b>	<u>14,853,551</u>	<u>7,304,081</u>	<u>6,346,949</u>	<u>28,504,581</u>
<b>LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>17,088</u>	<u>17,088</u>
<b>NET ASSETS</b>				
Held in Trust for Pension Benefits	<u>\$ 14,853,551</u>	<u>\$ 7,304,081</u>	<u>\$ 6,329,861</u>	<u>\$ 28,487,493</u>

**Combining Statement of Changes in Fiduciary Net Assets**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<b>ADDITIONS</b>				
<b>CONTRIBUTIONS:</b>				
Employer	\$ 559,533	\$ 297,845	\$ 124,076	\$ 981,454
Member	219,716	129,585	43,778	393,079
State on Behalf, through General Fund	-	74,734	61,091	135,825
<b>TOTAL CONTRIBUTIONS</b>	<u>779,249</u>	<u>502,164</u>	<u>228,945</u>	<u>1,510,358</u>
<b>INVESTMENT INCOME (LOSS):</b>				
Net Appreciation (Depreciation) in Fair Value of Investments	(2,206,389)	(966,279)	(835,424)	(4,008,092)
Interest	-	153,995	142,751	296,746
Dividends	79,587	106,633	86,140	272,360
	<u>(2,126,802)</u>	<u>(705,651)</u>	<u>(606,533)</u>	<u>(3,438,986)</u>
Less Investment Management Fee	114,155	24,405	21,952	160,512
<b>NET INVESTMENT LOSS</b>	<u>(2,240,957)</u>	<u>(730,056)</u>	<u>(628,485)</u>	<u>(3,599,498)</u>
<b>TOTAL ADDITIONS</b>	<u>(1,461,708)</u>	<u>(227,892)</u>	<u>(399,540)</u>	<u>(2,089,140)</u>
<b>DEDUCTIONS</b>				
Member Benefits	751,819	472,904	294,409	1,519,132
Withdrawals	64,289	12,865	21,227	98,381
Administrative Expense	20,202	49,401	46,775	116,378
<b>TOTAL DEDUCTIONS</b>	<u>836,310</u>	<u>535,170</u>	<u>362,411</u>	<u>1,733,891</u>
<b>CHANGE IN NET ASSETS</b>	(2,298,018)	(763,062)	(761,951)	(3,823,031)
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year</b>	<u>17,151,569</u>	<u>8,067,143</u>	<u>7,091,812</u>	<u>32,310,524</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year</b>	<u>\$ 14,853,551</u>	<u>\$ 7,304,081</u>	<u>\$ 6,329,861</u>	<u>\$ 28,487,493</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 7 – EMPLOYEE BENEFITS**

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 8 – POST EMPLOYMENT BENEFITS**

The City's health care policy includes certain health care benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The premiums for the retirees are deducted from their Pension account, and are entirely paid by those participants. The City pays no portion of the premiums attributable to the retirees. During 2008, 12 retiree participants received health care benefits.

There are no retiree life insurance benefits, other than for one retiree, who was included several years ago in the City's life insurance policies prior to the City ceasing that benefit. The City pays no portion of the premiums attributable to the retiree participant.

In the year ending September 30, 2009, the City will implement GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**NOTE 9 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self Insurance Fund (the "Fund") a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The City's settled claims have not exceeded coverage in any of the past three fiscal years.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2008**

**NOTE 10 – COMMITMENTS**

The City leases some of its police vehicles and golf carts under operating leases. Lease payments for the year ended September 30, 2008 were \$366,645. Future lease payments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$ 177,092	\$ 33,906
2010	66,310	41,796
2011	<u>60,784</u>	<u>24,381</u>
Total	<u>\$ 304,186</u>	<u>\$ 100,083</u>

At September 30, 2008, the City had remaining commitments for approximately \$3.8 million for airport improvements, \$771,000 for wastewater reuse line improvements, and \$606,000 for water treatment plant.

**NOTE 11 – CONTINGENCIES**

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City can not be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

**NOTE 12 – SUBSEQUENT EVENTS**

Subsequent to September 30, 2008, the following occurred:

The stock market experienced a decline in value, which affects the carrying value of the City's investments.

The City Commission temporarily suspended collection of all impact fees, in an effort to stimulate the local economy.

The City issued a half-cent sales tax revenue note in the amount of \$1,393,000 to finance the cost of water metering equipment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Palatka, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u> <u>Budget</u>
<b>REVENUES</b>				
Taxes	\$ 7,491,029	\$ 7,491,029	\$ 7,511,986	\$ 20,957
Licenses and Permits	185,000	185,000	191,364	6,364
Intergovernmental	1,165,098	1,443,190	1,367,611	(75,579)
Charges for Services	127,200	130,460	176,968	46,508
Fines and Forfeitures	59,800	80,891	85,850	4,959
Miscellaneous	241,546	291,411	190,912	(100,499)
<b>TOTAL REVENUES</b>	<u>9,269,673</u>	<u>9,621,981</u>	<u>9,524,691</u>	<u>(97,290)</u>
<b>EXPENDITURES</b>				
Current:				
General Government	1,091,488	4,402,021	3,900,803	501,218
Public Safety	5,841,872	6,378,606	6,127,251	251,355
Physical Environment	-	117,133	163,198	(46,065)
Transportation	1,166,142	1,250,286	759,315	490,971
Human Services	229,042	235,838	227,715	8,123
Culture and Recreation	549,819	700,579	897,530	(196,951)
Debt Service:				
Principal Retirement	527,810	524,174	522,124	2,050
Interest and Fiscal Charges	38,500	42,136	46,783	(4,647)
<b>TOTAL EXPENDITURES</b>	<u>9,444,673</u>	<u>13,650,773</u>	<u>12,644,719</u>	<u>1,006,054</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(175,000)</u>	<u>(4,028,792)</u>	<u>(3,120,028)</u>	<u>908,764</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	175,000	175,000	245,000	70,000
Transfers Out	-	(32,090)	(46,138)	(14,048)
Debt Issued	-	3,243,802	3,243,802	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>175,000</u>	<u>3,386,712</u>	<u>3,442,664</u>	<u>55,952</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(642,080)	322,636	964,716
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<u>-</u>	<u>642,080</u>	<u>1,684,225</u>	<u>1,042,145</u>
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,006,861</u>	<u>\$ 2,006,861</u>

**City of Palatka, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Downtown Redevelopment Agency Fund**  
**For the Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 578,910	\$ 578,910	\$ 578,911	\$ 1
Miscellaneous	-	-	30,292	30,292
<b>TOTAL REVENUES</b>	<u>578,910</u>	<u>578,910</u>	<u>609,203</u>	<u>30,293</u>
<b><u>EXPENDITURES</u></b>				
Economic Environment	1,525,899	1,455,459	143,842	1,311,617
Debt Service:				
Principal Retirement	37,267	111,800	111,800	-
Interest and Fiscal Charges	6,842	2,749	2,749	-
<b>TOTAL EXPENDITURES</b>	<u>1,570,008</u>	<u>1,570,008</u>	<u>258,391</u>	<u>1,311,617</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(991,098)	(991,098)	350,812	1,341,910
<b>FUND BALANCES - Beginning of Year</b>	<u>991,098</u>	<u>991,098</u>	<u>984,320</u>	<u>(6,778)</u>
<b>FUND BALANCES - End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,335,132</u>	<u>\$ 1,335,132</u>

**City of Palatka, Florida  
Schedules of Funding Progress**

**General Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of Assets (000's)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (000's)</u>	<u>Unfunded AAL (UAAL) (000's)</u>	<u>Funded Ratio</u>	<u>Covered Payroll (000's)</u>	<u>UAAL As A Percent Of Covered Payroll</u>
9/30/2008	\$ 16,024	\$ 16,624	\$ 600	96%	\$ 3,512	17%
9/30/2007	15,435	16,116	733	96%	3,594	20%
9/30/2006	14,209	14,956	747	95%	3,421	22%
9/30/2005	13,196	13,802	605	96%	3,340	18%
9/30/2004	12,505	13,162	657	95%	3,116	21%
9/30/2003	12,060	12,701	641	95%	3,263	20%

**Police Officers' Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of Assets (000's)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (000's)</u>	<u>Unfunded AAL (UAAL) (000's)</u>	<u>Funded Ratio</u>	<u>Covered Payroll (000's)</u>	<u>UAAL As A Percent Of Covered Payroll</u>
9/30/2008	\$ 8,173	\$ 8,073	\$ (100)	101%	\$ 1,708	(6)%
9/30/2007	7,847	7,921	74	99%	1,629	5%
9/30/2006	7,317	7,368	51	99%	1,817	3%
9/30/2005	6,830	6,850	21	100%	1,452	1%
9/30/2004	6,594	6,604	10	100%	1,294	1%
9/30/2003	6,568	6,667	99	99%	1,150	9%

**Firefighters' Plan**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value Of Assets (000's)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (000's)</u>	<u>Unfunded AAL (UAAL) (000's)</u>	<u>Funded Ratio</u>	<u>Covered Payroll (000's)</u>	<u>UAAL As A Percent Of Covered Payroll</u>
9/30/2008	\$ 6,269	\$ 7,235	\$ 965	87%	\$ 718	135%
9/30/2007	6,150	7,241	1,091	85%	646	169%
9/30/2006	5,883	7,054	1,171	83%	600	195%
9/30/2005	5,638	6,613	976	85%	804	121%
9/30/2004	5,534	6,228	694	89%	751	92%
9/30/2003	5,533	5,533	-	100%	630	0%

**City of Palatka, Florida**  
**Schedules of Contributions From Employer and Other Contributing Entities**  
**September 30, 2008**

**General Plan**

<u>Year Ended</u>	<u>Employer Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2008	\$ 559,533	\$ 559,533	100.00%
9/30/2007	602,616	602,616	100.00%
9/30/2006	482,801	482,801	100.00%
9/30/2005	444,247	444,247	100.00%
9/30/2004	365,266	365,266	100.00%
9/30/2003	266,454	266,454	100.00%

**Police Officers' Plan**

<u>Year Ended</u>	<u>Employer Contributions</u>			<u>State Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2008	\$ 297,845	\$ 297,845	100.00%	\$ 74,734	\$ 74,734	100.00%
9/30/2007	256,341	256,341	100.00%	77,732	77,732	100.00%
9/30/2006	195,000	195,000	100.00%	76,219	76,219	100.00%
9/30/2005	191,944	191,944	100.00%	74,734	74,734	100.00%
9/30/2004	135,908	135,908	100.00%	72,672	72,672	100.00%
9/30/2003	127,497	127,497	100.00%	71,146	71,146	100.00%

**Firefighters' Plan**

<u>Year Ended</u>	<u>Employer Contributions</u>			<u>State Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2008	\$ 124,076	\$ 124,076	100.00%	\$ 61,091	\$ 61,091	100.00%
9/30/2007	121,177	121,177	100.00%	72,110	72,110	100.00%
9/30/2006	113,054	113,054	100.00%	64,624	64,624	100.00%
9/30/2005	-	-	100.00%	58,983	58,983	100.00%
9/30/2004	-	-	100.00%	57,048	57,048	100.00%
9/30/2003	-	-	100.00%	48,811	48,811	100.00%

**City of Palatka, Florida**  
**Notes to Required Supplementary Information**

**Notes to Budgetary Comparison Schedule**

The budget is prepared and adopted on the modified accrual basis of accounting.

On or before the first day in August of each year, the City Manager submits to the City Commission a budget for the ensuing fiscal year, along with an accompanying budget message. The general summary of the budget and notice of public hearing is published in the local newspaper. Prior to the last day of September, the budget is legally enacted. All appropriations lapse at the end of the fiscal year.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. The City Manager can approve budget transfers within and between operating departments and divisions of the same fund. All interfund transfers require prior approval of the City Commission. Therefore, the fund level is the legal level of control for budget considerations.

Annual budgets are adopted for all governmental funds except the non-major CDBG Special Revenue Fund, which adopts a project-length budget.

**SUPPLEMENTAL INFORMATION**

## FIDUCIARY FUNDS

### PENSION TRUST FUNDS

Pension Trust Funds are used to account for public employee retirement systems.

General Retirement Fund –To account for the accumulation of resources to be used for pension payments to retired City employees.

Police Officers' Retirement Fund – To account for the accumulation of resources to be used for pension payments to participants of the City's Police Officers' Retirement Plan.

Firefighters' Retirement Fund – To account for the accumulation of resources to be used for pension payments to participants of the City's Firefighters' Retirement Plan.

**City of Palatka, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2008**

	<b>General Retirement Fund</b>	<b>Police Officers' Retirement Fund</b>	<b>Firefighters' Retirement Fund</b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>				
Investments:				
Money Market and Other				
Cash Equivalents	\$ 455,330	\$ 501,831	\$ 461,924	\$ 1,419,085
Government Bonds and Notes	-	2,095,790	1,952,285	4,048,075
Corporate Bonds and Notes	5,881,319	1,003,864	806,831	7,692,014
Mutual Funds (REIT)	-	271,367	257,652	529,019
Mutual Funds - Equities	5,381,055	2,173,958	1,794,042	9,349,055
Common Stock/Equities	3,109,051	1,198,380	1,055,758	5,363,189
Receivables	26,796	58,891	18,457	104,144
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	14,853,551	7,304,081	6,346,949	28,504,581
<b><u>LIABILITIES</u></b>				
Accounts Payable	-	-	17,088	17,088
	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>NET ASSETS</u></b>				
Held in Trust for Pension Benefits	<u>\$ 14,853,551</u>	<u>\$ 7,304,081</u>	<u>\$ 6,329,861</u>	<u>\$ 28,487,493</u>

**City of Palatka, Florida**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2008**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters'- Retirement Fund</u>	<u>Total</u>
<b><u>ADDITIONS</u></b>				
<b>CONTRIBUTIONS:</b>				
Employer	\$ 559,533	\$ 297,845	\$ 124,076	\$ 981,454
Member	219,716	129,585	43,778	393,079
State on Behalf, through General Fund	-	74,734	61,091	135,825
<b>TOTAL CONTRIBUTIONS</b>	<u>779,249</u>	<u>502,164</u>	<u>228,945</u>	<u>1,510,358</u>
<b>INVESTMENT INCOME (LOSS):</b>				
Net Depreciation in Fair Value of Investments	(2,206,389)	(966,279)	(835,424)	(4,008,092)
Interest	-	153,995	142,751	296,746
Dividends	79,587	106,633	86,140	272,360
	<u>(2,126,802)</u>	<u>(705,651)</u>	<u>(606,533)</u>	<u>(3,438,986)</u>
Less Investment Management Fee	114,155	24,405	21,952	160,512
<b>NET INVESTMENT LOSS</b>	<u>(2,240,957)</u>	<u>(730,056)</u>	<u>(628,485)</u>	<u>(3,599,498)</u>
<b>TOTAL ADDITIONS</b>	<u>(1,461,708)</u>	<u>(227,892)</u>	<u>(399,540)</u>	<u>(2,089,140)</u>
<b><u>DEDUCTIONS</u></b>				
Member Benefits	751,819	472,904	294,409	1,519,132
Withdrawals	64,289	12,865	21,227	98,381
Administrative Expense	20,202	49,401	46,775	116,378
<b>TOTAL DEDUCTIONS</b>	<u>836,310</u>	<u>535,170</u>	<u>362,411</u>	<u>1,733,891</u>
<b>CHANGE IN NET ASSETS</b>	<u>(2,298,018)</u>	<u>(763,062)</u>	<u>(761,951)</u>	<u>(3,823,031)</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year</b>	<u>17,151,569</u>	<u>8,067,143</u>	<u>7,091,812</u>	<u>32,310,524</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year</b>	<u>\$ 14,853,551</u>	<u>\$ 7,304,081</u>	<u>\$ 6,329,861</u>	<u>\$ 28,487,493</u>

**STATISTICAL SECTION**  
**(unaudited)**

## Statistical Section

This part of the City of Palatka comprehensive annual financial report represents 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.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>41</b>
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>45</b>
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	<b>49</b>
These schedules present 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.	
<b>Demographic and Economic Information</b>	<b>54</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
<b>Operating Information</b>	<b>55</b>
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city 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.

Table 1  
City of Palatka, Florida

Net Assets by Component - Last Six Fiscal Years

	Fiscal Years Ending September 30 -----					
	2003	2004	2005	2006	2007	2008
<b>Governmental Activities</b>						
Invested in Capital Assets, Net of Related Debt	\$4,844,714	\$5,146,607	\$5,387,086	\$5,506,649	\$10,466,693	\$10,614,552
Restricted	\$268,690	\$335,292	\$416,950	\$598,837	\$1,042,741	\$1,437,259
Unrestricted	<u>\$1,224,152</u>	<u>\$1,731,832</u>	<u>\$1,460,887</u>	<u>\$1,496,520</u>	<u>\$1,328,481</u>	<u>\$1,693,797</u>
<b>Total Governmental Activities Net Assets</b>	<b><u>\$6,337,556</u></b>	<b><u>\$7,213,731</u></b>	<b><u>\$7,264,923</u></b>	<b><u>\$7,602,006</u></b>	<b><u>\$12,837,915</u></b>	<b><u>\$13,745,608</u></b>
<b>Business-Type Activities</b>						
Invested in Capital Assets, Net of Related Debt	\$14,199,619	\$15,138,704	\$15,725,064	\$17,072,755	\$18,066,125	\$15,276,203
Restricted	\$1,542,942	\$806,035	\$830,601	\$779,907	\$773,851	\$792,708
Unrestricted	<u>\$88,458</u>	<u>\$943,366</u>	<u>\$655,193</u>	<u>-\$17,020</u>	<u>\$802,248</u>	<u>\$8,827,626</u>
<b>Total Business-Type Activities Net Assets</b>	<b><u>\$15,831,019</u></b>	<b><u>\$16,888,105</u></b>	<b><u>\$17,210,858</u></b>	<b><u>\$17,835,642</u></b>	<b><u>\$19,642,224</u></b>	<b><u>\$24,896,537</u></b>
<b>Primary Government</b>						
Invested in Capital Assets, Net of Related Debt	\$19,044,333	\$20,285,311	\$21,112,150	\$22,579,404	\$28,532,818	\$25,890,755
Restricted	\$1,811,632	\$1,141,327	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967
Unrestricted	<u>\$1,312,610</u>	<u>\$2,675,198</u>	<u>\$2,116,080</u>	<u>\$1,479,500</u>	<u>\$2,130,729</u>	<u>\$10,521,423</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$22,168,575</u></b>	<b><u>\$24,101,836</u></b>	<b><u>\$24,475,781</u></b>	<b><u>\$25,437,648</u></b>	<b><u>\$32,480,139</u></b>	<b><u>\$38,642,145</u></b>

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

Table 2  
City of Palatka, Florida

Changes in Net Assets - Last Six Fiscal Years

	Fiscal Years Ending September 30 ---					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
<b>Governmental Activities:</b>						
General Government	\$805,254	\$879,252	\$957,828	\$882,002	\$677,251	\$852,906
Public Safety	\$4,217,475	\$4,614,844	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601
Physical Environment	n/a	n/a	\$16,191	\$14,028	\$481,343	\$295,824
Transportation	\$568,028	\$631,355	\$1,142,443	\$1,382,910	\$1,282,350	\$973,566
Economic Environment	\$50,538	\$66,979	\$63,715	\$134,348	\$102,299	\$148,148
Human Services	\$147,360	\$186,242	\$176,399	\$212,165	\$227,525	\$232,009
Culture and Recreation	\$341,136	\$540,808	\$443,796	\$505,841	\$561,238	\$822,826
Interest on Long-Term Debt	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532
<b>Total Governmental Activities Expenses</b>	<b>\$6,164,807</b>	<b>\$6,950,105</b>	<b>\$7,701,947</b>	<b>\$8,767,035</b>	<b>\$9,573,034</b>	<b>\$9,585,412</b>
<b>Business-type Activities:</b>						
Airport	\$617,672	\$654,561	\$659,324	\$854,457	\$974,382	\$1,127,150
Water	\$3,113,053	\$3,239,058	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447
Golf	\$803,795	\$773,144	\$803,434	\$933,767	\$1,004,007	\$1,014,105
Sanitation	\$1,227,770	\$1,273,168	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689
<b>Total Business-type Activities Expenses</b>	<b>\$5,762,290</b>	<b>\$5,939,931</b>	<b>\$6,405,360</b>	<b>\$6,871,457</b>	<b>\$7,218,931</b>	<b>\$7,957,391</b>
<b>Total Primary Government Expenses</b>	<b>\$11,927,097</b>	<b>\$12,890,036</b>	<b>\$14,107,307</b>	<b>\$15,638,492</b>	<b>\$16,791,965</b>	<b>\$17,542,803</b>
<b>Program Revenues</b>						
<b>Governmental Activities:</b>						
<b>Charges for Services:</b>						
General Government	\$102,144	\$115,774	\$108,424	\$102,416	\$100,431	\$116,431
Public Safety	\$230,062	\$316,470	\$279,116	\$322,191	\$234,747	\$235,176
Other	\$170,592	\$152,957	\$179,865	\$167,965	\$198,985	\$182,337
Operating Grants and Contributions	\$314,102	\$777,845	\$573,201	\$832,506	\$912,670	\$705,287
Capital Grants and Contributions	\$267,530	\$1,816,727	\$765,763	\$874,390	\$1,463,953	\$1,090,723
<b>Total Governmental Activities Program Revenue:</b>	<b>\$1,084,430</b>	<b>\$3,179,773</b>	<b>\$1,906,369</b>	<b>\$2,299,468</b>	<b>\$2,910,786</b>	<b>\$2,329,954</b>
<b>Business-type Activities:</b>						
<b>Charges for Services :</b>						
Airport	\$275,335	\$305,496	\$386,036	\$567,999	\$506,385	\$709,468
Water	\$2,993,651	\$3,089,418	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813
Golf	\$645,426	\$531,170	\$711,672	\$762,061	\$751,903	\$754,328
Sanitation	\$1,297,709	\$1,329,226	\$1,426,784	\$1,430,572	\$1,518,191	\$1,500,141
Operating Grants and Contributions	\$20,095	\$61,500	\$139,118	\$0	\$7,000	-
Capital Grants and Contributions	\$1,293,561	\$929,654	\$981,176	\$1,423,874	\$2,451,986	\$6,301,063
<b>Total Business-type Activities Program Revenue:</b>	<b>\$6,525,777</b>	<b>\$6,246,464</b>	<b>\$6,779,585</b>	<b>\$7,298,393</b>	<b>\$8,694,853</b>	<b>\$12,881,813</b>
<b>Total Primary Government Program Revenue:</b>	<b>\$7,610,207</b>	<b>\$9,426,237</b>	<b>\$8,685,954</b>	<b>\$9,597,861</b>	<b>\$11,605,639</b>	<b>\$15,211,767</b>
<b>Net (Expense)/Revenue</b>						
Governmental Activities	(\$5,080,377)	(\$3,770,332)	(\$5,795,578)	(\$6,467,567)	(\$6,662,248)	(\$7,255,458)
Business-type Activities	\$763,487	\$306,533	\$374,225	\$426,936	\$1,475,922	\$4,924,422
<b>Total Primary Government Net Expense</b>	<b>(\$4,316,890)</b>	<b>(\$3,463,799)</b>	<b>(\$5,421,353)</b>	<b>(\$6,040,631)</b>	<b>(\$5,186,326)</b>	<b>(\$2,331,036)</b>
<b>General Revenues and Other Changes in Net Assets</b>						
<b>Governmental Activities:</b>						
<b>Taxes:</b>						
Property Taxes	\$2,117,963	\$2,440,143	\$2,765,692	\$3,334,384	\$3,805,051	\$3,942,201
Sales Tax and Other State Shared Revenue	\$765,778	\$794,003	\$848,661	\$888,738	\$894,912	\$863,426
Franchise Fees	\$547,816	\$611,540	\$684,678	\$911,188	\$915,447	\$898,638
Other Taxes	\$2,028,649	\$1,282,812	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626
Investment Earnings	\$27,686	\$30,041	\$50,519	\$64,090	\$62,975	\$81,319
Miscellaneous	\$44,862	\$57,250	\$54,804	\$79,721	\$85,774	\$50,031
Transfers	\$184,832	(\$569,282)	\$135,297	\$22,214	\$142,873	\$212,910
<b>Total Governmental Activities</b>	<b>\$5,717,586</b>	<b>\$4,646,507</b>	<b>\$5,846,770</b>	<b>\$6,804,650</b>	<b>\$7,650,391</b>	<b>\$8,163,151</b>
<b>Business-type Activities:</b>						
Investment Earnings	\$7,322	\$6,749	\$11,071	\$19,859	\$17,786	\$421,634
Miscellaneous	(\$2,587)	\$174,522	\$72,754	\$200,203	\$455,747	\$121,167
Transfers	(\$184,832)	\$569,282	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)
<b>Total Business-type Activities</b>	<b>(\$180,097)</b>	<b>\$750,553</b>	<b>(\$51,472)</b>	<b>\$197,848</b>	<b>\$330,660</b>	<b>\$329,891</b>
<b>Total Primary Government</b>	<b>\$5,537,489</b>	<b>\$5,397,060</b>	<b>\$5,795,298</b>	<b>\$7,002,498</b>	<b>\$7,981,051</b>	<b>\$8,493,042</b>
<b>Changes in Net Assets</b>						
Governmental Activities	\$637,209	\$876,175	\$51,192	\$337,083	\$988,143	\$907,693
Business-type Activities	\$583,390	\$1,057,086	\$322,753	\$624,784	\$1,806,582	\$5,254,313
<b>Total Primary Government</b>	<b>\$1,220,599</b>	<b>\$1,933,261</b>	<b>\$373,945</b>	<b>\$961,867</b>	<b>\$2,794,725</b>	<b>\$6,162,006</b>

Note: The city began to report accrual information when it implemented GASB statement 34 in fiscal year 2003

Table 3  
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Fund</b>										
Reserved	\$73,445	\$73,445	\$0	\$0	\$0	\$0	\$0	\$0	\$1,269,605	\$0
Unreserved	\$1,273,818	\$1,321,801	\$1,086,552	\$1,152,879	\$1,446,537	\$1,801,421	\$1,785,860	\$1,767,288	\$414,620	\$2,006,861
<b>Total General Fund</b>	<b><u>\$1,347,263</u></b>	<b><u>\$1,395,246</u></b>	<b><u>\$1,086,552</u></b>	<b><u>\$1,152,879</u></b>	<b><u>\$1,446,537</u></b>	<b><u>\$1,801,421</u></b>	<b><u>\$1,785,860</u></b>	<b><u>\$1,767,288</u></b>	<b><u>\$1,684,225</u></b>	<b><u>\$2,006,861</u></b>
<b>All Other Governmental Funds</b>										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	\$160,508	\$219,404	\$303,141	\$285,883	\$338,928	\$408,727	\$490,642	\$681,477	\$1,042,741	\$1,437,259
<b>Total All Other Governmental Funds</b>	<b><u>\$160,508</u></b>	<b><u>\$219,404</u></b>	<b><u>\$303,141</u></b>	<b><u>\$285,883</u></b>	<b><u>\$338,928</u></b>	<b><u>\$408,727</u></b>	<b><u>\$490,642</u></b>	<b><u>\$681,477</u></b>	<b><u>\$1,042,741</u></b>	<b><u>\$1,437,259</u></b>

Source: Audited financial statements

Table 4  
City of Palatka, Florida

Changes in Fund Balances, Governmental Funds - Last Ten Fiscal Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Taxes	\$3,494,848	\$3,568,182	\$3,846,536	\$3,909,720	\$4,694,428	\$5,350,377	\$5,844,778	\$6,939,634	\$7,681,577	\$8,090,897
License and Permits	\$143,424	\$163,876	\$172,552	\$273,989	\$199,014	\$303,236	\$194,268	\$219,316	\$199,194	\$191,364
Intergovernmental	\$1,453,756	\$1,846,646	\$1,447,852	\$1,189,233	\$1,434,787	\$2,246,481	\$1,339,897	\$1,414,018	\$2,052,538	\$1,521,038
Charges for Services	\$79,608	\$140,605	\$118,495	\$153,156	\$144,096	\$118,285	\$156,139	\$138,910	\$196,549	\$176,968
Fines and Forfeitures	\$119,719	\$109,075	\$91,395	\$85,065	\$86,905	\$127,217	\$146,437	\$151,038	\$75,607	\$85,850
Miscellaneous	\$225,269	\$306,728	\$337,834	\$137,425	\$65,376	\$81,166	\$115,696	\$225,377	\$227,782	\$234,367
Total Revenues	\$5,516,624	\$6,135,112	\$6,014,664	\$5,748,588	\$6,624,606	\$8,226,762	\$7,797,215	\$9,088,293	\$10,433,247	\$10,300,484
<b>Expenditures</b>										
General Government	\$587,218	\$645,280	\$700,524	\$618,590	\$726,687	\$726,240	\$799,618	\$869,487	\$1,022,291	\$3,900,803
Public Safety	\$3,079,948	\$3,489,533	\$3,479,318	\$3,721,507	\$4,073,172	\$4,539,971	\$4,891,385	\$5,571,450	\$7,546,297	\$6,127,251
Physical Environment	\$0	\$0	\$0	\$0	\$0	\$716,608	\$16,191	\$14,028	\$481,343	\$295,824
Transportation	\$769,969	\$636,132	\$883,130	\$508,185	\$638,457	\$614,119	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315
Economic Environment	\$90,072	\$673,918	\$163,566	\$35,012	\$50,538	\$66,979	\$129,128	\$134,348	\$102,299	\$148,148
Human Services	\$114,308	\$224,719	\$130,696	\$142,652	\$147,126	\$179,312	\$226,867	\$217,471	\$257,208	\$227,715
Culture and Recreation	\$303,730	\$493,637	\$660,149	\$499,504	\$673,638	\$915,684	\$454,624	\$571,372	\$708,890	\$897,530
Debt Service	\$351,389	\$303,247	\$346,598	\$245,693	\$200,382	\$159,867	\$155,134	\$148,626	\$146,794	\$633,924
Principal Retirement	\$67,937	\$72,376	\$61,164	\$42,526	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532
Interest and Fiscal Charges	\$5,364,571	\$6,538,842	\$6,425,145	\$5,813,669	\$6,545,016	\$7,949,405	\$7,866,158	\$8,938,244	\$11,695,518	\$13,040,042
Total Expenditures	\$152,053	(\$403,730)	(\$410,481)	(\$65,081)	\$79,590	\$277,357	(\$68,943)	\$150,049	(\$1,262,271)	(\$2,739,558)
<b>Other Financing Sources (Uses)</b>										
Proceeds From Borrowing	\$15,844	\$633,175	\$59,000	\$24,150	\$38,000	\$0	\$0	\$0	\$1,379,225	\$3,243,802
Capital Leases	\$0	\$0	\$0	\$0	\$44,281	\$0	\$0	\$0	\$0	\$0
Transfers In	\$224,703	\$151,434	\$237,327	\$234,000	\$291,480	\$284,974	\$282,766	\$332,837	\$247,957	\$259,048
Transfers Out	(\$88,919)	(\$274,000)	(\$110,803)	(\$144,000)	(\$106,648)	(\$137,648)	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)
Total Other Financing Sources (Uses)	\$151,628	\$510,609	\$185,524	\$114,150	\$267,113	\$147,326	\$135,297	\$22,214	\$1,540,472	\$3,456,712
<b>Net Change in Fund Balances</b>	\$303,681	\$106,879	(\$224,957)	\$49,069	\$346,703	\$424,683	\$66,354	\$172,263	\$278,201	\$717,154
<b>Acquisitions of Capital Assets</b>	\$335,833	\$874,803	\$755,887	\$399,985	\$557,249	\$504,593	\$356,524	\$275,970	\$2,459,657	\$3,359,965
<b>Debt Service as a Percentage of Non-Capital Expenditures</b>	8.34%	6.63%	7.19%	5.32%	3.93%	2.56%	2.43%	1.99%	1.99%	7.06%

Source: Finance Department, audited financial statements

Table 5  
CITY OF PALATKA, FLORIDA

TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
September 30, 2008

Fiscal Year	REAL PROPERTY			PERSONAL PROPERTY (1)			TOTALS			Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Total Direct Tax Rate		
1998-99	\$170,172,776	\$355,403,866	\$53,215,597	\$84,077,549	\$223,388,373	\$439,481,415	7.213	50.83%		
1999-00	\$178,778,331	\$373,256,035	\$55,367,259	\$81,801,666	\$234,145,590	\$455,057,701	7.042	51.45%		
2000-01	\$183,889,211	\$386,706,053	\$59,094,480	\$88,746,448	\$242,983,691	\$475,452,501	6.907	51.11%		
2001-02	\$197,230,902	\$407,954,372	\$60,338,363	\$91,163,410	\$257,569,265	\$499,117,782	7.300	51.60%		
2002-03	\$218,334,521	\$452,698,286	\$56,587,231	\$86,030,561	\$274,921,752	\$538,728,847	7.800	51.03%		
2003-04	\$245,544,610	\$493,678,930	\$59,022,315	\$88,864,358	\$304,566,925	\$582,543,288	8.000	52.28%		
2004-05	\$268,616,535	\$541,682,448	\$62,032,313	\$89,947,767	\$330,648,848	\$631,630,215	8.000	52.35%		
2005-06	\$320,669,058	\$619,824,299	\$69,748,674	\$95,461,683	\$390,417,732	\$715,285,982	8.650	54.58%		
2006-07	\$353,141,525	\$701,211,013	\$70,909,071	\$96,205,495	\$424,050,596	\$797,416,508	8.650	53.18%		
2007-08	\$362,073,552	\$741,200,986	\$71,887,265	\$95,849,300	\$433,960,817	\$837,050,286	8.500	51.84%		

(1) CENTRALLY ASSESSED VALUES ARE INCLUDED UNDER PERSONAL PROPERTY  
IN THIS TABLE.

SOURCE: PUTNAM COUNTY PROPERTY APPRAISER

Table 6  
City of Palatka, Florida

Property Tax Levies and Collections  
Last Ten Fiscal Years  
September 30, 2008

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Collections to Levy</u>
1999	\$1,578,816	\$1,523,396	0.9649	\$6,962	\$1,530,358	0.9693
2000	\$1,611,300	\$1,562,616	0.9698	\$2,408	\$1,565,024	0.9713
2001	\$1,655,242	\$1,589,976	0.9606	\$4,761	\$1,594,737	0.9634
2002	\$1,678,289	\$1,608,225	0.9583	\$17,947	\$1,626,172	0.9689
2003	\$1,880,256	\$1,754,044	0.9329	\$5,427	\$1,759,471	0.9358
2004	\$2,144,390	\$1,990,690	0.9283	\$10,232	\$2,000,922	0.9331
2005	\$2,436,535	\$2,290,702	0.9401	\$14,777	\$2,305,479	0.9462
2006	\$2,645,191	\$2,529,526	0.9563	\$59,668	\$2,589,194	0.9788
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495

Source: Putnam County Tax Collector

Table 7  
City of Palatka

Property Tax Rates - Direct and Overlapping Governments  
Last Ten Fiscal Years  
September 30, 2008

Fiscal Year	City of Palatka	Putnam County	<u>District School Board</u>		St. Johns River Water Management District	Total
			Operating	Bond Debt/Cap Outlay		
1999	7.213	8.9000	7.128	2.970	0.482	26.693
2000	7.042	8.8000	7.131	2.760	0.482	26.215
2001	6.907	8.8000	6.827	2.911	0.472	25.917
2002	7.300	8.8000	6.684	2.870	0.462	26.116
2003	7.800	8.8000	6.466	2.800	0.462	26.328
2004	8.000	9.2000	5.720	2.800	0.462	26.182
2005	8.000	9.2000	6.310	2.800	0.462	26.772
2006	8.650	9.2000	5.934	2.600	0.462	26.846
2007	8.500	8.5765	5.490	2.000	0.4158	24.982
2008	8.500	8.5765	4.734	2.760	0.4158	24.986

Source: Putnam County Property Appraiser

Table 8  
City of Palatka, Florida

Principal Taxpayers  
Current and Nine Years Ago

Taxpayer	Fiscal Year 2008-----			Fiscal Year 1999 -----		
	Taxable Assessed Value	Rank	Percentage of Total County Assessed	Taxable Assessed Value	Rank	Percentage of Total County Assessed
Putnam Community Medical Center	\$17,644,643	1	4.07%	\$14,410,083	1	6.80%
Wal-Mart Inc.	\$12,117,859	2	2.79%	\$3,003,055	10	1.30%
Revenue Properties Town & Country	\$9,090,929	3	2.09%	\$4,927,809	5	2.10%
Bellsouth Telecommunications	\$8,128,837	4	1.87%	\$9,761,521	2	4.20%
Lowe's Home Centers, Inc.	\$7,625,257	5	1.76%	-	-	-
Home Depot U.S.A., Inc.	\$7,579,671	6	1.75%	-	-	-
Florida Power & Light	\$7,421,996	7	1.71%	\$6,924,450	3	2.90%
Southern Medical Associates, Inc	\$5,862,484	8	1.35%	\$6,185,582	4	2.60%
FWI 5, LLC	\$4,677,086	9	1.08%	-	-	-
Palatka Mall, LLC	\$4,518,067	10	1.04%	\$4,139,030	7	1.80%
Florida Furniture	-	-	-	\$4,699,835	6	2.00%
Winn Dixie	-	-	-	\$3,673,166	8	1.60%
TWI Cable	-	-	-	\$3,344,066	9	1.40%
Total	\$84,666,829		19.51%	\$61,068,597		26.70%

Source: Putnam County Property Appraiser

**Table 9**  
**City of Palatka, Florida**

**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**September 30, 2008**

<b>Fiscal year</b>	<b>Tax Increment Bond</b>	<b>Road Improvement Bond</b>	<b>Total</b>	<b>Net GBD to Personal Income</b>	<b>Net GBD Per Capita</b>
1999	\$409,933	\$0	\$409,933	0.22%	\$38
2000	\$372,667	\$0	\$372,667	0.19%	\$35
2001	\$335,400	\$445,312	\$780,712	0.41%	\$78
2002	\$298,133	\$403,966	\$702,099	0.35%	\$68
2003	\$260,867	\$360,225	\$621,092	0.29%	\$59
2004	\$223,600	\$314,035	\$537,635	0.24%	\$50
2005	\$186,333	\$265,155	\$451,488	0.19%	\$41
2006	\$149,067	\$213,472	\$362,539	0.14%	\$31
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9

Note: Personal income was determined to be the relevant base for analysis.

Source: Putnam County Tax Collector

Table 10  
City of Palatka, Florida

Computation of Legal Debt Margin  
September 30, 2008

The Constitution of the State of Florida, Florida Statute 200.181  
and the City of Palatka, set no legal debt margin.

Table 11  
City of Palatka, Florida

Computation of Direct and Overlapping  
General Obligation Bonds  
September 30, 2008

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Palatka</u>	<u>Amount Applicable to City of Palatka</u>
Direct:			
City of Palatka	NONE		
Overlapping:			
School Board District Refunding Issue 1999	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>

Source: Putnam County School Board

Table 12  
City of Palatka, Florida

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities-----			Business Type Activities-----			Total Primary Government	Percentage of Personal Income(1)	Outstanding Debt Per Capita(1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases			
1999	\$593,386	\$555,498	-	\$185,076	\$7,285,574	-	\$8,619,534	4.58%	\$792
2000	\$513,944	\$964,868	-	\$229,614	\$7,617,084	-	\$9,325,510	4.66%	\$848
2001	\$342,506	\$848,708	-	\$168,020	\$7,497,462	-	\$8,856,696	4.66%	\$882
2002	\$223,051	\$728,172	\$18,448	\$105,514	\$7,309,356	-	\$8,384,541	4.23%	\$819
2003	\$191,100	\$621,092	\$39,376	\$86,282	\$7,093,787	\$51,944	\$8,083,581	3.80%	\$770
2004	\$137,206	\$537,635	\$16,860	\$658,257	\$6,880,708	\$195,163	\$8,425,829	3.76%	\$779
2005	\$85,079	\$451,488	-	\$883,935	\$6,649,458	\$164,416	\$8,234,376	3.47%	\$742
2006	\$25,402	\$362,539	-	\$1,487,045	\$6,414,918	\$127,900	\$8,417,804	3.34%	\$736
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	\$0	\$23,546,747	9.05%	\$2,089

Notes: (1) See the demographic statistics table 14 for population and annual personal income data.  
The figures provided represent ratios of total primary government outstanding debt to annual personal income and population.

Table 13  
City of Palatka, Florida

Pledged Revenue Coverage  
Last Ten Fiscal Years

Airport Revenue Notes		Water Revenue Bonds and Notes											
Fiscal Year	Airport		Less		Net		Utility		Less		Net		
	Service Charge	Operating Expenses	Operating Expenses	Available Revenue	Service Charges	Operating Expenses	Operating Revenue	Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Principal	Debt Service Interest	
1999	\$259,442	\$253,459	\$5,983	\$5,983	\$2,679,917	\$1,837,640	\$842,277	\$842,277	\$0	\$358,872	\$0	\$358,872	234.86%
2000	\$279,562	\$186,684	\$92,878	\$92,878	\$2,763,969	\$1,834,897	\$929,072	\$929,072	\$25,000	\$338,500	\$25,000	\$338,500	255.59%
2001	\$296,538	\$254,117	\$42,421	\$42,421	\$2,750,443	\$2,042,596	\$707,847	\$707,847	\$60,000	\$336,190	\$60,000	\$336,190	178.66%
2002	\$277,504	\$248,781	\$28,723	\$28,723	\$2,932,327	\$1,973,656	\$958,671	\$958,671	\$140,000	\$330,590	\$140,000	\$330,590	203.72%
2003	\$275,335	\$254,434	\$20,901	\$20,901	\$3,104,778	\$2,172,018	\$932,760	\$932,760	\$175,000	\$323,503	\$175,000	\$323,503	187.11%
2004	\$305,496	\$287,618	\$17,878	\$17,878	\$3,182,217	\$2,293,009	\$889,208	\$889,208	\$185,000	\$319,711	\$185,000	\$319,711	176.18%
2005	\$386,028	\$386,746	(\$718)	(\$718)	\$3,216,565	\$2,474,061	\$742,504	\$742,504	\$220,783	\$319,403	\$220,783	\$319,403	137.45%
2006	\$567,999	\$558,239	\$9,760	\$9,760	\$3,299,223	\$2,678,856	\$620,367	\$620,367	\$244,495	\$312,594	\$244,495	\$312,594	111.36%
2007	\$506,385	\$637,292	(\$130,907)	(\$130,907)	\$3,801,745	\$2,806,060	\$995,685	\$995,685	\$320,093	\$301,834	\$320,093	\$301,834	160.10%
2008	\$711,499	\$751,145	(\$39,646)	(\$39,646)	\$3,714,949	\$2,767,208	\$947,741	\$947,741	\$335,698	\$700,862	\$335,698	\$700,862	91.43%

Golf Revenue Bonds		Infrastructure Surtax Revenue Note											
Fiscal Year	Golf		Less		Net		Sales		Debt Service		Coverage		
	Service Charges	Operating Expenses	Operating Expenses	Available Revenue	Sales Surtax	Debt Service Principal	Debt Service Interest	Sales Surtax	Debt Service Principal	Debt Service Interest	Debt Service Principal	Debt Service Interest	
1999	\$870,543	\$794,842	\$75,701	\$75,701	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2000	\$745,683	\$800,181	(\$54,498)	(\$54,498)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2001	\$797,971	\$818,087	(\$20,116)	(\$20,116)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2002	\$633,999	\$760,653	(\$126,654)	(\$126,654)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2003	\$645,426	\$741,808	(\$96,382)	(\$96,382)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2004	\$618,037	\$707,727	(\$89,690)	(\$89,690)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2005	\$711,672	\$685,303	\$26,369	\$26,369	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2006	\$762,181	\$815,457	(\$53,276)	(\$53,276)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2007	\$782,670	\$934,609	(\$151,939)	(\$151,939)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	n/a
2008	\$755,011	\$934,572	(\$179,561)	(\$179,561)	\$802,482	\$0	\$0	\$802,482	\$0	\$0	\$0	\$0	n/a

Source: Finance department, audited financial statements

Table 14  
City of Palatka, Florida

Demographic Statistics  
Last Ten Fiscal Years  
September 30, 2008

<b>Fiscal Year</b>	<b>Population(1)</b>	<b>Personal Income(million of dollars) (2)</b>	<b>Per Capita Personal Income(3)</b>	<b>School (4) Enrollment</b>	<b>Unemployment Rate(5)</b>
1999	10,874	\$188	\$17,300	5725	5.2%
2000	11,005	\$200	\$18,195	5807	4.3%
2001	10,033	\$190	\$18,922	5885	5.4%
2002	10,250	\$198	\$19,354	5629	6.6%
2003	10,510	\$213	\$20,263	5623	5.7%
2004	10,820	\$224	\$20,711	5716	5.5%
2005	11,100	\$237	\$21,371	5371	4.5%
2006	11,417	\$252	\$22,031	5508	3.8%
2007	11,470	\$260	\$22,736	5555	4.8%
2008	11,264	\$260	\$23,086	4101	7.2%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population
- (2) Personal Income figures are the results of multiplying Per Capita Personal Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis  
Figures from 2001 - 2008 are projected estimates based on trend analysis calculations.
- (4) District School Board of Putnam County
- (5) State of Florida, Agency for Workforce Innovation-Bureau of Labor Statistics

Table 15  
City of Palatka, Florida

Principal Employers  
Current and Nine Years Ago

<b>Employer</b>	<b>Fiscal Year 2008-----</b>			<b>Fiscal Year 1999 -----</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Putnam County School District	870	1	19.31%	918	1	21.10%
Putnam County	656	2	14.56%	467	5	10.74%
Putnam Community Medical Center	533	3	11.83%	528	3	12.14%
Wal-Mart Stores, Inc.	523	4	11.61%	258	6	5.93%
St. Johns River Water Management	686	5	15.22%	513	4	11.79%
St. Johns River Community College	225	6	4.99%	197	7	4.53%
City of Palatka	181	7	4.02%	162	10	3.72%
Lowes Home Centers, Inc.	121	8	2.69%	-	-	-
Publix Supermarket, Inc.	120	9	2.66%	180	8	4.14%
Home Depot USA, Inc.	88	10	1.95%	-	-	-
Florida Furniture Industries	-	-	-	540	2	12.41%
Winn Dixie Marketplace	-	-	-	165	9	3.79%
<b>Total</b>	<b>4,003</b>		<b>88.84%</b>	<b>3,928</b>		<b>90.30%</b>

Note: Percentages was derived from 40% of population of the City of Palatka  
Source: Individual employers/Chamber of Commerce

Table 16  
City of Palatka, Florida

Operating Indicators by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Government:</b>										
Building permits issued	650	752	717	767	846	821	982	884	804	621
Building inspections conducted	1500	1837	1933	1944	1931	2280	1905	1843	1987	1543
Code enforcements	308	231	391	338	382	417	532	281	547	311
Occupational license issued	1340	912	1016	905	973	1016	1014	904	1072	1013
<b>Police:</b>										
Calls for service	n/a	n/a	29,910	28,547	26,683	27,132	30,595	36,196	32,350	31,933
Physical arrests	1,693	1,331	1,361	1,610	2,185	1,507	1,989	2,264	2,003	1,798
Citations	3,114	2,961	3,073	3,538	3,282	1,568	1,989	2,747	2,299	1,217
<b>Fire:</b>										
Emergency responses	1,623	1,106	1,454	1,432	1,660	2,189	1,987	1,958	2,063	2,590
Fires extinguished	481	924	621	646	999	1,093	1,020	923	721	457
<b>Refuse collection:</b>										
Customers	4,865	4,579	4,900	4,745	4,985	5,100	4,998	5,062	5,027	4,935
<b>Other public works:</b>										
Street resurfaced (miles)	n/a	n/a	n/a	2.5	2.5	2.5	6	0	1.2	0.0
Potholes repaired	200	200	200	175	175	150	125	100	100	98
<b>Parks and recreation:</b>										
Community center rentals	54	92	88	101	55	69	75	68	68	142
<b>Human Services:</b>										
Interments	157	120	133	120	131	124	113	150	145	133
<b>Water:</b>										
Water main breaks	12	12	12	12	12	12	12	12	30	16
Average daily consumption (thousands of gallons)	1,990	2,084	1,932	1,940	1,887	1,727	1,905	2,366	1,735	2,229
Peak daily consumption (thousands of gallons)	2,661	2,966	2,790	2,819	2,883	2,359	2,757	3,189	2,300	2,997
<b>Wastewater:</b>										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
<b>Airport:</b>										
Rentals-thangars	49	49	49	49	49	49	49	49	49	49
Building	2	2	2	2	2	2	2	2	2	1
Land leases	2	2	2	2	2	2	2	2	2	1

Source: Departments of the city

Table 17  
City of Palatka, Florida

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	25	25	25	25	25	25	26	24
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	17	17	17	17	17	17	20	20	20
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	6	6
Other public works:										
Streets(miles)	71.09	71.18	71.18	71.18	71.18	71.18	71.18	71.18	71.18	71.18
Traffic signals	16	16	16	16	16	16	16	16	22	22
Parks and recreation:										
Acreage	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Community Centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains	100	100	101	102	103	104	105	106	106	106
Fire hydrants	425	425	430	435	440	445	150	455	455	565
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:										
Sanitary sewers (miles)	70	70	71	72	73	74	75	76	80	80
Storm sewers (miles)	60	60	60	60	60	60	60	60	60	60
Treatment capacity(millions of gals.)	912	912	912	912	912	912	912	912	912	1095
Golf Courses:										
Acreage	99	99	99	99	99	99	99	99	99	99
Airports:										
Runways	3	3	3	3	3	3	3	3	3	3

Source:  
Individual departments of the city

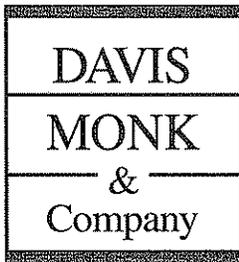
Table 18  
City of Palatka, Florida

Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

<u>Function</u>	Full-Time Equivalent Employees(FTE) as of September 30 -----									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>General Government</b>										
General Administration	8	8	8	8	8	8	9	9	8	8
Attorney	1	1	1	1	1	1	1	1	1	1
General Service Director	0	0	0	0	0	0	0	1	0	0
Mainstreet	0	0	0	1	1	0	1	1	0	0
<b>Public Safety</b>										
Building & Zoning	5	5	5	6	6	6	6	7	7	6
Police Officers	32	32	35	35	35	33	32	39	39	39
Police Clerical	5	5	7	7	7	8	8	7	7	7
Firefighters	17	17	17	17	17	17	17	20	20	20
<b>Transportation</b>										
Streets	8	9	9	9	9	9	9	9	9	7
<b>Human Services</b>										
Cemeteries	4	4	4	4	4	4	5	5	5	5
Culture/Recreation	5	5	5	5	5	6	6	7	7	7
<b>Business Type Activities:</b>										
Airport	2	3	3	3	3	3	4	4	4	4
Water	36	36	36	36	36	37	36	37	37	37
Golf	7	14	14	14	7	8	8	7	10	9
Sanitation	19	20	20	20	20	19	19	19	19	19

Source: City of Palatka Personnel Department

**SINGLE AUDIT SECTION**



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**Management Letter**

To the Honorable Mayor and  
City Commissioners  
City of Palatka, Florida

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated April 24, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective action have been taken to address findings and recommendations made in the preceding audit. In that regard, prior audit finding 07-1 is once again addressed in the accompanying Schedule of Findings and Questioned Costs as item 08-1.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that City's annual financial report for the fiscal year ended September 30, 2008, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2008.

To the Honorable Mayor and  
City Commissioners  
City of Palatka, Florida

Page Two

Investment of Public Funds

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

*Davis, Mank & Company*

April 24, 2009  
Palatka, Florida



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& Business Consultants

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*Gainesville*

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## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency in internal control over financial reporting.

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.

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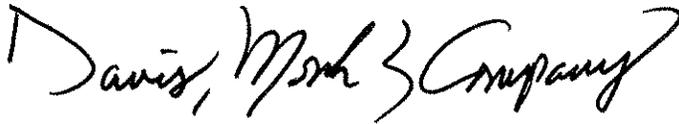
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 08-1 to be a material weakness.

Compliance and Other Matters

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

The City's response to the finding identified in our audit is described in its accompanying letter of response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



April 24, 2009  
Palatka, Florida

**City of Palatka, Florida**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2008**

<u>Federal Awards</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Community Affairs: Community Development Block Grant	14.228	06DB-3K04-64-02N43	\$ 22,680
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	16.607	--	959
Byrne Formula Grant	16.579	2005DJBX1152	15
Byrne Formula Grant	16.579	2007DJBX0192	14,983
Program Total			<u>14,998</u>
Byrne Justice Assistance Grant Program	16.738	2006JAGDJBX0979	3,696
Passed Through Florida Department of Law Enforcement: Byrne Justice Assistance Grant Program	16.738	2008JAGC-PUTN-4Q9003	27,641
Program Total			<u>31,337</u>
Community Capacity Development - Weed & Seed	16.595	2007WS-Q7-0031	120,294
Community Capacity Development - Weed & Seed	16.595	2006WS-Q6-0227	38,709
Program Total			<u>159,003</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FAA Airport Improvement Program	20.106	AIP 3-12-0061-015-2007	150,214
FAA Airport Improvement Program	20.106	AIP 3-12-0061-016-2008	18,500
Program Total			<u>168,714</u>
Passed through Putnam County, Florida: Federal Transit Facilities Improvement	20.500	FL-03-0320	104,381
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Drinking Water State Revolving Funds	66.468	DW5419010	5,960,376
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Hazard Mitigation Grant	97.039	07HM-6@-04-64-02-031	4,292
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 6,466,740</u></u>

(Continued)

**City of Palatka, Florida**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2008**

(Concluded)

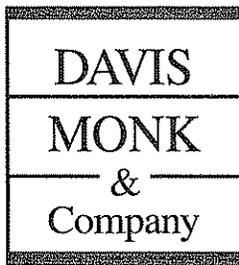
<u>State Financial Assistance</u>	<u>State CSFA Number</u>	<u>Contract/Grant Number</u>	<u>State Expenditures</u>
<u>STATE DEPARTMENT OF TRANSPORTATION</u>			
Aviation Development Grant – Road/Apron	55.004	AOY37	\$ 3,953
Aviation Development Grant – Security Fencing & Runway	55.004	AOL47	31,342
Aviation Development Grant – Bulk T-Hangar	55.004	AOF35	1,279
Aviation Development Grant – Terminal Building	55.004	AOF36	148,081
Aviation Development Grant – T-Hangar	55.004	AOF37	73,979
Aviation Development Grant – Taxiway/Drainage	55.004	AP029	152,646
Program Total			<u>411,280</u>
<u>STATE DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>			
Florida Recreation Development Assistance Program	37.017	FO6148	7,464
Florida Recreation Development Assistance Program	37.017	FO6257	32,868
Florida Recreation Development Assistance Program	37.017	A09114	17,301
Program Total			<u>57,633</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6771	855,716
<u>STATE DEPARTMENT OF HEALTH</u>			
Passed Through State Department of Community Affairs:			
Emergency Medical Services Matching Award	64.003	M7045	1,168
Emergency Medical Services Matching Award	64.003	M7028	4,581
Program Total			<u>5,749</u>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b><u><u>\$ 1,330,378</u></u></b>

**Note 1. Significant Accounting Policies**

The schedule includes the grant activity of the City of Palatka, Florida and is presented in accordance with applicable Single Audit requirements. Therefore, some amounts may differ from amounts reported in the City's financial statements prepared in conformity with generally accepted accounting principles.

**Note 2. Subrecipients**

The City did not provide awards to subrecipients.



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**Report on Compliance and on Internal Control Over Compliance  
Applicable to Each Major Federal Program and State Project**

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

Compliance

We have audited the compliance of the City of Palatka, Florida (the "City") with the types of compliance requirements described in the *U. S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *State Projects Compliance Supplement*, that are applicable to its major federal program and state project for the year ended September 30, 2008. The City's major federal program and state project are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each major federal program and state project is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and major state project for the year ended September 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding 08-2.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project 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 material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

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

The City's response to the finding identified in our audit is described in its accompanying letter of response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and appropriate audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.



April 24, 2009  
Palatka, Florida

**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2008**

**Part I – Summary of Auditors’ Results**

1. The independent auditors’ report on the financial statements was unqualified.
2. The audit disclosed a significant deficiency in internal control over financial reporting. The significant deficiency was considered to be a material weakness.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit did not disclose any significant deficiencies in internal control over compliance with requirements applicable to the major federal award program or state project.
5. The report on compliance with requirements applicable to the major federal award program and state project expressed an unqualified opinion.
6. The audit disclosed a finding required to be reported for the major federal program. No findings were disclosed relative to the major state project.
7. The City’s major federal program and state project were:

	<u>Federal CFDA Number</u>
Drinking Water State Revolving Fund	66.468
	<u>State CSFA Number</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs for federal programs and for state projects.
9. The City did qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

**Part II – Financial Statement Findings Section**

08-1 *Condition* – As part of the audit process, we proposed material adjustments to the City’s financial statements. It was also necessary for us to assist with the preparation of the City’s financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

*Recommendation* – We recommend that you consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process.

**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2008**

**Part III – Findings and Questioned Costs - Federal Awards**

08-2 *Condition* – The City did not incorporate in its contract with a contractor the certification requirements pertaining to debarment and suspension.

*Recommendation* – The City should implement policies and procedures to pass through to contractors, when required, debarment and suspension certifications.

**Part IV – Findings and Questioned Costs – State Projects**

There were no findings relating to the major state project.

**City of Palatka, Florida  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2008**

There were no findings relative to Federal or State awards included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2007.

KARL N. FLAGG  
MAYOR - COMMISSIONER

MARY LAWSON BROWN  
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS  
COMMISSIONER

VERNON MYERS  
COMMISSIONER

JAMES NORWOOD, JR.  
COMMISSIONER



*Regular meeting 2nd and 4th Thursdays each month at 6:00 p.m.*

ELWIN C. "WOODY" BOYNTON, JR.  
CITY MANAGER

BETSY JORDAN DRIGGERS  
CITY CLERK

RUBY M. WILLIAMS  
FINANCE DIRECTOR

GARY S. GETCHELL  
CHIEF OF POLICE

MICHAEL LAMBERT  
CHIEF FIRE DEPT.

DONALD E. HOLMES  
CITY ATTORNEY

April 24, 2009

Mr. David W. Martin  
Auditor General  
Post Office Box 1735  
Tallahassee, FL 32302-1735

Dear Mr. Martin:

I write to you in response to the finding noted in the audit of the City of Palatka, prepared by Davis, Monk & Company for the year ended in September 30, 2008.

#### Part II - Financial Statement Findings Section

08-1 Condition – As part of the audit process, we proposed material adjustments to the City's financial statements. It was also necessary for us to assist with the preparation of the City's financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the cost and benefits of improving internal controls relative to the financial reporting process.

Resolution – We have evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in our best interests to outsource this task to our independent auditors.

#### Part III – Findings and Questioned Costs – Federal Awards

08-2 Condition – The City did not incorporate in its contract with a contractor the certification requirements pertaining to debarment and suspension.

Recommendation – The City should implement policies and procedures to pass through to contractors, when required, debarment and suspension certifications.

Resolution – The City will require the certification from contractors pertaining to debarment and suspension.

Please contact me if you have any questions or need additional explanation.

Sincerely,

Ruby M. Williams  
Finance Director

KARL N. FLAGG  
MAYOR - COMMISSIONER

MARY LAWSON BROWN  
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS  
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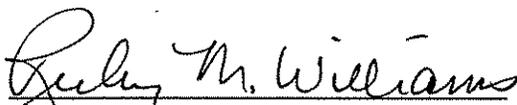
April 24, 2009

The Honorable David W. Martin  
Florida Auditor General  
P.O. Box 1735  
Tallahassee, FL 32302

Subject: Affidavit Certifying Compliance with  
Section 163.31801, Florida Statutes

Dear Mr. Martin:

During the fiscal year ended September 30, 2008, the City of Palatka fully complied with Section 163.31801, Florida Statutes, in the levy of impact fees. No collections have yet occurred on the newly adopted fees.

  
\_\_\_\_\_  
Ruby M. Williams  
Finance Director

  
\_\_\_\_\_  
Attest  
Karen Venables  
Notary Public

