

CITY OF PALATKA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

PREPARED BY:

ELWIN C. BOYNTON, JR.
CITY MANAGER

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

**City of Palatka, Florida
Comprehensive Annual Financial Report
For The Year Ended September 30, 2009**

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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

MATTHEW D. REYNOLDS
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 20, 2010

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, 2009.

This report was completed by the City Manager and Finance Director, with close cooperation of the external auditors, Carr, Riggs & Ingram, 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 vii.

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

**THE REPORTING ENTITY
(Concluded)**

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 11,133 persons according to the 2009 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 2009-10, the City proposed a budget that was 12% less than it was two years ago having been reduced from \$10.138 million to \$8.955 million. Much of this loss was due to an adjustment made in the Communications Service Tax by the Department of Revenue. Due to the lower revenue, the City eliminated most capital improvement projects, reduced operating budgets and did not fill positions vacated by attrition or retirement.

Due to revenues across the board being reduced, the millage rate was raised from 8.50 mills to 8.65 mills. 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.

It is apparent from this report that the general fund balance continues to be maintained at approximately the same level as in previous years. This level although adequate, is a minimum and therefore it is imperative that the City continue to operate within the adjusted revenue projections. The net assets of the water and airport funds increased by approximately \$2.9 and \$3.9 million respectively, while the net assets of the sanitation fund only increased by approximately \$75,000. The golf course fund net assets decreased again this fiscal year by approximately \$130,000. For fiscal year 2009-2010, rates within the Utility Fund were increased by \$2.00 for both water and sewer usage. These increases will be used mainly to offset the additional operating budget and debt repayment associated with the new Water Plant. The City's golf course continues to operate at a financial deficit with money from the general fund being transferred to offset this deficit. In an attempt to minimize these losses, the City Commission entered into a management contract with Bobby Weed Design Group beginning in fiscal year 2010.

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 a Developers Agreement negotiated. The developer will bring forth a Business and Finance Plan in April 2010. 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. In addition, the City committed approximately \$250,000 to formulate a new conceptual master plan for the Riverfront. This plan is expected to provide a vision of the riverfront that includes additional boat ramps, floating docks, new boardwalk, parking, streetscaping and incorporates interactive activities/programs at the riverfront.

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 departments and City's recreational fields, local cemeteries and the St. Johns River Community College. The third phase of the project included constructing additional service lines to the airport, SJRWMD complex and the baseball fields on St. Johns Avenue near CR 309C. The fourth and final phase to be constructed in 2010 is additional treatment capacity at the wastewater treatment plant and a chlorine contact chamber.

The City this past year completed construction of an approximately \$13.4 million water treatment plant project. This project has been ongoing for three years and includes degasification and ultra-filtration treatment of six million gallons per day of water to assist the City in meeting EPA regulations for potable water supplies. Other major initiatives completed this past fiscal year include a \$250,000 upgrade to the Tilghman House, \$250,000 replacement of the primary clarifier at the wastewater treatment plant, \$1,000,000 replacement of waterlines on the north side of town, \$200,000 to construct an amphitheatre and restrooms at the Old Waterworks facility and \$200,000 for utility improvements for a bowling alley in town.

The one-cent sales surtax money (Better Place Funds) is dedicated to capital improvements within the City. This year's improvements were primarily for grant match, sidewalk replacement, drainage improvements, building renovations and repayment of loan obligations.

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. Nearly \$6.0 million was invested over the past two years in making these improvements. These projects included a new \$1.7 million terminal building, approximately \$1.1 million to construct ten (10) T-hangars and a new bulk hangar and approximately \$3.9 million to construct roadway, taxiway, runway and drainage improvements.

MAJOR INITIATIVES (Concluded)

Future Projects

Better Place Funds raised through the local sales tax initiative will continue to be used to improve the City's infrastructure, debt repayment 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 transient apron parking area at the airport as well as making other drainage improvements in 2010. The City has also received a portion of money from the Federal Economic Stimulus Package and intends to resurface Moseley Avenue (not yet started) and St. Johns Avenue from the railroad tracks to Moseley Avenue. Due to the economic uncertainty few other major projects are envisioned. Several smaller projects (Larimer Building Upgrades, River Street Outfall, and Drainage Improvements on St. Johns Ave at Zeagler) are currently being constructed that required the use of Better Place Plan money and until completed it is unknown what fund balances will be carried forward.

Other projects that will need further evaluation and discussion over the next few years are: upgrading the City's water transmission lines, upgrading the electrical and mechanical components 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 POLICIES

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

FINANCIAL POLICIES (Concluded)

generally accepted accounting principles (GAAP). The concept 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.

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.

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, 2008. This was the seventeenth 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

Honorable Mayor and
Members of the City Commission
City of Palatka
Page 6

**AWARDS
(Concluded)**

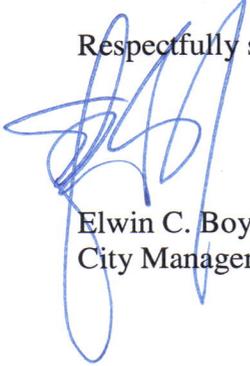
certificate of achievement program requirements, and we are submitting it to the GFOA for consideration for an award.

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



Matthew D. Reynolds
Finance Director

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GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2008 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, 2008

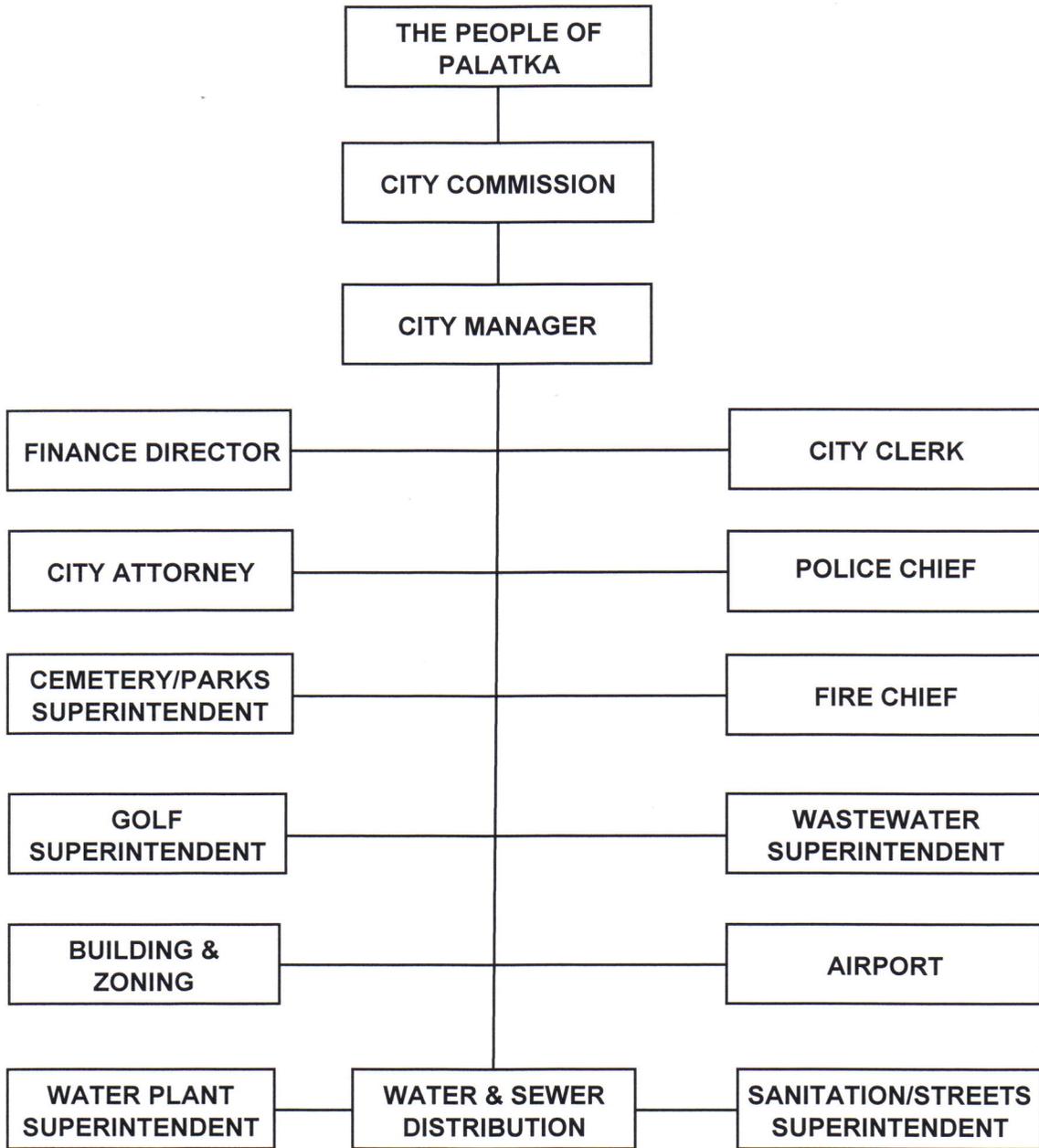
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

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
City Clerk
Finance Director
City Attorney
Police Chief
Fire Chief

Elwin C. Boynton
Betsy Jordan Driggers
Matthew D. Reynolds
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
Debbie Banks
Michael Aaron
Jeff Norton
Ed Chandler
Melvin Register
Platt Drew
Rhett McCamey

AUDITORS

Carr, Riggs & Ingram, LLC

Independent Auditors' Report

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

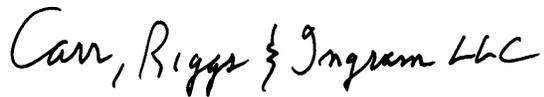
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, 2009, 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 20, 2010 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.

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 20, 2010
Palatka, Florida

**City of Palatka
Management's Discussion and Analysis
September 30, 2009**

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, 2009. 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 \$45,815,095. Of this amount, \$8,745,032 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$7,172,950 (18.56%). Due to the millage rate of 8.65 mills, grants, one-cent discretionary sales tax and telecommunications tax, governmental net assets increased by \$433,018 (3.15%). The Enterprise funds net assets increased by \$6,739,932 (27.07%) due to grants received during the fiscal year.
- The total net assets in the Enterprise funds were: Water \$17,162,403, Sanitation \$448,981, Golf \$131,289 and Airport \$13,893,796.
- As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$3,275,044, a decrease of \$169,076 (4.91%).
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$1,682,108 or 16.62% 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 \$1,322,507.
- Net assets of the General, Police and Firefighter's Pension Trust Funds decreased by \$66,905, \$160,238 and \$138,268, respectively. These decreases were the result of lower than anticipated interest gains on investments as well as benefits that were paid to members of the pension funds.

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 - 35 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 36–41 of this report.

Combining fund statements can be found on pages 42–43 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 \$45,815,095 at the close of the most recent fiscal year.

The majority of the City's net assets (75.67%) 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, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$3,470,487	\$3,747,852	\$10,645,962	\$11,466,120	\$14,116,449	\$15,213,972
Capital assets	\$15,062,191	\$14,844,802	\$46,010,750	\$34,852,610	\$61,072,941	\$49,697,412
Total assets	<u>\$18,532,678</u>	<u>\$18,592,654</u>	<u>\$56,656,712</u>	<u>\$46,318,730</u>	<u>\$75,189,390</u>	<u>\$64,911,384</u>
Long-term liabilities						
Outstanding	\$4,171,284	\$4,582,250	\$22,735,739	\$19,698,990	\$26,907,023	\$24,281,240
Other liabilities	\$182,768	\$264,796	\$2,284,504	\$1,723,203	\$2,467,272	\$1,987,999
Total liabilities	<u>\$4,354,052</u>	<u>\$4,847,046</u>	<u>\$25,020,243</u>	<u>\$21,422,193</u>	<u>\$29,374,295</u>	<u>\$26,269,239</u>
Net assets:						
Invested in capital assets,						
net of related debt	\$11,281,907	\$10,614,552	\$23,384,736	\$15,276,203	\$34,666,643	\$25,890,755
Restricted	\$1,592,936	\$1,437,259	\$810,484	\$792,708	\$2,403,420	\$2,229,967
Unrestricted	\$1,303,783	\$1,693,797	\$7,441,249	\$8,827,626	\$8,745,032	\$10,521,423
Total net assets	<u>\$14,178,626</u>	<u>\$13,745,608</u>	<u>\$31,636,469</u>	<u>\$24,896,537</u>	<u>\$45,815,095</u>	<u>\$38,642,145</u>

An additional portion of the City's net assets \$2,403,420 (5.25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$8,745,032 (19.09%) 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 \$433,018 thereby accounting for 6.04% of the total growth in the net assets of the City. Key elements of this increase were the ad valorem revenue as well as other taxes that the City received during the year.

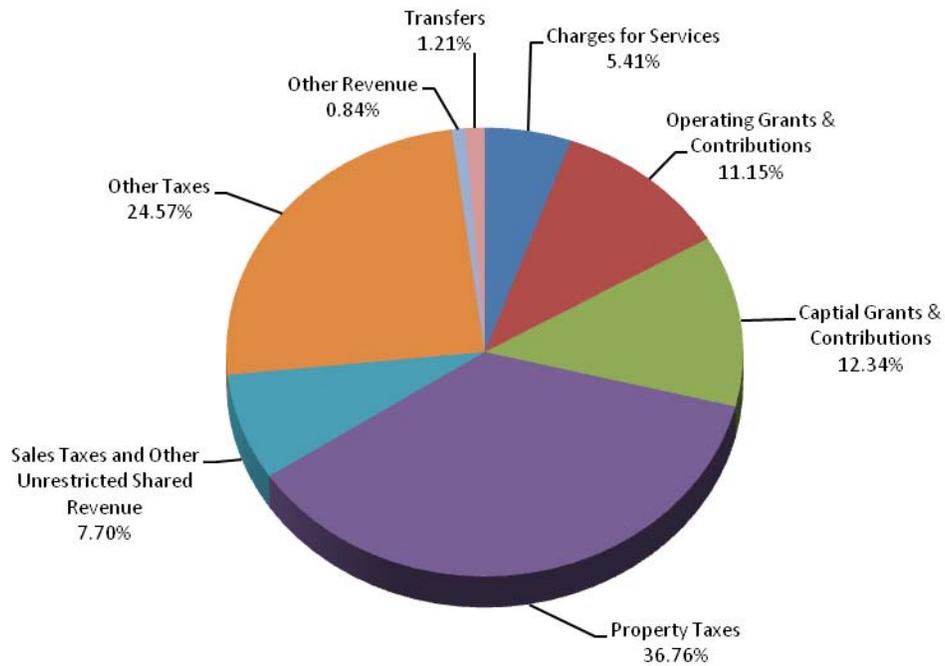
City of Palatka Changes in Net Assets For the year ended September 30, 2009

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$564,866	\$533,944	\$6,460,995	\$6,580,750	\$7,025,861	\$7,114,694
Operating Grants & Contributions	\$1,163,584	\$705,287			\$1,163,584	\$705,287
Capital Grants & Contributions	\$1,288,072	\$1,090,723	\$8,242,870	\$6,301,063	\$9,530,942	\$7,391,786
General Revenues:						
Property Taxes	\$3,836,383	\$3,942,201			\$3,836,383	\$3,942,201
Sales Taxes and Other Unrestricted						
Shared Revenues	\$803,775	\$863,426			\$803,775	\$863,426
Other Taxes	\$2,564,396	\$3,013,264			\$2,564,396	\$3,013,264
Other Revenue	\$87,690	\$131,350	\$289,030	\$542,801	\$376,720	\$674,151
Total Revenues	\$10,308,766	\$10,280,195	\$14,992,895	\$13,424,614	\$25,301,661	\$23,704,809
Expenses:						
General Government	\$768,892	\$852,906			\$768,892	\$852,906
Public Safety	\$6,005,490	\$6,210,601			\$6,005,490	\$6,210,601
Physical Environment	-	\$295,824			-	\$295,824
Transportation	\$1,129,653	\$973,566			\$1,129,653	\$973,566
Economic Environment	\$579,661	\$148,148			\$579,661	\$148,148
Human Services	\$266,804	\$232,009			\$266,804	\$232,009
Culture/Recreation	\$1,048,560	\$822,826			\$1,048,560	\$822,826
Interest on Long-Term Debt	\$203,215	\$49,532			\$203,215	\$49,532
Water			\$4,550,364	\$4,342,447	\$4,550,364	\$4,342,447
Sanitation			\$1,393,713	\$1,473,689	\$1,393,713	\$1,473,689
Golf Course			\$908,883	\$1,014,105	\$908,883	\$1,014,105
Airport			\$1,273,476	\$1,127,150	\$1,273,476	\$1,127,150
Total Expenses	\$10,002,275	\$9,585,412	\$8,126,436	\$7,957,391	\$18,128,711	\$17,542,803
Increase in Net Assets before Transfers	\$306,491	\$694,783	\$6,866,459	\$5,467,223	\$7,172,950	\$6,162,006
Transfers	\$126,527	\$212,910	(\$126,527)	(\$212,910)	\$0	\$0
Increase in Net Assets	\$433,018	\$907,693	\$6,739,932	\$5,254,313	\$7,172,950	\$6,162,006
Net Assets-Beginning of Year	\$13,745,608	\$12,837,915	\$24,896,537	\$19,642,224	\$38,642,145	\$32,480,139
Net Assets-End of Year	\$14,178,626	\$13,745,608	\$31,636,469	\$24,896,537	\$45,815,095	\$38,642,145

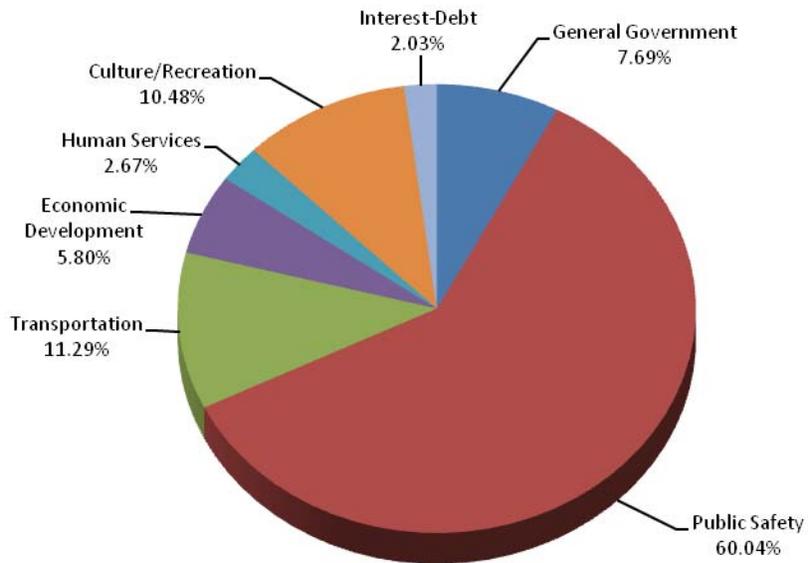
Governmental Activities

The City's total net assets increased \$7,172,950 over the previous year with an increase of \$433,018 resulting from governmental activities and an increase of \$6,739,932 from business activities. The primary reasons for these changes were ad-valorem revenue 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 \$6,739,932 accounting for a 93.96% growth in the City's net assets. Key elements in this increase are as follows:

Grant funds of \$3,699,390 were received from the Department of Environmental Protection and St. Johns River Water Management District for activities related to the Water Revenue fund. These funds were used for capital improvement projects for upgrading wastewater reuse lines and a water plant upgrade. These projects ultimately created an increase in net assets of \$2,931,022.

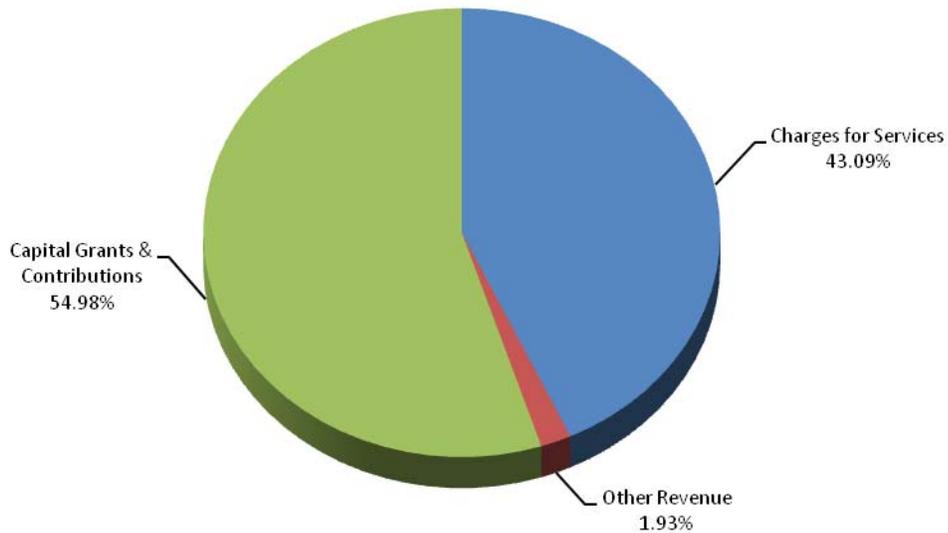
Activities related to the Sanitation fund caused an increase in net assets by \$75,214. This increase was due to a reduction in operating expenses.

Activities related to the Golf Course fund decreased net assets by \$133,897. This was due to an increase in interest expense as well as a substantial shortfall in anticipated revenues.

Grant funds in the amount of \$4,543,480 were received from the Federal Aviation Administration and the Florida Department of Transportation for activities related to the Airport fund. These grant funds were used for several capital improvement projects that included construction of a new terminal building, rehabilitation of parking aprons and several runways as well as drainage rehabilitation. These projects caused an increase in net assets of \$3,867,593. The net assets at the end of the fiscal year in the Airport fund totaled \$13,893,796.

The most significant expenses were improvements related to grants received. Operating expenses, which includes personnel and depreciation, for all enterprise funds increased by \$43,390.

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 \$3,275,044, a decrease of \$169,076 (4.91%) in comparison to the prior year. This total includes unreserved fund balance of \$1,682,108 in the General Fund, which is available for spending at the government's discretion.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$1,682,108, a decrease of \$324,753 (16.18%) from the prior year. This was mostly due to the balance carried forward for the Discretionary Sales Surtax of \$404,637 from the prior year.

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 decreased by \$645,424 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 8.65 mills and generated \$3,256,078, a decrease of \$107,213 from the prior year.

The General Fund had a decrease of \$2,569,905 in expenditures due to one-time expenditures in the General Government function during the prior fiscal year.

Unreserved fund balance in the General Fund decreased by \$324,753 from the prior year due to the General fund assisting the Airport and Golf Course with their debt service requirements.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$1,322,507, a decrease of \$12,625 from the prior year. This was due to a new grant program that caused a substantial increase in expenditures. This increase, combined with a transfer of \$100,000 to assist in debt service payments for the Frank George land purchase during the prior fiscal year, caused the slight decrease in fund balance.

Other Governmental Funds fund balance was \$270,429, an increase of \$168,302 (165%) from the prior year. This was due to grant funds that were received for Community Development Block Grants from the Department of Community Affairs for two grant programs.

Proprietary Funds

Proprietary 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 proprietary enterprise funds: the Water Revenue Fund, Municipal Golf Course Fund, Sanitation Fund, and Airport Fund.

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, 2009, total proprietary fund net assets amounted to \$31,636,469.

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 related to the Water Revenue Fund. Operating revenue increased by \$118,927 or 3.2% from the prior year while expenses increased by a total of \$247,222 mostly due to an increase of \$219,686 in operating expenses. Unrestricted net assets at the end of the fiscal year for the water revenue fund amounted to \$7,023,277.

Sanitation Fund

There was an increase in operating revenue of \$24,219 or 1.6% from the prior year. Expenses decreased by a total of \$38,637, mostly due to a decrease in operating expenses of \$31,970. Personal services also decreased slightly from the prior year by \$6,667. Unrestricted net assets for the sanitation fund totaled \$93,699.

Golf Course Fund

Operating revenues decreased by \$28,498 or 3.77% from the prior year. Operating expenses, which had a substantial decrease from the prior year by \$207,859 or 20.68%, exceeded operating revenues by \$70,785. Unrestricted net assets decreased by \$86,964 to arrive at a negative unrestricted net asset balance of \$123,850 for the year. The city reduced expenses substantially during the fiscal year and is working to increase the revenues by offering special incentives to their customers.

Airport Fund

Operating revenue decreased by \$134,104 from the prior year due to the decrease in fuel prices. The airport received \$4,543,480 from state and federal grants. Unrestricted net assets of the airport fund totaled \$448,123 at fiscal year end.

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 \$889,968 (including transfers) an increase of 9.24% 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 \$404,637 from the Discretionary Sales Surtax that was pledged but not spent in fiscal year 2008. This was primarily spent in General Government and Transportation. Balance forward of \$175,092 was from leftover funds that were borrowed to purchase the Frank George property on the riverfront. Other balance forwards of \$172,316 from an assortment of contribution accounts that were earmarked for the cemetery, police and fire departments.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$31,074 more than budgeted.

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

- General Government expenditures were \$227,641 less than anticipated due to several projects in the Better Place Plan that were not completed and are being continued into the next fiscal year.
- Public Safety actual expenditures were \$118,756 less than final budget due to operating reductions along with grants and other projects that will carry forward to next fiscal year.
- Transportation expenditures were \$93,816 less due to decreased operating expenditures.

**Capital Asset and Debt Administration
City of Palatka Capital Assets
(Net of Depreciation)
For the Year Ended September 30, 2009**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Improvements	\$6,746,180	\$6,746,180	\$4,223,659	\$4,580,159	\$10,969,839	\$11,326,339
Buildings and Improvements	3,198,256	2,803,722	11,998,930	7,104,199	\$15,197,186	9,907,921
Infrastructure	2,743,254	2,909,118			\$2,743,254	2,909,118
Equipment	1,593,218	1,741,565	1,056,204	1,194,951	\$2,649,422	2,936,516
Water and Sewer Distributions System			11,564,601	11,749,548	\$11,564,601	11,749,548
Construction in Progress	781,283	644,217	17,167,356	10,223,753	\$17,948,639	10,867,970
	\$15,062,191	\$14,844,802	\$46,010,750	\$34,852,610	\$61,072,941	\$49,697,412

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, 2009, the governmental capital assets of the City amounted to \$15,062,191, net of depreciation. This was an increase of \$217,389 over the prior year. 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's investment in capital assets for its governmental and business-type activities as of September 30, 2009, (net of accumulated depreciation) amounts to \$61,072,941. 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 \$11,375,529.

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 and the St. Johns River Water Management District. The capital asset expenditures of \$13,695,167 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.

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

Long-Term Debt

At September 30, 2009, the City had \$3,742,771 of revenue bonds & notes payable from specific general fund revenue sources other than ad valorem taxes. Also, outstanding were, \$5,383,638 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; \$525,537 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$9,747,459 interim construction loan that is due August 2010; \$1,393,000 Satellite Meter Equipment Loan payable from half-cent sales tax revenue; \$1,429,450 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system; \$1,671,875 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$700,000 Airport Hangar Revenue notes and a \$1,166,667 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes; \$363,463 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.

At the end of the current fiscal year, the City had total debt outstanding of \$26,161,373. Of this amount, \$1,172,901 comprises debt backed by the full faith and credit of the City, \$143,563 water/sewer agreements with other agencies, \$37,513 of capital leases and the remainder represents bonds and notes secured solely by specified revenue sources (i.e., revenue bonds).

**City of Palatka
Long-Term Debt Obligations**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue Bonds	\$37,498	\$98,522	\$5,383,638	\$5,668,653	\$5,421,136	\$5,767,175
Notes Payable	3,705,273	4,026,577	16,997,451	13,647,844	20,702,724	17,674,421
Capital Lease Obligations	37,513	105,151	0	0	37,513	105,151
Water/Sewer Agreements			143,563	143,563	143,563	143,563
Total	\$3,780,284	\$4,230,250	\$22,524,652	\$19,460,060	\$26,304,936	\$23,690,310

The City's total long-term debt increased \$2,614,626 from the prior year, while the long-term liability for compensated absences also increased by \$11,157.

Governmental Activities:

- The City made the following principal payments during the year: revenue bonds - \$327,691; notes payable - \$54,637.
- Governmental obligations for compensated absences increased by 11.08% or \$39,000.

Business-type activities:

- The City entered into a \$1,393,000 Water meter equipment loan to install water meters that can be read remotely.
- The City received additional proceeds of \$1,832,380 for the interim construction loan for the water plant upgrade and a \$455,686 Drinking Water State Revolving Fund loan.
- The following principal payments were made during the year: revenue bonds - \$300,000, notes payable - \$331,459.
- Compensated absences decreased by 11.65% or \$27,843.

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. However, we are not expecting to fill nonessential positions vacated due to attrition or retirement.

The City prepared balanced budgets for the 2009-2010 fiscal year, however the rates for both water and sewer usage were increased by \$2.00 to offset the additional operating budget and debt repayment associated with the new Water Treatment Plant. The millage rate was maintained at 8.65 mills; however additional reductions to operating and capital expenditures were necessary in order to achieve this.

A management team has been retained to oversee the operations at the golf course. This change has already seen the partnership of the City, County and Chamber to identify the resources it will take to make this viable entity. We are further expecting that this change will assist the City in increasing revenues and maximizing resources at the golf course. It is hopeful that within two years this facility will no longer be operating in the red.

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. 2nd Street, Palatka, Florida 32177.

City of Palatka, Florida
Statement of Net Assets
September 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Palatka Gas Authority
ASSETS				
Cash and Equivalents	\$ 2,696,215	\$ 7,248,463	9,944,678	\$ 206,921
Investments	-	-	-	3,670,144
Accounts Receivable	31,940	474,575	506,515	130,329
Internal Balances	199,663	(199,663)	-	-
Due From Other Governments	523,395	1,515,319	2,038,714	-
Inventory	-	230,253	230,253	87,634
Mortgages Receivable	19,274	-	19,274	-
Other Assets	-	-	-	15,568
Restricted Cash and Equivalents	-	866,089	866,089	-
Restricted Investments	-	510,926	510,926	-
Capital Assets:				
Non-Depreciable	7,527,463	21,391,015	28,918,478	415,021
Depreciable, Net	7,534,728	24,619,735	32,154,463	1,582,797
TOTAL ASSETS	18,532,678	56,656,712	75,189,390	6,108,414
LIABILITIES				
Accounts Payable and Accrued Liabilities	158,000	1,903,657	2,061,657	46,876
Deposits	2,825	368,028	370,853	219,293
Net OPEB Obligation	21,943	12,819	34,762	-
Noncurrent Liabilities:				
Due Within One Year	489,818	10,697,298	11,187,116	-
Due in More Than One Year	3,681,466	12,038,441	15,719,907	28,800
TOTAL LIABILITIES	4,354,052	25,020,243	29,374,295	294,969
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11,281,907	23,384,736	34,666,643	1,997,818
Restricted For:				
Downtown Redevelopment Housing and Community Development	1,322,507	-	1,322,507	-
Debt Service	-	45,216	45,216	-
Bond Reserve	-	594,376	594,376	-
Renewal and Replacement	-	51,439	51,439	-
Rate Stabilization	-	119,453	119,453	-
Unrestricted	1,303,783	7,441,249	8,745,032	3,815,627
TOTAL NET ASSETS	\$ 14,178,626	\$ 31,636,469	\$ 45,815,095	\$ 5,813,445

See accompanying notes.

City of Palatka, Florida
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Palatka Gas Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES								
General Government	\$ 768,892	\$ 102,882	\$ -	\$ -	\$ (666,010)	\$ -	\$ (666,010)	\$ -
Public Safety	6,005,490	296,767	532,516	-	(5,176,207)	-	(5,176,207)	-
Transportation	1,129,653	51,654	359,745	732,946	14,692	-	14,692	-
Economic Environment	579,661	-	-	221,115	(358,546)	-	(358,546)	-
Human Services	266,804	95,914	261,348	-	90,458	-	90,458	-
Culture and Recreation	1,048,560	17,649	9,975	334,011	(686,925)	-	(686,925)	-
Interest on Long-Term Debt	203,215	-	-	-	(203,215)	-	(203,215)	-
TOTAL GOVERNMENTAL ACTIVITIES	10,002,275	564,866	1,163,584	1,288,072	(6,985,753)	-	(6,985,753)	-
BUSINESS-TYPE ACTIVITIES								
Water	4,550,364	3,628,361	-	3,699,390	-	2,777,387	2,777,387	-
Sanitation	1,393,713	1,533,927	-	-	-	140,214	140,214	-
Golf Course	908,883	726,113	-	-	-	(182,770)	(182,770)	-
Airport	1,273,476	572,594	-	4,543,480	-	3,842,598	3,842,598	-
TOTAL BUSINESS-TYPE ACTIVITIES	8,126,436	6,460,995	-	8,242,870	-	6,577,429	6,577,429	-
TOTAL PRIMARY GOVERNMENT	\$ 18,128,711	\$ 7,025,861	\$ 1,163,584	\$ 9,530,942	(6,985,753)	6,577,429	(408,324)	-
COMPONENT UNIT:								
Palatka Gas Authority	\$ 1,347,822	\$ 1,478,003	\$ -	\$ -	-	-	-	130,181
GENERAL REVENUES:								
Property Taxes					3,836,383	-	3,836,383	-
Sales Tax and Intergovernmental Unrestricted Shared Revenues					803,775	-	803,775	-
Franchise Taxes					931,985	-	931,985	-
Utility Taxes					814,469	-	814,469	-
Communications Service Tax					817,942	-	817,942	-
Investment Earnings					55,790	56,140	111,930	132,409
Gain on Sale of Assets					-	22,174	22,174	8,000
Miscellaneous					31,900	210,716	242,616	-
Transfers					126,527	(126,527)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					7,418,771	162,503	7,581,274	140,409
CHANGE IN NET ASSETS					433,018	6,739,932	7,172,950	270,590
NET ASSETS – BEGINNING OF YEAR					13,745,608	24,896,537	38,642,145	5,542,855
NET ASSETS – END OF YEAR					\$ 14,178,626	\$ 31,636,469	\$ 45,815,095	\$ 5,813,445

See accompanying notes.

**City of Palatka, Florida
Balance Sheet
Governmental Funds
September 30, 2009**

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Equivalents	\$ 1,257,764	\$ 1,317,806	\$ 120,645	\$ 2,696,215
Accounts Receivable	27,239	4,701	-	31,940
Due from Other Funds	207,113	-	-	207,113
Due from Other Governments	350,817	-	172,578	523,395
Mortgages Receivable	-	-	19,274	19,274
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,842,933	\$ 1,322,507	\$ 312,497	\$ 3,477,937
	<hr/>	<hr/>	<hr/>	<hr/>
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ 158,000	\$ -	\$ -	\$ 158,000
Due to Other Funds	-	-	7,450	7,450
Deposits	2,825	-	-	2,825
Deferred Revenue	-	-	34,618	34,618
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	160,825	-	42,068	202,893
	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>				
Unreserved, Reported In				
General Fund	1,682,108	-	-	1,682,108
Special Revenue Funds	-	1,322,507	270,429	1,592,936
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	1,682,108	1,322,507	270,429	3,275,044
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,842,933	\$ 1,322,507	\$ 312,497	\$ 3,477,937
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See accompanying notes.

City of Palatka, Florida
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2009

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 3,275,044
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	15,062,191
Long-term liabilities are not reported in the governmental funds.	
Bonds and Notes Payable	(3,742,771)
Capital Leases	(37,513)
Compensated Absences	(391,000)
The Net OPEB Obligation is reported in the government-wide financial statements but is not reported in the governmental fund financial statements.	
	(21,943)
Liabilities for earned but unavailable revenue are reported in the governmental funds but not in the statement of net assets.	
Deferred Revenue	<u>34,618</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,178,626</u></u>

See accompanying notes.

City of Palatka, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2009

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 6,865,963	\$ 579,510		\$ 7,445,473
Licenses and Permits	207,494	-	-	207,494
Intergovernmenta	1,903,417	-	221,115	2,124,532
Charges for Services	176,629	-	-	176,629
Fines and Forfeitures	112,850	-	-	112,850
Miscellaneous	257,181	25,484	9,229	291,894
TOTAL REVENUES	9,523,534	604,994	230,344	10,358,872
<u>EXPENDITURES</u>				
Current:				
General Government	1,442,668	-	-	1,442,668
Public Safety	5,875,853	-	-	5,875,853
Transportation	780,123	-	-	780,123
Economic Environment	-	517,619	62,042	579,661
Human Services	284,172	-	-	284,172
Culture and Recreatior	1,038,817	-	-	1,038,817
Debt Service:				
Principal Retirement	449,966	-	-	449,966
Interest and Fiscal Charge:	203,215	-	-	203,215
TOTAL EXPENDITURES	10,074,814	517,619	62,042	10,654,475
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(551,280)	87,375	168,302	(295,603)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	275,000	-	-	275,000
Transfers Out	(48,473)	(100,000)	-	(148,473)
TOTAL OTHER FINANCING SOURCES (USES)	226,527	(100,000)	-	126,527
NET CHANGE IN FUND BALANCES	(324,753)	(12,625)	168,302	(169,076)
FUND BALANCES – BEGINNING OF YEAR	2,006,861	1,335,132	102,127	3,444,120
FUND BALANCES – END OF YEAR	\$ 1,682,108	\$ 1,322,507	\$ 270,429	\$ 3,275,044

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, 2009

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (169,076)

Amounts reported for governmental activities in the statement of activities are 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	1,021,747
Current Year Depreciation Expense	(758,570)

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	(45,788)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.

Principal Payments	449,966
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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	(39,000)
Net OPEB Obligation	(21,943)

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

Change in Deferred Revenues	(4,318)
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 433,018
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See accompanying notes.

City of Palatka, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2009

	<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>CURRENT ASSETS</u>					
Cash and Equivalents	\$ 7,041,558	\$ 9,879	\$ 42,180	\$ 154,846	\$ 7,248,463
Restricted Cash and Equivalents	100,821	-	-	-	100,821
Restricted Investments	465,710	-	-	-	465,710
Accounts Receivable	298,092	133,234	5,517	37,732	474,575
Due from Other Funds	7,450	-	-	-	7,450
Due from Other Governments	415,071	-	-	1,100,248	1,515,319
Inventory	164,940	-	14,667	50,646	230,253
TOTAL CURRENT ASSETS	8,493,642	143,113	62,364	1,343,472	10,042,591
<u>NONCURRENT ASSETS</u>					
Restricted Cash and Equivalents	765,268	-	-	-	765,268
Restricted Investments	45,216	-	-	-	45,216
Capital Assets, Net	28,052,652	718,745	1,927,014	15,312,339	46,010,750
TOTAL NONCURRENT ASSETS	28,863,136	718,745	1,927,014	15,312,339	46,821,234
TOTAL ASSETS	37,356,778	861,858	1,989,378	16,655,811	56,863,825
<u>CURRENT LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	1,089,770	-	6,828	807,059	1,903,657
Due to Other Funds	-	-	134,786	72,327	207,113
Deposits	339,701	-	21,037	7,290	368,028
Net OPEB Obligation	6,735	3,259	2,173	652	12,819
Current Portion of Long-Term Liabilities	10,311,632	125,844	122,229	137,593	10,697,298
TOTAL CURRENT LIABILITIES	11,747,838	129,103	287,053	1,024,921	13,188,915
<u>NONCURRENT LIABILITIES</u>					
Long-Term Liabilities	8,446,537	283,774	1,571,036	1,737,094	12,038,441
TOTAL LIABILITIES	20,194,375	412,877	1,858,089	2,762,015	25,227,356
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	9,328,642	355,282	255,139	13,445,673	23,384,736
Restricted For Debt Service	45,216	-	-	-	45,216
Restricted for Bond Reserve	594,376	-	-	-	594,376
Restricted for Renewal and Replacement	51,439	-	-	-	51,439
Restricted for Rate Stabilization	119,453	-	-	-	119,453
Unrestricted	7,023,277	93,699	(123,850)	448,123	7,441,249
TOTAL NET ASSETS	\$ 17,162,403	\$ 448,981	\$ 131,289	\$ 13,893,796	\$ 31,636,469

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, 2009

	<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	\$ 3,628,361	\$ 1,533,927	\$ 726,113	\$ 572,594	\$ 6,460,995
Other Operating Revenues	205,515	-	400	4,801	210,716
TOTAL OPERATING REVENUES	3,833,876	1,533,927	726,513	577,395	6,671,711
<u>OPERATING EXPENSES</u>					
Personal Services	1,938,279	735,150	330,331	174,322	3,178,082
Operating Expenses	1,060,681	585,291	391,908	593,988	2,631,868
Depreciation and Amortization	711,999	57,633	75,059	400,247	1,244,938
TOTAL OPERATING EXPENSES	3,710,959	1,378,074	797,298	1,168,557	7,054,888
OPERATING INCOME (LOSS)	122,917	155,853	(70,785)	(591,162)	(383,177)
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	56,140	-	-	-	56,140
Interest Expense	(839,405)	(15,639)	(111,585)	(104,919)	(1,071,548)
Gain (Loss) on Disposal of Capital Assets	1,980	-	-	20,194	22,174
TOTAL NONOPERATING REVENUES (EXPENSES)	(781,285)	(15,639)	(111,585)	(84,725)	(993,234)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(658,368)	140,214	(182,370)	(675,887)	(1,376,411)
Capital Contributions	3,699,390	-	-	4,543,480	8,242,870
Transfers In	-	-	48,473	-	48,473
Transfers Out	(110,000)	(65,000)	-	-	(175,000)
CHANGE IN NET ASSETS	2,931,022	75,214	(133,897)	3,867,593	6,739,932
NET ASSETS – BEGINNING OF YEAR	14,231,381	373,767	265,186	10,026,203	24,896,537
NET ASSETS – END OF YEAR	\$ 17,162,403	\$ 448,981	\$ 131,289	\$ 13,893,796	\$ 31,636,469

See accompanying notes.

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

	<u>Business-type Activities – Enterprise Funds</u>				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
<u>OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 5,747,280	\$ 1,516,989	\$ 724,279	\$ (141,203)	\$ 7,847,345
Payments to Suppliers	(931,848)	(633,610)	(261,703)	89,854	(1,737,307)
Payments to Employees	(1,996,220)	(746,037)	(330,409)	(174,438)	(3,247,104)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,819,212</u>	<u>137,342</u>	<u>132,167</u>	<u>(225,787)</u>	<u>2,862,934</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers In	-	-	48,473	-	48,473
Transfers Out	(110,000)	(65,000)	-	-	(175,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(110,000)</u>	<u>(65,000)</u>	<u>48,473</u>	<u>-</u>	<u>(126,527)</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Issued Debt	3,681,066	-	-	-	3,681,066
Capital Contributions	3,699,390	-	-	4,543,480	8,242,870
Acquisitions of Capital Assets	(6,875,959)	-	-	(5,868,635)	(12,744,594)
Principal Paid on Debt	(346,314)	(108,456)	(28,125)	(148,564)	(631,459)
Interest Paid on Debt	(906,265)	(15,639)	(111,585)	(104,919)	(1,138,408)
Proceeds from Sale of Capital Assets	1,980	-	-	376,696	378,676
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(746,102)</u>	<u>(124,095)</u>	<u>(139,710)</u>	<u>(1,201,942)</u>	<u>(2,211,849)</u>
<u>INVESTING ACTIVITIES</u>					
Interest Received	56,140	-	-	-	56,140
Purchase of Investments	(9,040)	-	-	-	(9,040)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>47,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,100</u>
CHANGE IN CASH AND EQUIVALENTS	<u>2,010,210</u>	<u>(51,753)</u>	<u>40,930</u>	<u>(1,427,729)</u>	<u>571,658</u>
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>5,897,437</u>	<u>61,632</u>	<u>1,250</u>	<u>1,582,575</u>	<u>7,542,894</u>
CASH AND EQUIVALENTS – END OF YEAR	<u><u>\$ 7,907,647</u></u>	<u><u>\$ 9,879</u></u>	<u><u>\$ 42,180</u></u>	<u><u>\$ 154,846</u></u>	<u><u>\$ 8,114,552</u></u>

(continued)

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2009

(concluded)

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
OPERATING INCOME (LOSS)	\$ 122,917	\$ 155,853	\$ (70,785)	\$ (591,162)	\$ (383,177)
Depreciation and Amortization	711,999	57,633	75,059	400,247	1,244,938
Change In:					
Accounts Receivable	(40,298)	(20,197)	2,116	(24,787)	(83,166)
Due from Other Funds	(7,450)	-	-	-	(7,450)
Due from Other Governments	1,961,832	-	-	(695,155)	1,266,677
Inventory	18,196	-	2,269	2,192	22,657
Accounts Payable and Accrued Liabilities	78,459	(57,543)	(13,099)	606,236	614,053
Due to Other Funds	(32,498)	-	134,786	72,327	174,615
Compensated Absences	(680)	(1,663)	3,998	2,318	3,973
Net OPEB Obligation	6,735	3,259	2,173	652	12,819
Customer Deposits	-	-	(4,350)	1,345	(3,005)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 2,819,212</u>	<u>\$ 137,342</u>	<u>\$ 132,167</u>	<u>\$ (225,787)</u>	<u>\$ 2,862,934</u>

See accompanying notes.

City of Palatka, Florida
Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2009

ASSETS

Investments:

Money Market and Other Cash Equivalents	\$ 1,040,466
Government Bonds and Notes	3,960,374
Corporate Bonds and Notes	10,073,303
Mutual Funds (REIT)	362,057
Mutual Funds - Equities	10,204,893
Common Stock/Equities	<u>2,374,275</u>
Total Investments	28,015,368

Accounts Receivable	<u>106,714</u>
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TOTAL ASSETS	28,122,082
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LIABILITIES	<u>-</u>
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NET ASSETS

Held in Trust for Pension Benefits	<u><u>\$ 28,122,082</u></u>
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See accompanying notes.

City of Palatka, Florida
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended September 30, 2009

ADDITIONS

CONTRIBUTIONS:

Employer	\$ 1,030,628
Member	373,515
State on behalf, through General Fund	138,233

TOTAL CONTRIBUTIONS 1,542,376

INVESTMENT INCOME (LOSS):

Net Depreciation in Fair Value of Investments	(85,015)
Interest	304,707
Dividends	242,262
	461,954
Less Investment Management Fee	171,085

NET INVESTMENT INCOME 290,869

TOTAL ADDITIONS 1,833,245

DEDUCTIONS

Member Benefits	2,030,675
Withdrawals	98,973
Administrative Expense	69,008

TOTAL DEDUCTIONS 2,198,656

CHANGE IN NET ASSETS (365,411)

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
Beginning of Year 28,487,493

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
End of Year \$ 28,122,082

See accompanying notes.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

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, 2009

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 2008-2009 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, 2009

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, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Application of FASB Pronouncements

For its business-type activities and 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 \$45,903 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, 2009

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 2009.

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, 2009, property taxes receivable were not material.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

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, 2009

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	\$ 9,944,678	\$ 206,921
Investments	-	3,670,144
Restricted Cash and Equivalents	866,089	-
Restricted Investments	510,926	-
Statement of Fiduciary Net Assets:		
Investments	28,015,368	-
Total Deposits and Investments	<u>\$ 39,337,061</u>	<u>\$ 3,877,065</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	\$ 10,810,767	\$ 3,877,065
Investments - Other than Pension	510,926	-
Investments - Pension	28,015,368	-
Total Deposits and Investments	<u>\$ 39,337,061</u>	<u>\$ 3,877,065</u>

The City's investments at September 30, 2009 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	\$ 1,040,466	\$ 1,040,466	\$ -	\$ -
Government Bonds and Notes	3,960,374	1,017,966	1,033,400	1,909,008
Corporate Bonds and Notes	10,073,303	9,137,220	936,083	-
Common Stock	2,374,275	2,374,275	-	-
Mutual Funds (REIT)	362,057	362,057	-	-
Mutual Funds (Foreign Equities)	1,121,700	1,121,700	-	-
Mutual Funds (ETF)	2,558,638	2,558,638	-	-
Mutual Funds (Equities)	6,524,555	6,524,555	-	-
Total Pension Investments	28,015,368	24,136,877	1,969,483	1,909,008
Other Investments:				
Government Bonds and Notes	510,926	510,926	-	-
Total	<u>\$ 28,526,294</u>	<u>\$ 24,647,803</u>	<u>\$ 1,969,483</u>	<u>\$ 1,909,008</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

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, 2009, other than for certain equities of the General Employees Pension, totaling \$451,893, which are reported as of January 2009. Ratings for those equities are not available as of September 30, 2009, 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+	-	AAA	76%	AAA	100%
A	-	AA2	2%	-	-
A-	-	AA3	3%	-	-
B+	-	A1	7%	-	-
B	-	A2	7%	-	-
B-	-	A3	2%	-	-
		BAA2	2%		
Not rated	100%	Not rated	1%	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, 2009

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2009, interfund balances are as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 207,113	\$ -
Other Governmental Funds	-	7,450
Major Enterprise Funds:		
Water	7,450	-
Golf Course	-	134,786
Airport	-	72,327
Total	<u>\$ 214,563</u>	<u>\$ 214,563</u>

As summarized below, the interfund balances arose in part because one fund had overdrawn its share of the City's pooled cash account.

	<u>Cash and Equivalents As Reported</u>	<u>Adjustment for Overdraft</u>	<u>True Balance</u>
General Fund	\$ 1,257,764	\$ 133,536	\$ 1,391,300
Major Enterprise Fund:			
Golf Course	42,180	(133,536)	(91,356)
Total	<u>\$ 1,299,944</u>	<u>\$ -</u>	<u>\$ 1,299,944</u>

Interfund transfers for the year ended September 30, 2009 consisted of the following:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 275,000	\$ 48,473
Downtown Redevelopment	-	100,000
Major Enterprise Funds:		
Water Fund	-	110,000
Sanitation Fund	-	65,000
Golf Course Fund	48,473	-
Total	<u>\$ 323,473</u>	<u>\$ 323,473</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, 2009

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2009, the following changes in capital assets occurred:

<u>Primary Government</u>	<u>Balance October 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2009</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 6,746,180	\$ -	\$ -	\$ 6,746,180
Construction in Progress	644,217	137,066	-	781,283
Total Capital Assets Not Being Depreciated	<u>7,390,397</u>	<u>137,066</u>	<u>-</u>	<u>7,527,463</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	4,976,790	622,159	-	5,598,949
Infrastructure	8,021,423	156,614	-	8,178,037
Furniture and Equipment	3,109,434	105,908	183,125	3,032,217
Total Capital Assets Being Depreciated	<u>16,107,647</u>	<u>884,681</u>	<u>183,125</u>	<u>16,809,203</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,173,068	227,625	-	2,400,693
Infrastructure	5,112,305	322,478	-	5,434,783
Furniture and Equipment	1,367,869	208,467	137,337	1,438,999
Total Accumulated Depreciation	<u>8,653,242</u>	<u>758,570</u>	<u>137,337</u>	<u>9,274,475</u>
Total Capital Assets Being Depreciated, Net	<u>7,454,405</u>	<u>126,111</u>	<u>45,788</u>	<u>7,534,728</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,844,802</u>	<u>\$ 263,177</u>	<u>\$ 45,788</u>	<u>\$ 15,062,191</u>
	<u>Balance October 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2009</u>
<u>Business-type Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 4,580,159	\$ -	\$ 356,500	\$ 4,223,659
Construction in Progress	10,223,753	7,808,478	864,875	17,167,356
Total Capital Assets Not Being Depreciated	<u>14,803,912</u>	<u>7,808,478</u>	<u>1,221,375</u>	<u>21,391,015</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	13,078,599	5,345,161	-	18,423,760
Furniture and Equipment	2,569,945	24,450	59,837	2,534,558
Water and Sewer Distribution System	8,459,772	57,260	-	8,517,032
Plant Assets and Equipment	14,540,285	374,119	-	14,914,404
Total Capital Assets Being Depreciated	<u>38,648,601</u>	<u>5,800,990</u>	<u>59,837</u>	<u>44,389,754</u>
Less Accumulated Depreciation for:				
Building and Improvements	5,974,400	450,430	-	6,424,830
Furniture and Equipment	1,374,994	163,197	59,837	1,478,354
Water and Sewer Distribution System	3,035,876	217,947	-	3,253,823
Plant Assets and Equipment	8,214,633	398,379	-	8,613,012
Total Accumulated Depreciation	<u>18,599,903</u>	<u>1,229,953</u>	<u>59,837</u>	<u>19,770,019</u>
Total Capital Assets Being Depreciated, Net	<u>20,048,698</u>	<u>4,571,037</u>	<u>-</u>	<u>24,619,735</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,852,610</u>	<u>\$ 12,379,515</u>	<u>\$ 1,221,375</u>	<u>\$ 46,010,750</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 4 – CAPITAL ASSET ACTIVITY

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

Governmental Activities:	
General Government	\$ 205,218
Public Safety	161,700
Transportation	353,594
Human Services	7,505
Culture and Recreation	<u>30,553</u>
 Total Depreciation Expense – Governmental Activities	 <u><u>\$ 758,570</u></u>
 Business-type Activities:	
Water and Sewer	\$ 697,014
Sanitation	57,633
Airport	400,247
Golf Course	<u>75,059</u>
 Total Depreciation Expense – Business-type Activities	 <u><u>\$ 1,229,953</u></u>

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2009 follows:

	Balance October 1, 2008	Increases	Decreases	Balance September 30, 2009
Capital Assets Not Being Depreciated:				
Land	\$ 194,147	\$ -	\$ -	\$ 194,147
Construction Work in Progress	-	220,874	-	220,874
Total Capital Assets Not Being Depreciated	<u>194,147</u>	<u>220,874</u>	<u>-</u>	<u>415,021</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	571,542	-	-	571,542
Furniture and Equipment	534,377	35,052	30,464	538,965
Plant Assets and Equipment	2,753,243	134,143	-	2,887,386
Total Capital Assets Being Depreciated	<u>3,859,162</u>	<u>169,195</u>	<u>30,464</u>	<u>3,997,893</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	74,617	14,281	-	88,898
Furniture and Equipment	400,837	38,200	30,464	408,573
Plant Assets and Equipment	1,872,757	44,868	-	1,917,625
Total Accumulated Depreciation	<u>2,348,211</u>	<u>97,349</u>	<u>30,464</u>	<u>2,415,096</u>
Total Capital Assets Being Depreciated, Net	<u>1,510,951</u>	<u>71,846</u>	<u>-</u>	<u>1,582,797</u>
Gas Authority Capital Assets, Net	<u><u>\$ 1,705,098</u></u>	<u><u>\$ 292,720</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,997,818</u></u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 5 – LONG-TERM OBLIGATIONS

Long-term debt of the governmental activities is described below:

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.	\$ 738,413
\$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.	37,498
\$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 \$3,846,773. During the current year, the City recognized infrastructure surtax revenues of \$732,946 and made \$ 432,747 principal and interest payments.	2,933,333
\$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>33,527</u>
Total	<u><u>\$ 3,742,771</u></u>

Business-type Activities

Long-term debt of the business-type activities is described on the following page.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

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 \$7,252,995. During the current year, the City recognized net revenues of \$893,036 and made \$561,377 principal and interest payments.</p>	<p>\$ 5,485,000</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 \$565,041. During the current year, the City recognized net revenues of \$893,036, which are first pledged to the senior obligation of the Series 1998 Bonds, and made \$53,822 principal and interest payments.</p>	<p>525,537</p>
<p>\$9,747,459 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 \$10,155,229. During the current year, the City recognized permanent financing proceeds of \$450,000 loan and \$2,550,000 grant, and made interest payments of \$522,331. No principal payments were made or due as of September 30, 2009.</p>	<p>9,747,459</p>
<p>\$1,429,450 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$17,913, 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 \$ 1,892,977. During the current year, the City recognized net revenues of \$893,036 and paid interest payments in the amount of \$17,913. No principal payments were made or due as of September 30, 2009.</p>	<p>1,429,450</p>
<p>\$1,393,000 Satellite Meter Equipment Note; payable from the Water Fund in varying semi-annual installments, including interest at 4.05%, through January 2019, from the half-cent sales tax revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,693,490. During the current year, the City recognized net revenues of \$893,036 and made an interest payment in the amount of \$29,462. No principal payments were made or due as of September 30, 2009.</p>	<p>1,393,000</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>363,463</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 \$1,046,206. During the current year, the City recognized net revenues of \$(170,720) and made \$98,626 principal and interest payments.</p>	<p>700,000</p>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

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 \$1,556,371. During the current year, the City recognized net revenues of \$(170,720) and made \$137,788 principal and interest payments. \$ 1,166,667

\$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 \$2,588,193. During the current year, the City had net revenues of \$4,274 and made \$139,711 principal and interest payments. 1,671,875

Less Unamortized Discounts and Costs (101,362)

Total \$ 22,381,089

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

Year Ending	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>September 30,</u>				
2010	\$ 360,851	\$ 181,661	\$ 10,640,798	973,372
2011	325,523	164,964	881,921	527,658
2012	327,744	148,898	913,503	488,299
2013	327,760	132,667	837,700	448,022
2014	322,794	116,649	854,237	409,653
2015-2019	1,648,616	340,999	4,771,473	1,415,851
2020-2024	429,483	21,790	3,129,111	351,964
2025-2029	-	-	429,043	37,947
2030-2034	-	-	24,665	352
Totals	<u><u>\$ 3,742,771</u></u>	<u><u>\$ 1,107,628</u></u>	<u><u>\$ 22,482,451</u></u>	<u><u>\$ 4,653,118</u></u>

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

Governmental Activities

	Balance			Balance	Due
	October 1,	Additions	Deductions	September 30,	Within
	2008			2009	One Year
Revenue Bonds and Notes Payable	\$ 4,125,099	\$ -	\$ 382,328	\$ 3,742,771	\$ 360,851
Capital Leases	105,151	-	67,638	37,513	23,967
Compensated Absences	352,000	276,000	237,000	391,000	105,000
Total	<u><u>\$ 4,582,250</u></u>	<u><u>\$ 276,000</u></u>	<u><u>\$ 686,966</u></u>	<u><u>\$ 4,171,284</u></u>	<u><u>\$ 489,818</u></u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 5 – LONG-TERM OBLIGATIONS

The City has 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>
2010	\$ 25,186
2011	13,757
Total Minimum Lease Payments	<u>38,943</u>
Less: Amount Representing Interest	1,430
Present Value of Net Minimum Lease Payments	<u><u>\$ 37,513</u></u>

Business-type Activities

	<u>Balance</u> <u>October 1,</u> <u>2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2009</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Water and Sewer Refunding Revenue					
Bonds Series 1998	\$ 5,785,000	\$ -	\$ 300,000	\$ 5,485,000	\$ 315,000
Less: Unamortized Issuance Costs	(116,347)	-	(14,985)	(101,362)	-
Drinking Water State Revolving Fund Loan	973,764	455,686	-	1,429,450	52,936
Sanitation Equipment	471,919	-	108,456	363,463	112,944
Water Reuse Loan	571,851	-	46,314	525,537	46,937
Florida Rural Utility Loan	7,915,079	1,832,380	-	9,747,459	9,747,459
Water Fund Satellite Meter Equipment Loan	-	1,393,000	-	1,393,000	116,000
Golf Revenue Note	1,700,000	-	28,125	1,671,875	116,189
Airport Hangar Phase 4 Note	15,231	-	15,231	-	-
Airport Terminal Revenue Note	1,250,000	-	83,333	1,166,667	83,333
Airport T-Hangars Revenue Note	750,000	-	50,000	700,000	50,000
Total Revenue Bonds and Notes	<u>19,316,497</u>	<u>3,681,066</u>	<u>616,474</u>	<u>22,381,089</u>	<u>10,640,798</u>
County Water/Sewer Agreement	132,270	-	-	132,270	-
SJRWMD Water/Sewer Agreement	11,293	-	-	11,293	-
Compensated Absences	238,930	124,757	152,600	211,087	56,500
Total	<u><u>\$ 19,698,990</u></u>	<u><u>\$ 3,805,823</u></u>	<u><u>\$ 769,074</u></u>	<u><u>\$ 22,735,739</u></u>	<u><u>\$ 10,697,298</u></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.

Contractual Provisions

As of September 30, 2009, rate covenants on certain debt obligations of the Water, Golf and Airport Funds were not met. The City has performed internal rate studies and increased rates in October 2009, as part of its efforts to generate sufficient gross revenues to meet the covenants in the future.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 6 – RESTRICTED NET ASSETS

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

	Business-type Activities
Restricted Assets:	
Cash and Equivalents	\$ 866,089
Investments	<u>510,926</u>
Total	<u>1,377,015</u>
Liabilities Payable from Restricted Assets:	
Current Portion of Debt Service:	
Principal	435,842
Interest	<u>130,689</u>
Total	<u>566,531</u>
Restricted Net Assets	<u><u>\$ 810,484</u></u>

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

NOTE 7 – PENSION PLANS

Defined Benefit 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, 2009 the City recognized \$66,457 and \$71,776 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, 2009

NOTE 7 – PENSION PLANS

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, 2007, are equal to total years of service times 2.5%, 2.5% and 3.25%, 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, 2007. 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, 2009 is as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Active Employees	110	37	20	167
Service Retirees and Beneficiaries	62	14	7	83
Disability Retirees	5	4	2	11
Terminated Vested	-	2	-	2
DROP	12	2	3	17
Total	<u>189</u>	<u>59</u>	<u>32</u>	<u>280</u>

Funded Status and Funding Progress: The funded status of each plan as of October 1, 2009, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (000's)	Actuarial Accrued Liability Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
General Plan	\$ 16,053	\$ 16,543	\$ 490	97%	\$ 3,493	14%
Police Officers Plan	\$ 8,240	\$ 8,047	\$ (193)	102%	\$ 1,750	(11)%
Firefighters Plan	\$ 6,130	\$ 7,383	\$ 1,253	83%	\$ 834	150%

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, 2009

NOTE 7 – PENSION PLANS

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	15.0%	13.4%	23.9%
Plan Members	6.0%	6.0%	6.0%
Annual Pension Cost	641,357	236,148	146,114
Contributions Made	641,482	236,148	146,114
Actuarial Valuation Date	10/1/2007	10/1/2007	10/1/2007
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	30 Years	30 Years	29 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	9/30/2009	\$ 641,357	100%	\$ -
	9/30/2008	559,533	100%	-
	9/30/2007	602,616	100%	-
Police Officers	9/30/2009	\$ 236,148	100%	\$ -
	9/30/2008	297,845	100%	-
	9/30/2007	256,341	100%	-
Firefighters	9/30/2009	\$ 146,114	100%	\$ -
	9/30/2008	124,076	100%	-
	9/30/2007	121,177	100%	-

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 7 – PENSION PLANS

Combining Statement of Fiduciary Net Assets

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
<u>ASSETS</u>				
Investments:				
Money Market and Other Cash Equivalents	\$ 208,864	\$ 395,169	\$ 436,433	\$ 1,040,466
Government Bonds and Notes	-	2,113,064	1,847,310	3,960,374
Corporate Bonds and Notes	7,530,244	1,370,533	1,172,526	10,073,303
Mutual Funds (REIT)	-	185,722	176,335	362,057
Mutual Funds - Equities	6,524,555	2,017,508	1,662,830	10,204,893
Common Stock/Equities	451,893	1,038,259	884,123	2,374,275
Total Investments	<u>14,715,556</u>	<u>7,120,255</u>	<u>6,179,557</u>	<u>28,015,368</u>
Receivables	71,090	23,588	12,036	106,714
TOTAL ASSETS	<u>14,786,646</u>	<u>7,143,843</u>	<u>6,191,593</u>	<u>28,122,082</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 14,786,646</u>	<u>\$ 7,143,843</u>	<u>\$ 6,191,593</u>	<u>\$ 28,122,082</u>

Combining Statement of Changes in Fiduciary Net Assets

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
<u>ADDITIONS</u>				
CONTRIBUTIONS:				
Employer	\$ 641,482	\$ 225,322	\$ 163,824	\$ 1,030,628
Member	219,960	105,687	47,868	373,515
State on Behalf, through General Fund	-	66,457	71,776	138,233
TOTAL CONTRIBUTIONS	<u>861,442</u>	<u>397,466</u>	<u>283,468</u>	<u>1,542,376</u>
INVESTMENT INCOME (LOSS):				
Net Appreciation (Depreciation) in Fair Value of Investments	308,115	(211,637)	(181,493)	(85,015)
Interest	-	161,649	143,058	304,707
Dividends	112,144	69,928	60,190	242,262
	<u>420,259</u>	<u>19,940</u>	<u>21,755</u>	<u>461,954</u>
Less Investment Management Fee	97,491	38,475	35,119	171,085
NET INVESTMENT INCOME (LOSS)	<u>322,768</u>	<u>(18,535)</u>	<u>(13,364)</u>	<u>290,869</u>
TOTAL ADDITIONS	<u>1,184,210</u>	<u>378,931</u>	<u>270,104</u>	<u>1,833,245</u>
<u>DEDUCTIONS</u>				
Member Benefits	1,194,242	475,071	361,362	2,030,675
Withdrawals	37,691	39,027	22,255	98,973
Administrative Expense	19,182	25,071	24,755	69,008
TOTAL DEDUCTIONS	<u>1,251,115</u>	<u>539,169</u>	<u>408,372</u>	<u>2,198,656</u>
CHANGE IN NET ASSETS	(66,905)	(160,238)	(138,268)	(365,411)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year	<u>14,853,551</u>	<u>7,304,081</u>	<u>6,329,861</u>	<u>28,487,493</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year	<u>\$ 14,786,646</u>	<u>\$ 7,143,843</u>	<u>\$ 6,191,593</u>	<u>\$ 28,122,082</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 7 – PENSION PLANS

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 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan).

The City's health care plan 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, but does contribute any remaining amount necessary for payment of claims. In future years, contributions are assumed to increase at the same rate as premiums.

The OPEB Plan does not issue a stand-alone financial report.

At September 30, 2009, participants consisted of:

Active Employees	160
Retirees Participants	12
Covered Spouses	<u>6</u>
Total	<u><u>178</u></u>

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 1, 2008 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2009. The City's annual OPEB cost for the fiscal year was \$58,246 (of which \$12,819 is related to the enterprise funds) and the transition liability was set to zero as of September 30, 2008. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 were as follows:

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2007	N/A	N/A	N/A	N/A
September 30, 2008	N/A	N/A	N/A	N/A
September 30, 2009	\$ 58,246	\$ 23,484	40.3%	\$ 34,762

In future years, three-year trend information will be presented. Fiscal Year 2009 was the year of implementation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and the City has elected to implement prospectively, therefore, prior year comparative data is not available.

Funded Status

The funded status of the OPEB Plan as of September 30, 2009 was as follows:

<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
\$ 483,795	\$ -	\$ 483,795	0.0%	\$ 8,830,792	5.5%

Funding Policy

Funding for the OPEB Plan is from the City's general resources. There is no separate trust through which benefits for retirees are funded. No resources are currently accumulated or earmarked for this purpose.

Actuarial Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following actuarial methods and assumptions were used:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Payroll-Closed
Amortization Period	30 Years
Remaining Amortization Period	30 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Funding Interest Rate	5%
Payroll Growth/ Inflation	3%
Healthcare Inflation	9% Initial; grading down to 5% in 2013

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.

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, 2009 were \$321,980. Future lease payments are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
2010	\$ 240,485	\$ 41,796
2011	216,832	23,669
2012	99,285	-
	<hr/>	<hr/>
Total	<u>\$ 556,602</u>	<u>\$ 65,465</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2009

NOTE 10 – COMMITMENTS

At September 30, 2009, the City had remaining commitments for approximately \$538,000 for airport improvements, \$159,000 for wastewater reuse line improvements, and \$435,000 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.

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, 2009

	<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>
REVENUES				
Taxes	\$ 7,484,749	\$ 7,105,347	\$ 6,865,963	\$ (239,384)
Licenses and Permits	164,000	164,000	207,494	43,494
Intergovernmental	1,288,006	1,774,235	1,903,417	129,182
Charges for Services	129,100	111,825	176,629	64,804
Fines and Forfeitures	62,000	52,622	112,850	60,228
Miscellaneous	226,682	284,431	257,181	(27,250)
TOTAL REVENUES	<u>9,354,537</u>	<u>9,492,460</u>	<u>9,523,534</u>	<u>31,074</u>
EXPENDITURES				
Current:				
General Government	1,277,045	1,670,309	1,442,668	227,641
Public Safety	5,833,431	5,994,609	5,875,853	118,756
Transportation	664,053	873,939	780,123	93,816
Human Services	231,411	272,162	284,172	(12,010)
Culture and Recreation	757,307	1,052,304	1,038,817	13,487
Reserve for Contingencies	213,108	-	-	-
Debt Service:				
Principal Retirement	449,184	449,184	449,966	(782)
Interest and Fiscal Charges	203,998	203,998	203,215	783
TOTAL EXPENDITURES	<u>9,629,537</u>	<u>10,516,505</u>	<u>10,074,814</u>	<u>441,691</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(275,000)</u>	<u>(1,024,045)</u>	<u>(551,280)</u>	<u>472,765</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	275,000	275,000	275,000	-
Transfers Out	-	(3,000)	(48,473)	(45,473)
TOTAL OTHER FINANCING SOURCES (USES)	<u>275,000</u>	<u>272,000</u>	<u>226,527</u>	<u>(45,473)</u>
NET CHANGE IN FUND BALANCES	-	(752,045)	(324,753)	427,292
FUND BALANCES – BEGINNING OF YEAR	<u>-</u>	<u>752,045</u>	<u>2,006,861</u>	<u>1,254,816</u>
FUND BALANCES – END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,682,108</u>	<u>\$ 1,682,108</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, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 583,218	\$ 583,218	\$ 579,510	\$ (3,708)
Miscellaneous	-	-	25,484	25,484
TOTAL REVENUES	583,218	583,218	604,994	21,776
<u>EXPENDITURES</u>				
Economic Environment	1,803,218	1,803,218	517,619	1,285,599
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,220,000)	(1,220,000)	87,375	1,307,375
<u>OTHER FINANCING USES</u>				
Transfers Out	(100,000)	(100,000)	(100,000)	-
NET CHANGE IN FUND BALANCES	(1,320,000)	(1,320,000)	(12,625)	1,307,375
FUND BALANCES - Beginning of Year	1,320,000	1,320,000	1,335,132	15,132
FUND BALANCES - End of Year	\$ -	\$ -	\$ 1,322,507	\$ 1,322,507

City of Palatka, Florida
Schedules of Funding Progress—Pension Plans
September 30, 2009

General Plan

Actuarial Valuation Date	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
9/30/2009	\$ 16,053	\$ 16,543	\$ 490	97%	\$ 3,493	14%
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	606	96%	3,340	18%
9/30/2004	12,505	13,162	657	95%	3,116	21%

Police Officers' Plan

Actuarial Valuation Date	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
9/30/2009	\$ 8,240	\$ 8,047	\$ (193)	102%	\$ 1,750	(11)%
9/30/2008	8,203	8,103	(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	20	100%	1,452	1%
9/30/2004	6,594	6,604	10	100%	1,294	1%

Firefighters' Plan

Actuarial Valuation Date	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
9/30/2009	\$ 6,130	\$ 7,383	\$ 1,253	83%	\$ 834	150%
9/30/2008	6,269	7,235	966	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	975	85%	804	121%
9/30/2004	5,534	6,228	694	89%	751	92%

City of Palatka, Florida
Schedules of Contributions From Employer and Other Contributing Entities—Pension Plans
September 30, 2009

General Plan

<u>Year Ended</u>	<u>Employer Contributions</u>		<u>Percentage Contributed</u>
	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	
9/30/2009	\$ 641,357	\$ 641,357	100.00%
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%

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>
9/30/2009	\$ 236,148	\$ 236,148	100.00%	\$ 66,457	\$ 66,457	100.00%
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%

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>
9/30/2009	\$ 146,114	\$ 146,114	100.00%	\$ 71,776	\$ 71,776	100.00%
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%

City of Palatka, Florida
Other Postemployment Benefits Plan
September 30, 2009

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
10/1/2008	\$ -	\$ 483,795	\$ 483,795	0.0%	\$ 8,830,792	5.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
9/30/2009	\$ 58,246	40.3%
9/30/2008	N/A	N/A
9/30/2007	N/A	N/A

Notes:

- 1) The City has elected to implement GASB Statement No. 45, effective October 1, 2008, prospectively. Information for the two preceding years is not available.
- 2) See Note 8 to the financial statements for detailed information on the City's OPEB Plan.

City of Palatka, Florida
Notes to Required Supplementary Information
September 30, 2009

Notes to Budgetary Comparison Schedules

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, 2009

	General Retirement <u>Fund</u>	Police Officers' Retirement <u>Fund</u>	Firefighters' Retirement <u>Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Investments:				
Money Market and Other				
Cash Equivalents	\$ 208,864	\$ 395,169	\$ 436,433	\$ 1,040,466
Government Bonds and Notes	-	2,113,064	1,847,310	3,960,374
Corporate Bonds and Notes	7,530,244	1,370,533	1,172,526	10,073,303
Mutual Funds (REIT)	-	185,722	176,335	362,057
Mutual Funds - Equities	6,524,555	2,017,508	1,662,830	10,204,893
Common Stock/Equities	451,893	1,038,259	884,123	2,374,275
Receivables	71,090	23,588	12,036	106,714
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	14,786,646	7,143,843	6,191,593	28,122,082
LIABILITIES	<hr/> -	<hr/> -	<hr/> -	<hr/> -
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 14,786,646</u>	<u>\$ 7,143,843</u>	<u>\$ 6,191,593</u>	<u>\$ 28,122,082</u>

City of Palatka, Florida
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended September 30, 2009

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ADDITIONS</u>				
CONTRIBUTIONS:				
Employer	\$ 641,482	\$ 225,322	\$ 163,824	\$ 1,030,628
Member	219,960	105,687	47,868	373,515
State on Behalf, through General Fund	-	66,457	71,776	138,233
TOTAL CONTRIBUTIONS	861,442	397,466	283,468	1,542,376
INVESTMENT INCOME (LOSS):				
Net Appreciation (Depreciation) in Fair Value of Investments	308,115	(211,637)	(181,493)	(85,015)
Interest	-	161,649	143,058	304,707
Dividends	112,144	69,928	60,190	242,262
	420,259	19,940	21,755	461,954
Less Investment Management Fee	97,491	38,475	35,119	171,085
NET INVESTMENT INCOME (LOSS)	322,768	(18,535)	(13,364)	290,869
TOTAL ADDITIONS	1,184,210	378,931	270,104	1,833,245
<u>DEDUCTIONS</u>				
Member Benefits	1,194,242	475,071	361,362	2,030,675
Withdrawals	37,691	39,027	22,255	98,973
Administrative Expense	19,182	25,071	24,755	69,008
TOTAL DEDUCTIONS	1,251,115	539,169	408,372	2,198,656
CHANGE IN NET ASSETS	(66,905)	(160,238)	(138,268)	(365,411)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year	14,853,551	7,304,081	6,329,861	28,487,493
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year	\$ 14,786,646	\$ 7,143,843	\$ 6,191,593	\$ 28,122,082

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.

<u>Contents</u>	<u>Page</u>
Financial Trends	44
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	48
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity	52
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.	
Demographic and Economic Information	57
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.	
Operating Information	59
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 Seven Fiscal Years

	Fiscal Years Ending September 30 -----						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities							
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	\$11,281,907
Restricted	\$268,690	\$335,292	\$416,950	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936
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>	<u>\$1,303,783</u>
Total Governmental Activities Net Assets	<u>\$6,337,556</u>	<u>\$7,213,731</u>	<u>\$7,264,923</u>	<u>\$7,602,006</u>	<u>\$12,837,915</u>	<u>\$13,745,608</u>	<u>\$14,178,626</u>
Business-Type Activities							
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	\$23,384,736
Restricted	\$1,542,942	\$806,035	\$830,601	\$779,907	\$773,851	\$792,708	\$810,484
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>	<u>\$7,441,249</u>
Total Business-Type Activities Net Assets	<u>\$15,831,019</u>	<u>\$16,888,105</u>	<u>\$17,210,858</u>	<u>\$17,835,642</u>	<u>\$19,642,224</u>	<u>\$24,896,537</u>	<u>\$31,636,469</u>
Primary Government							
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	\$34,666,643
Restricted	\$1,811,632	\$1,141,327	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420
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>	<u>\$8,745,032</u>
Total Primary Government Net Assets	<u>\$22,168,575</u>	<u>\$24,101,836</u>	<u>\$24,475,781</u>	<u>\$25,437,648</u>	<u>\$32,480,139</u>	<u>\$38,642,145</u>	<u>\$45,815,095</u>

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 Seven Fiscal Years

	Fiscal Years Ending September 30 ---						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental Activities:							
General Government	\$805,254	\$879,252	\$957,828	\$882,002	\$677,251	\$852,906	\$768,892
Public Safety	\$4,217,475	\$4,614,844	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601	\$6,005,490
Physical Environment	-	-	\$16,191	\$14,028	\$481,343	\$295,824	-
Transportation	\$568,028	\$631,355	\$1,142,443	\$1,382,910	\$1,282,350	\$973,566	\$1,129,653
Economic Environment	\$50,538	\$66,979	\$63,715	\$134,348	\$102,299	\$148,148	\$579,661
Human Services	\$147,360	\$186,242	\$176,399	\$212,165	\$227,525	\$232,009	\$266,804
Culture and Recreation	\$341,136	\$540,808	\$443,796	\$505,841	\$561,238	\$822,826	\$1,048,560
Interest on Long-Term Debt	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215
Total Governmental Activities Expenses	\$6,164,807	\$6,950,105	\$7,701,947	\$8,767,035	\$9,573,034	\$9,585,412	\$10,002,275
Business-type Activities:							
Airport	\$617,672	\$654,561	\$659,324	\$854,457	\$974,382	\$1,127,150	\$1,273,476
Water	\$3,113,053	\$3,239,058	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364
Golf	\$803,795	\$773,144	\$803,434	\$933,767	\$1,004,007	\$1,014,105	\$908,883
Sanitation	\$1,227,770	\$1,273,168	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689	\$1,393,713
Total Business-type Activities Expenses	\$5,762,290	\$5,939,931	\$6,405,360	\$6,871,457	\$7,218,931	\$7,957,391	\$8,126,436
Total Primary Government Expenses	\$11,927,097	\$12,890,036	\$14,107,307	\$15,638,492	\$16,791,965	\$17,542,803	\$18,128,711
Program Revenues							
Governmental Activities:							
Charges for Services:							
General Government	\$102,144	\$115,774	\$108,424	\$102,416	\$100,431	\$116,431	\$102,882
Public Safety	\$230,062	\$316,470	\$279,116	\$322,191	\$234,747	\$235,176	\$296,767
Other	\$170,592	\$152,957	\$179,865	\$167,965	\$198,985	\$182,337	\$165,217
Operating Grants and Contributions	\$314,102	\$777,845	\$573,201	\$832,506	\$912,670	\$705,287	\$1,163,584
Capital Grants and Contributions	\$267,530	\$1,816,727	\$765,763	\$874,390	\$1,463,953	\$1,090,723	\$1,288,072
Total Governmental Activities Program Revenues	\$1,084,430	\$3,179,773	\$1,906,369	\$2,299,468	\$2,910,786	\$2,329,954	\$3,016,522
Business-type Activities:							
Charges for Services :							
Airport	\$275,335	\$305,496	\$386,036	\$567,999	\$506,385	\$709,468	\$572,594
Water	\$2,993,651	\$3,089,418	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813	\$3,628,361
Golf	\$645,426	\$531,170	\$711,672	\$762,061	\$751,903	\$754,328	\$726,113
Sanitation	\$1,297,709	\$1,329,226	\$1,426,784	\$1,430,572	\$1,518,191	\$1,500,141	\$1,533,927
Operating Grants and Contributions	\$20,095	\$61,500	\$139,118	-	\$7,000	-	-
Capital Grants and Contributions	\$1,293,561	\$929,654	\$981,176	\$1,423,874	\$2,451,986	\$6,301,063	\$8,242,870
Total Business-type Activities Program Revenues	\$6,525,777	\$6,246,464	\$6,779,585	\$7,298,393	\$8,694,853	\$12,881,813	\$14,703,865
Total Primary Government Program Revenues	\$7,610,207	\$9,426,237	\$8,685,954	\$9,597,861	\$11,605,639	\$15,211,767	\$17,720,387
Net (Expense)/Revenue							
Governmental Activities	(\$5,080,377)	(\$3,770,332)	(\$5,795,578)	(\$6,467,567)	(\$6,662,248)	(\$7,255,458)	(\$6,985,753)
Business-type Activities	\$763,487	\$306,533	\$374,225	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429
Total Primary Government Net Expense	(\$4,316,890)	(\$3,463,799)	(\$5,421,353)	(\$6,040,631)	(\$5,186,326)	(\$2,331,036)	(\$408,324)
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes:							
Property Taxes	\$2,117,963	\$2,440,143	\$2,765,692	\$3,334,384	\$3,805,051	\$3,942,201	\$3,836,383
Sales Tax and Other State Shared Revenue	\$765,778	\$794,003	\$848,661	\$888,738	\$894,912	\$863,426	\$803,775
Franchise Fees	\$547,816	\$611,540	\$684,678	\$911,188	\$915,447	\$898,638	\$931,985
Other Taxes	\$2,028,649	\$1,282,812	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411
Investment Earnings	\$27,686	\$30,041	\$50,519	\$64,090	\$62,975	\$81,319	\$55,790
Miscellaneous	\$44,862	\$57,250	\$54,804	\$79,721	\$85,774	\$50,031	\$31,900
Transfers	\$184,832	(\$569,282)	\$135,297	\$22,214	\$142,873	\$212,910	\$126,527
Total Governmental Activities	\$5,717,586	\$4,646,507	\$5,846,770	\$6,804,650	\$7,650,391	\$8,163,151	\$7,418,771
Business-type Activities:							
Investment Earnings	\$7,322	\$6,749	\$11,071	\$19,859	\$17,786	\$421,634	\$56,140
Gain on Sale of Assets	-	-	-	-	-	-	\$22,174
Miscellaneous	(\$2,587)	\$174,522	\$72,754	\$200,203	\$455,747	\$121,167	\$210,716
Transfers	(\$184,832)	\$569,282	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)
Total Business-type Activities	(\$180,097)	\$750,553	(\$51,472)	\$197,848	\$330,660	\$329,891	\$162,503
Total Primary Government	\$5,537,489	\$5,397,060	\$5,795,298	\$7,002,498	\$7,981,051	\$8,493,042	\$7,581,274
Changes in Net Assets							
Governmental Activities	\$637,209	\$876,175	\$51,192	\$337,083	\$988,143	\$907,693	\$433,018
Business-type Activities	\$583,390	\$1,057,086	\$322,753	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932
Total Primary Government	\$1,220,599	\$1,933,261	\$373,945	\$961,867	\$2,794,725	\$6,162,006	\$7,172,950

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>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>	<u>2009</u>
General Fund										
Reserved	\$73,445	\$0	\$0	\$0	\$0	\$0	\$0	\$1,269,605	\$0	\$0
Unreserved	\$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	\$1,682,108
Total General Fund	<u>\$1,395,246</u>	<u>\$1,086,552</u>	<u>\$1,152,879</u>	<u>\$1,446,537</u>	<u>\$1,801,421</u>	<u>\$1,785,860</u>	<u>\$1,767,288</u>	<u>\$1,684,225</u>	<u>\$2,006,861</u>	<u>\$1,682,108</u>
All Other Governmental Funds										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	\$219,404	\$303,141	\$285,883	\$338,928	\$408,727	\$490,642	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936
Total All Other Governmental Funds	<u>\$219,404</u>	<u>\$303,141</u>	<u>\$285,883</u>	<u>\$338,928</u>	<u>\$408,727</u>	<u>\$490,642</u>	<u>\$681,477</u>	<u>\$1,042,741</u>	<u>\$1,437,259</u>	<u>\$1,592,936</u>

Source: Audited financial statements

Table 4
City of Palatka, Florida

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$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	\$7,445,473
License and Permits	\$163,876	\$172,552	\$273,989	\$199,014	\$303,236	\$194,268	\$219,316	\$199,194	\$191,364	\$207,494
Intergovernmental	\$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	\$2,124,532
Charges for Services	\$140,605	\$118,495	\$153,156	\$144,096	\$118,285	\$156,139	\$138,910	\$196,549	\$176,968	\$176,629
Fines and Forfeitures	\$109,075	\$91,395	\$85,065	\$86,905	\$127,217	\$146,437	\$151,038	\$75,607	\$85,850	\$112,850
Miscellaneous	\$306,728	\$337,834	\$137,425	\$65,376	\$81,166	\$115,696	\$225,377	\$227,782	\$234,367	\$291,894
Total Revenues	\$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	\$10,358,872
Expenditures										
General Government	\$645,280	\$700,524	\$618,590	\$726,687	\$726,240	\$799,618	\$869,487	\$1,022,291	\$3,900,803	\$1,442,668
Public Safety	\$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	\$5,875,853
Physical Environment	-	-	-	-	\$716,608	\$16,191	\$14,028	\$481,343	\$295,824	-
Transportation	\$636,132	\$883,130	\$508,185	\$638,457	\$614,119	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315	\$780,123
Economic Environment	\$673,918	\$163,566	\$35,012	\$50,538	\$66,979	\$129,128	\$134,348	\$102,299	\$148,148	\$579,661
Human Services	\$224,719	\$130,696	\$142,652	\$147,126	\$179,312	\$226,867	\$217,471	\$257,208	\$227,715	\$284,172
Culture and Recreation	\$493,637	\$660,149	\$499,504	\$673,638	\$915,684	\$454,624	\$571,372	\$708,890	\$897,530	\$1,038,817
Debt Service										
Principal Retirement	\$303,247	\$346,598	\$245,693	\$200,382	\$159,867	\$155,134	\$148,626	\$146,794	\$633,924	\$449,966
Interest and Fiscal Charges	\$72,376	\$61,164	\$42,526	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215
Total Expenditures	\$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	\$10,654,475
Excess of Revenues Over (Under) Expenditure:	(\$403,730)	(\$410,481)	(\$65,081)	\$79,590	\$277,357	(\$68,943)	\$150,049	(\$1,262,271)	(\$2,739,558)	(\$295,603)
Other Financing Sources (Uses)										
Proceeds From Borrowing	\$633,175	\$59,000	\$24,150	\$38,000	-	-	-	\$1,379,225	\$3,243,802	-
Capital Leases	-	-	-	\$44,281	-	-	-	-	-	-
Transfers In	\$151,434	\$237,327	\$234,000	\$291,480	\$284,974	\$282,766	\$332,837	\$247,957	\$259,048	\$275,000
Transfers Out	(\$274,000)	(\$110,803)	(\$144,000)	(\$106,648)	(\$137,648)	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)
Total Other Financing Sources (Uses)	\$510,609	\$185,524	\$114,150	\$267,113	\$147,326	\$135,297	\$22,214	\$1,540,472	\$3,456,712	\$126,527
Net Change in Fund Balances	\$106,879	(\$224,957)	\$49,069	\$346,703	\$424,683	\$66,354	\$172,263	\$278,201	\$717,154	(\$169,076)
Acquisitions of Capital Assets	\$874,803	\$755,887	\$399,985	\$557,249	\$504,593	\$356,524	\$275,970	\$2,459,657	\$3,359,965	\$1,021,747
Debt Service as a Percentage of Non-Capital Expenditures	6.63%	7.19%	5.32%	3.93%	2.56%	2.43%	1.99%	1.99%	7.06%	6.78%

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, 2009

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY (1)		TOTALS			Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Total Direct Tax Rate	
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%
2008-09	\$349,743,213	\$743,823,588	\$65,330,966	\$95,725,559	\$415,074,179	\$839,549,147	8.650	49.44%

(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, 2009

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy	Delinquent Tax Collections	Total Tax Collections	% of Total Collections to Levy
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
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727

Source: Putnam County Tax Collector

Table 7
City of Palatka

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
September 30, 2009

Fiscal Year	City of Palatka	Putnam County	<u>District School Board</u>		St. Johns River Water Management District	Total
			Operating	Bond Debt/Cap Outlay		
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
2009	8.650	8.5765	5.316	2.497	0.4158	25.455

Source: Putnam County Property Appraiser

Table 8
City of Palatka, Florida

Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2009-----</u>			<u>Fiscal Year 2000 -----</u>		
	<u>Taxable</u>	<u>Percentage of</u>		<u>Taxable</u>	<u>Percentage of</u>	
	<u>Assessed</u>	<u>Total City</u>	<u>Assessed</u>	<u>Assessed</u>	<u>Total City</u>	<u>Assessed</u>
	<u>Value</u>	<u>Rank</u>	<u>Value</u>	<u>Value</u>	<u>Rank</u>	<u>Value</u>
Putnam Community Medical Center	\$17,467,313	1	4.20%	\$14,410,083	1	6.80%
Wal-Mart Inc.	\$13,251,250	2	3.18%	\$3,003,055	10	1.30%
Revenue Properties Town & Country	\$8,990,346	3	2.16%	\$4,927,809	5	2.10%
Lowe's Home Centers, Inc.	\$7,763,856	4	1.87%	-	-	-
Home Depot U.S.A., Inc.	\$7,592,512	5	1.82%	-	-	-
Bellsouth Telecommunications	\$7,496,934	6	1.80%	\$9,761,521	2	4.20%
Florida Power & Light	\$6,806,504	7	1.64%	\$6,924,450	3	2.90%
Southern Medical Associates, Inc	\$5,780,115	8	1.39%	\$6,185,582	4	2.60%
FWI 5, LLC	\$4,615,379	9	1.11%	-	-	-
Palatka Mall, LLC	\$4,253,506	10	1.02%	\$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	\$84,017,715		20.19%	\$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, 2009

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
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
2009	\$0	\$37,498	\$37,498	0.01%	\$3

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

Source: Finance Department, audited financial statements

Table 10
City of Palatka, Florida

Computation of Legal Debt Margin
September 30, 2009

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, 2009

<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			
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	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	9.83%	\$2,350

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

Fiscal Year	Airport Revenue Notes						Water Revenue Bonds and Notes					
	<u>Airport Gross Revenue</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>			<u>Utility Gross Revenues</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		
				<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>				<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2000	\$279,562	\$186,684	\$92,878	\$58,569	\$13,432	129.00%	\$2,763,969	\$1,834,897	\$929,072	\$25,000	\$338,500	255.59%
2001	\$296,538	\$254,117	\$42,421	\$54,174	\$9,177	67.00%	\$2,750,443	\$2,042,596	\$707,847	\$60,000	\$336,190	178.66%
2002	\$277,504	\$248,781	\$28,723	\$38,880	\$7,238	62.00%	\$2,932,327	\$1,973,656	\$958,671	\$140,000	\$330,590	203.72%
2003	\$275,335	\$254,434	\$20,901	\$29,751	\$5,169	60.00%	\$3,104,778	\$2,172,018	\$932,760	\$175,000	\$323,503	187.11%
2004	\$305,496	\$287,618	\$17,878	\$11,381	\$4,115	115.37%	\$3,182,217	\$2,293,009	\$889,208	\$185,000	\$319,711	176.18%
2005	\$386,028	\$386,746	(\$718)	\$17,369	\$3,503	-103.44%	\$3,216,565	\$2,474,061	\$742,504	\$220,783	\$319,403	137.45%
2006	\$567,999	\$558,239	\$9,760	\$14,375	\$2,691	57.19%	\$3,299,223	\$2,678,856	\$620,367	\$244,495	\$312,594	111.36%
2007	\$506,385	\$637,292	(\$130,907)	\$14,375	\$1,899	-904.40%	\$3,801,745	\$2,806,060	\$995,685	\$320,093	\$301,834	160.10%
2008	\$711,499	\$751,145	(\$39,646)	\$13,551	\$1,257	-367.73%	\$3,714,949	\$2,767,208	\$947,741	\$335,698	\$700,862	91.43%
2009	\$597,590	\$768,310	(\$170,720)	\$148,564	\$104,919	-167.35%	\$3,891,996	\$2,998,960	\$893,036	\$346,314	\$839,404	75.32%

Fiscal Year	Golf Revenue Bonds						Infrastructure Surtax Revenue Note				
	<u>Golf Gross Revenue</u>	<u>Less Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>			<u>Sales Surtax</u>	<u>Debt Service</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>		<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	
2000	\$745,683	\$800,181	(\$54,498)	\$104,311	\$2,891	-150.84%	\$0	\$0	\$0	n/a	
2001	\$797,971	\$818,087	(\$20,116)	\$39,097	\$26,019	-130.89%	\$0	\$0	\$0	n/a	
2002	\$633,999	\$760,653	(\$126,654)	\$41,346	\$23,770	-294.51%	\$0	\$0	\$0	n/a	
2003	\$645,426	\$741,808	(\$96,382)	\$43,740	\$21,376	-248.02%	\$0	\$0	\$0	n/a	
2004	\$618,037	\$707,727	(\$89,690)	\$46,190	\$18,926	-237.74%	\$0	\$0	\$0	n/a	
2005	\$711,672	\$685,303	\$26,369	\$48,880	\$16,236	40.49%	\$0	\$0	\$0	n/a	
2006	\$762,181	\$815,457	(\$53,276)	\$51,683	\$13,433	-181.82%	\$0	\$0	\$0	n/a	
2007	\$782,670	\$934,609	(\$151,939)	\$54,622	\$10,493	-333.33%	\$0	\$0	\$0	n/a	
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-207.88%	\$802,482	\$0	\$0	n/a	
2009	\$726,513	\$722,239	\$4,274	\$28,125	\$111,586	3.06%	\$732,946	\$266,667	\$166,080	169.37%	

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2009

Fiscal Year	Population(1)	Personal Income(million of dollars) (2)	Per Capita Personal Income(3)	School (4) Enrollment	Unemployment Rate(5)
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%
2009	11,133	\$266	\$23,914	4768	12.3%

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 - 2009 are projected estimates based on trend analysis calculations.
- (4) District School Board of Putnam County
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15
City of Palatka, Florida

Principal Employers
Current and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2009</u>			<u>Fiscal Year 2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Putnam County School District	1,380	1	24.79%	918	1	16.68%
Putnam County Government	688	2	12.36%	467	5	8.49%
Putnam Community Medical Center	540	3	9.70%	535	2	9.72%
St. Johns River Water Management	488	4	8.77%	505	3	9.18%
Publix Supermarket, Inc.	450	5	8.08%	185	8	3.36%
Wal-Mart Stores, Inc.	426	6	7.65%	265	6	4.82%
PRC	384	7	6.90%	-	-	-
City of Palatka	159	8	2.86%	171	9	3.11%
St. Johns River Community College	156	9	2.80%	197	7	3.58%
Lowes Home Centers, Inc.	150	10	2.69%	-	-	-
Florida Furniture Industries	-	-	-	492	4	8.94%
Winn Dixie Marketplace	-	-	-	170	10	3.09%
Total	4,821		86.60%	3,905		70.96%

Note: Percentages were derived from 50% 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>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>	<u>2009</u>
Function/Program										
General Government:										
Building permits issued	752	717	767	846	821	982	884	804	621	80
Building inspections conducted	1837	1933	1944	1931	2280	1905	1843	1987	1543	1499
Code enforcements	231	391	338	382	417	532	281	547	311	701
Occupational license issued	912	1016	905	973	1016	1014	904	1072	1013	1258
Police:										
Calls for service	n/a	29,910	28,547	26,683	27,132	30,595	36,196	32,350	31,933	31,264
Physical arrests	1,331	1,361	1,610	2,185	1,507	1,989	2,264	2,003	1,798	1,450
Citations	2,961	3,073	3,538	3,282	1,568	1,989	2,747	2,299	1,217	1,269
Fire:										
Emergency responses	1,106	1,454	1,432	1,660	2,189	1,987	1,958	2,063	2,590	2,610
Fires extinguished	924	621	646	999	1,093	1,020	923	721	457	538
Refuse collection:										
Customers	4,579	4,900	4,745	4,985	5,100	4,998	5,062	5,027	4,935	3,469
Other public works:										
Street resurfaced (miles)	n/a	n/a	2.5	2.5	2.5	6	0	1.2	0.0	0
Potholes repaired	200	200	175	175	150	125	100	100	98	100
Parks and recreation:										
Community center rentals	92	88	101	55	69	75	68	68	142	147
Human Services:										
Interments	120	133	120	131	124	113	150	145	133	103
Water:										
Water main breaks	12	12	12	12	12	12	12	30	16	10
Average daily consumption (thousands of gallons)	2,084	1,932	1,940	1,887	1,727	1,905	2,366	1,735	2,229	2,030
Peak daily consumption (thousands of gallons)	2,966	2,790	2,819	2,883	2,359	2,757	3,189	2,300	2,997	2,870
Wastewater:										
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
Airport:										
Rentals-thangars	49	49	49	49	49	49	49	49	49	54
Building	2	2	2	2	2	2	2	2	1	1
Land leases	2	2	2	2	2	2	2	2	1	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>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>	<u>2009</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	25	25	25	25	25	26	24	22
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	17	17	17	17	17	20	20	20	23
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	6	6
Other public works:										
Streets(miles)	71.18	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	22	22	22
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26
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	101	102	103	104	105	106	106	106	106
Fire hydrants	425	430	435	440	445	450	455	455	565	570
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	71	72	73	74	75	76	80	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	1095	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>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>	<u>2009</u>
General Government										
General Administration	8	8	8	8	8	9	9	8	8	9
Attorney	1	1	1	1	1	1	1	1	1	1
General Service Director	0	0	0	0	0	0	1	0	0	0
Mainstreet	0	0	1	1	0	1	1	0	0	1
Public Safety										
Building & Zoning	5	5	6	6	6	6	7	7	6	4
Police Officers	32	35	35	35	33	32	39	39	39	37
Police Clerical	5	7	7	7	8	8	7	7	7	6
Firefighters	17	17	17	17	17	17	20	20	20	23
Transportation										
Streets	9	9	9	9	9	9	9	9	7	6
Human Services										
Cemeteries	4	4	4	4	4	5	5	5	5	4
Culture/Recreation	5	5	5	5	6	6	7	7	7	8
Business Type Activities:										
Airport	3	3	3	3	3	4	4	4	4	3
Water	36	36	36	36	37	36	37	37	37	33
Golf	14	14	14	7	8	8	7	10	9	8
Sanitation	20	20	20	20	19	19	19	19	19	16

Source: City of Palatka Personnel Department

SINGLE AUDIT SECTION

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, 2009, and have issued our report thereon dated April 20, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, both prior audit findings are once again addressed in the accompanying Schedule of Findings and Questioned Costs as items 09-1 and 09-3.

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. However, as described in condition 09-2 in the accompanying Schedule of Findings and Questioned Costs, there was immaterial noncompliance with certain rate covenants for the Water, Golf and Airport Funds. In addition, the Golf Course Fund had approximately \$124,000 deficit in unrestricted net assets as of September 30, 2009. Other available unreserved resources of the City were sufficient to offset the deficit, but continued use of those unreserved resources could strain the general operating reserves of the City. The City's financial condition should be monitored in the upcoming year to ensure that covenants will be met and to prevent reoccurrence of the deficits in the future.

To the Honorable Mayor and City Commissioners
City of Palatka, Florida
Page 2

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, 2009, 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, 2009.

Investment of Public Funds

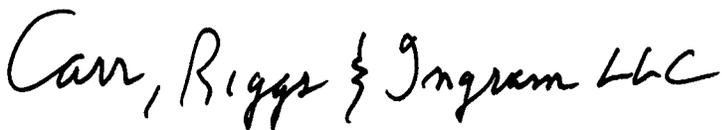
As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

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 oversight 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.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

April 20, 2010
Palatka, Florida

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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-1 to be a material weakness.

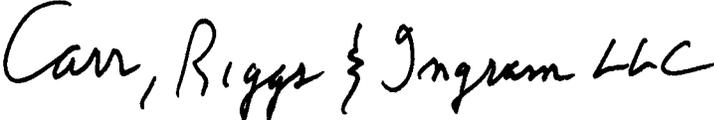
To the Honorable Mayor and City Commissioners
City of Palatka, Florida
Page 2

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*. However, we noted immaterial noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as finding 09-2.

The City's response to the findings 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 oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

April 20, 2010
Palatka, Florida

City of Palatka, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2009

<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	09DB-4N-04-64-02-N14	\$ 162,478
Community Development Block Grant	14.228	09DB-1A-04-64-02-E08	58,637
Program Total			<u>221,115</u>
Community Development Block Grant-EDI	14.246	B-05-SP-FL-0419	180,724
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Bulletproof Vest Partnership Program	16.607	--	747
Byrne Formula Grant	16.579	2007DJBX0192	5,880
Public Safety Partnership and Community Policing Grant	16.710	2008 UMX0032	18,659
Passed Through Florida Department of Law Enforcement:			
Byrne Justice Assistance Grant Program	16.738	2009-JAGC-PUTN-1-T7-077	13,530
Byrne Justice Assistance Grant Program	16.738	2009-JAGD-PUTN-1-T8-051	3,417
Program Total			<u>16,947</u>
Community Capacity Development - Weed & Seed	16.595	2007WS-Q7-0031	79,693
Community Capacity Development - Weed & Seed	16.595	2008-WS-QX-0213	81,380
Program Total			<u>161,073</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FAA Airport Improvement Program	20.106	AIP 3-12-0061-015-2007	741,939
FAA Airport Improvement Program	20.106	AIP 3-12-0061-017-2008	1,073,907
FAA Airport Improvement Program	20.106	AIP 3-12-0061-016-2008	55,593
FAA Airport Improvement Program	20.106	AIP 3-12-0061-018-2009	1,216,812
FAA Airport Improvement Program	20.106	AIP 3-12-0061-019-2009	36,504
Program Total			<u>3,124,755</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Drinking Water State Revolving Funds	66.468	DW5419010	4,153,138
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Hazard Mitigation Grant	97.039	07HM-6@-04-64-02-052	29,779
Hazard Mitigation Grant	97.039	07HM-6@-04-64-02-055	42,018
Hazard Mitigation Grant	97.039	08HM-3G-04-64-02-022	60,420
Hazard Mitigation Grant	97.039	09-MW-00-04-64-13-504	46,353
Hazard Mitigation Grant	97.039	09-PA-B9-04-64-00-552	53,502
Program Total			<u>232,072</u>
Assistance to Firefighters Grant	97.044	EMW-2008-FF-00811	58,522
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 8,173,632</u></u>

City of Palatka, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2009

(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	\$ 17,547
Aviation Development Grant – Bulk T-Hangar	55.004	AOF35	400,000
Aviation Development Grant – Terminal Building	55.004	AOF36	421,924
Aviation Development Grant – T-Hangar	55.004	AOF37	260,829
Aviation Development Grant – Master Plan	55.004	APD49	1,628
Aviation Development Grant – Taxiway/Drainage	55.004	AP029	119,669
Aviation Development Grant – Beacon Grant	55.004	-	684
Program Total			1,222,281
<u>STATE DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>			
Florida Recreation Development Assistance Program	37.017	A09114	124,182
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6771	366,871
<u>DEPARTMENT OF COMMUNITY AFFAIRS</u>			
Disaster Assistance–TS Fay	52.xxx	DR-1785	8,917
Disaster Assistance	52.xxx	DR-1840	7,725
Program Total			16,642
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 1,729,976

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.

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 programs and state project for the year ended September 30, 2009. The City's major federal programs 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; 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 each of its major federal programs and its major state project for the year ended September 30, 2009. 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 09-3.

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.

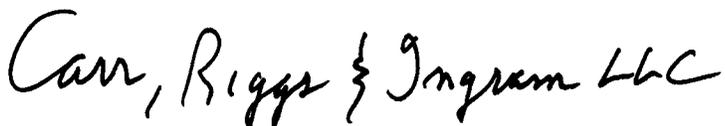
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal 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 oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram LLC". The signature is written in a cursive, flowing style.

April 20, 2010
Palatka, Florida

City of Palatka, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

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 programs or state project.
5. The report on compliance with requirements applicable to the major federal award programs and state project expressed an unqualified opinion.
6. The audit disclosed a finding required to be reported for the major federal program CFDA 20.106. No findings were disclosed relative to the major state project.
7. The City’s major federal programs and state project were:

	<u>Federal CFDA Number</u>
Airport Improvement Program	20.106
Drinking Water State Revolving Fund	66.468
	<u>State CSFA Number</u>
Aviation Development	55.004

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 not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

City of Palatka, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Part II – Financial Statement Findings Section

09-1 *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.

09-2 *Condition* – As of September 30, 2009, rate covenants on certain debt obligations of the Water, Golf Course and Airport Funds were not met.

Recommendation – The City should establish rates which will generate sufficient gross revenues to meet the covenants in the future.

Part III – Findings and Questioned Costs – Federal Awards

CFDA 20.106

09-3 *Condition* – The City did not incorporate in its contracts with contractors 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, 2009

The following is an update of the prior audit finding and is prepared in accordance with Office of Management and Budget Circular A-133, Section .315(b).

Summary of Prior Audit Finding 08-2 – CFDA No. 66.468: The City did not incorporate in its contract with a contractor the certification requirements pertaining to debarment and suspension.

Status – As of September 30, 2009, the City has verified on the Excluded Parties List that the contractor is not debarred or suspended.

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

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

April 20, 2010

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

Dear Mr. Martin:

I write to you in response to the findings noted in the audit of the City of Palatka, prepared by Carr, Riggs & Ingram for the year ended in September 30, 2009.

Part II – Financial Statement Findings Section

09-1 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.

09-2 Condition – As of September 30, 2009, rate covenants on certain debt obligations of the Water, Golf and Airport Funds were not met.

Recommendation – The City should establish rates which will generate sufficient gross revenues to meet the covenants in the future.

Resolution – The City adjusted fees and rates in all three funds at the beginning of fiscal year 2010 in order to satisfy the required rate covenants.

Resolution – The City adjusted fees and rates in all three funds at the beginning of fiscal year 2010 in order to satisfy the required rate covenants.

Part III – Findings and Questioned Costs – Federal Awards

09-3 Condition – The City did not incorporate in its contracts with contractors 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 retain evidence that the suspension and debarment excluded parties list has been verified, prior to awarding contracts.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew D. Reynolds". The signature is written in a cursive style with a long horizontal flourish at the end.

Matthew D. Reynolds
Finance Director