

CITY OF PALATKA, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL
REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010**

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VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
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 7, 2011

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, 2010.

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 xiv.

THE REPORTING ENTITY

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,900 residents by providing a full range of municipal services including General Administration, Public Safety, Planning and Zoning and Community Enrichment and Development. In addition, the City operates a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility systems. The Palatka Downtown Redevelopment Agency, and the Palatka Gas Authority are considered component units of the City, and the City is financially accountable for them.

THE REPORTING ENTITY (Concluded)

Accordingly, these component units are included in the City's Comprehensive Annual Financial Report.

ECONOMIC CONDITION

Palatka's population is estimated at 10,926 persons according to the March 4, 2011 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 2010-11, the City proposed a budget that was 12% less than it was last year being reduced from \$9.26 million to \$8.7 million. Much of this loss was due to a consistent 1-2% reduction in revenues across the board as well as reduction in operating grants received by the City. 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.

Although revenues across the board were reduced, the millage rate was again maintained at 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. Department Heads are once again being asked to maintain their proposed budget from the previous year and to propose 1-2% reductions in their operating budgets. Nominal increases in pension and health plans will necessitate this change as revenues are not expected to make-up for this shortfall.

Although the General Fund total fund balance is approximately the same as the prior year, nearly a quarter is reserved for advances, so the City will not have this portion available for use anytime soon. The unreserved GF balance is 1.6 months of general operating expenditures, which is below minimum balances recommended by the GFOA. It is imperative that the City continue to operate within the adjusted revenue projections. The net assets of the water and sanitation funds increased by approximately \$1.9 million and \$110,000 respectively, while the net assets of the airport fund decreased by approximately \$309,000. The golf course fund net assets also decreased again this fiscal year by approximately \$358,000 resulting in a negative net asset balance of approximately \$227,000. The City's golf course continues to operate at a financial deficit with money from the general fund being reserved to offset this deficit. In an attempt to minimize these losses, several changes are being made at the course including the hiring of a professional management firm, moving all employees into a professional employer organization to reduce costs, and proposing an increasing fee schedule to bring user fees in line with other nearby courses within the next few years.

MAJOR INITIATIVES

CURRENT PROJECTS

As has been discussed in previous reports, the City's Riverfront Redevelopment Project continues to move forward. However, the economic slow-down has caused this project to be delayed with the hotel/conference center portion of the project being delayed indefinitely. A Developer's Agreement for the 100 block was negotiated in December 2010. The developer is expected to bring forth a Business and Finance Plan for this portion of the project in May 2011. The anticipated project includes mixed retail on the first floor of the existing buildings and residential apartments on the second floor. The City still anticipates this project being the centerpiece of its revitalization efforts.

In addition, the City committed approximately \$300,000 in 2009/2010 to formulate a new conceptual master plan for the Riverfront. This master plan has led directly to the City obtaining over \$1,000,000 in grants to complete parking, stormwater improvements, landscaping improvements as well other improvements to site amenities in the riverfront area. In addition, the City is in position to obtain additional funding to improve the boat launch facility, docking facilities, lighting improvements as well as constructing a new restroom facility.

The City's wastewater reclamation continues to advance and be the primary "green" initiative undertaken by the City. The fourth and final phase of this project is to be constructed in 2011 and consists of constructing additional filtration capacity a new chlorine contact chamber. The completion of this project should allow the City to remove 100-percent of its wastewater effluent from the St. Johns River with the effluent now being provided as reclaimed water for irrigation throughout the City.

Major projects completed by the City in 2010 included: Crill and Moseley drainage improvements (approximately \$250,000), River Street Nutrient Removal and stormwater upgrades (approximately \$300,000), St. Johns and Zeagler drainage improvements (\$125,000), providing handicap access to the Larimer Center (\$100,000) and completion of a \$1,000,000 water distribution upgrade project on the north side of town. A smaller grant was obtained to place nearly 100 trees throughout the City; various areas landscaped include St. Johns Ave from 2nd Street to 3rd Street, the courthouse parking lot and the golf course.

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 continues to upgrade the pavement and drainage systems at the airport with the help of Federal Aviation Administration and Florida Department of Transportation grants. Last year, the City completed drainage improvements on Taxiway B and Rehabilitation of the Transient Apron associated with Taxiway B. The approximate cost of this project was approximately \$750,000.

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.

With the assistance of grant monies, the City anticipates commencing several major projects in 2011. As previously mentioned, the City anticipates completing over \$1,000,000 in improvements at the riverfront. An additional \$2,100,000 is estimated to be spent on the wastewater reclamation project at the WWTP. In addition \$1,200,000 in grant money will be spent on upgrading the surface aerators at the WWTP, replacing aging HVAC systems in many of the City's buildings as well as replacement of existing street lighting to more energy efficient lighting. Approximately \$250,000 has been set aside to replace the roof on the Price Martin Center in 2011.

Engineering and permitting is underway for drainage improvements at St. Johns and 7th Street and St. Johns and 15th Street. An additional \$1,200,000 in grant funding was obtained to begin a water taxi service on the St. Johns River. It is expected that by the end of the year, two boats will be renovated in the style of the steamboats that used to operate on the St. Johns River providing passenger service on the River. Finally, a major software upgrade is being made to the City's accounting programs. This upgrade was long overdue and will increase the efficiency in which the City conducts business.

Improvements at the airport continue to be funded primarily by grants from the Florida Department of Transportation and the Federal Aviation Authority. Projects envisioned for 2011 include reconstruction of the primary runway 9-27, upgrading the old terminal building, construction of a new equipment building and restroom at the fuel storage compound, security upgrades at the new terminal building and site improvements to the existing entrance.

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. The City is currently conducting a rate analysis of utility fund to evaluate whether or not these projects are viable in the future.

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 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, 2009. This was the eighteenth year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

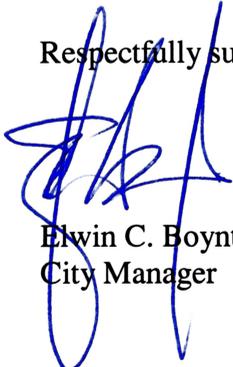
A certificate of achievement is valid for one year only. We believe this report satisfies the requirements of generally accepted accounting principles, applicable legal requirements, and certificate of achievement program requirements, and we are submitting it to the GFOA for consideration for an award.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,



Elwin C. Boynton
City Manager



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, 2009 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, 2009

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



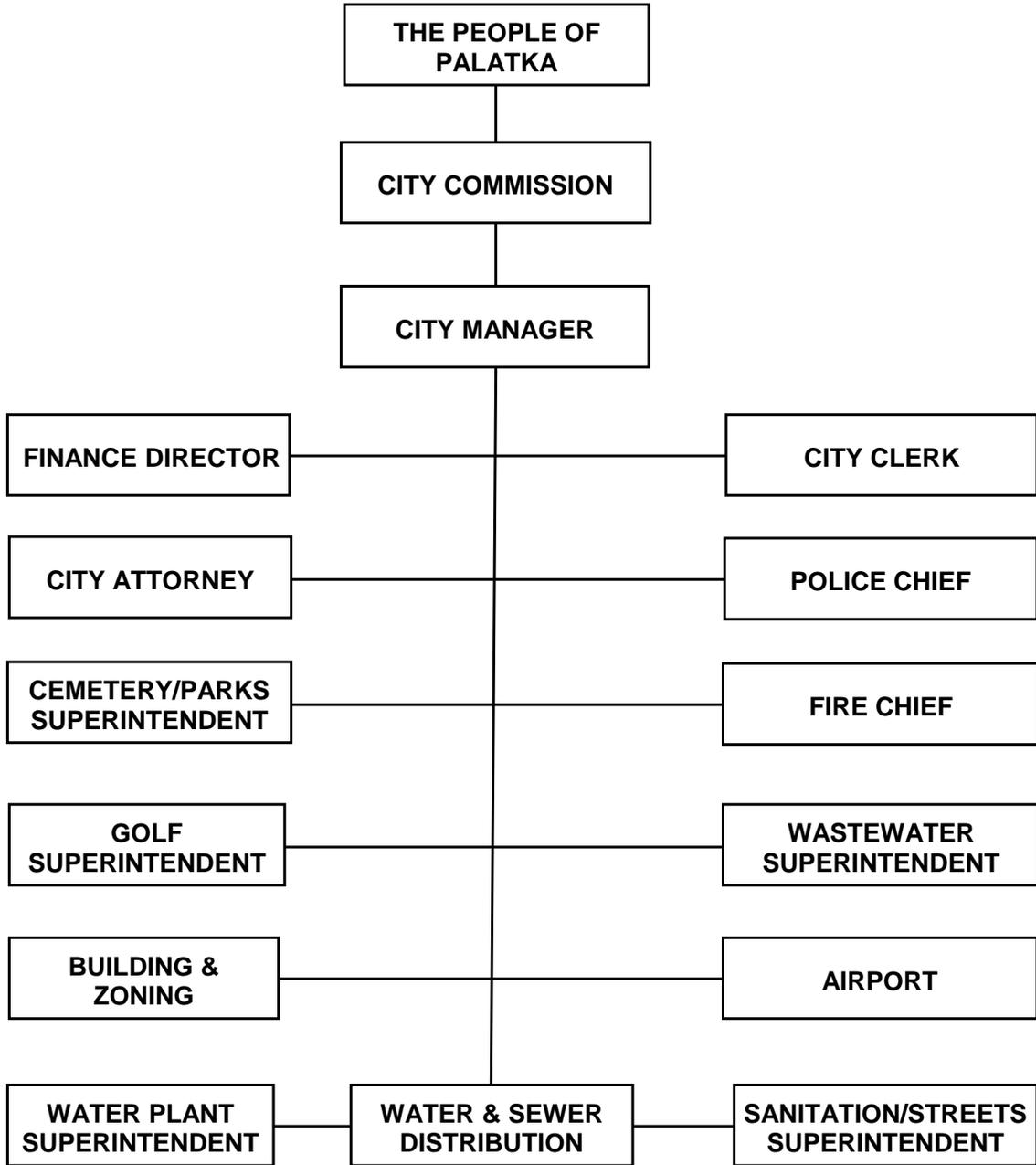
A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

President

A stylized, handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

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

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

John Youell
Joffre Fillion
Debbie Banks
Andy Heartz
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, 2010, 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, 2010, 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 7, 2011 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 7, 2011
Palatka, Florida

**City of Palatka
Management's Discussion and Analysis
September 30, 2010**

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, 2010. 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 \$47,343,534. Of this amount, \$2,270,305 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,528,439 (3.34%). Due to a decrease in expenditures from the prior year and an increase in the amount of grants received, governmental net assets increased by \$166,718 (1.18%). The Enterprise funds net assets increased by \$1,361,721 (4.30%) due to transfers and grants received during the fiscal year.
- The total net assets in the Enterprise funds were: Water \$19,081,237, Sanitation \$559,277, Golf \$(227,111) and Airport \$13,584,787.
- As of September 30, 2010, the City's governmental funds reported combined ending fund balances of \$2,805,875, a decrease of \$469,169 (14.33%).
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$1,262,722 or 13.01% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$1,120,889.
- Net assets of the General and Police Officer's Pension Trust Funds increased by \$742,928 and \$577,446, respectively. These increases were the result of investment income. Net assets of the Firefighter's Pension Trust Funds decreased by \$262,850. These decreases were the result of several deferred retirement option program balances being removed from the fund.

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 - 36 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 37 – 42 of this report.

Combining fund statements can be found on pages 43 – 44 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 \$47,343,534 at the close of the most recent fiscal year.

The majority of the City's net assets (91.72%) 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, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$3,016,358	\$3,470,487	\$1,946,925	\$10,645,962	\$4,963,283	\$14,116,449
Capital assets	\$15,312,014	\$15,062,191	\$47,739,935	\$46,010,750	\$63,051,949	\$61,072,941
Total assets	\$18,328,372	\$18,532,678	\$49,686,860	\$56,656,712	\$68,015,232	\$75,189,390
Long-term liabilities						
Outstanding	\$3,807,163	\$4,171,284	\$16,251,161	\$22,735,739	\$20,058,324	\$26,907,023
Other liabilities	\$175,865	\$182,768	\$437,509	\$2,284,504	\$613,374	\$2,467,272
Total liabilities	\$3,983,028	\$4,354,052	\$16,688,670	\$25,020,243	\$20,671,698	\$29,374,295
Net assets:						
Invested in capital assets, net of related debt	\$11,915,772	\$11,281,907	\$31,509,858	\$23,384,736	\$43,425,630	\$34,666,643
Restricted	\$1,128,395	\$1,592,936	\$519,204	\$810,484	\$1,647,599	\$2,403,420
Unrestricted	\$1,301,177	\$1,303,783	\$969,128	\$7,441,249	\$2,270,305	\$8,745,032
Total net assets	\$14,345,344	\$14,178,626	\$32,998,190	\$31,636,469	\$47,343,534	\$45,815,095

An additional portion of the City's net assets \$1,647,599 (3.48%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$2,270,305 (4.80%) 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 \$166,718 thereby accounting for 10.91% of the total growth in the net assets of the City. A key element of this increase was a reduction in the amount of total expenditures.

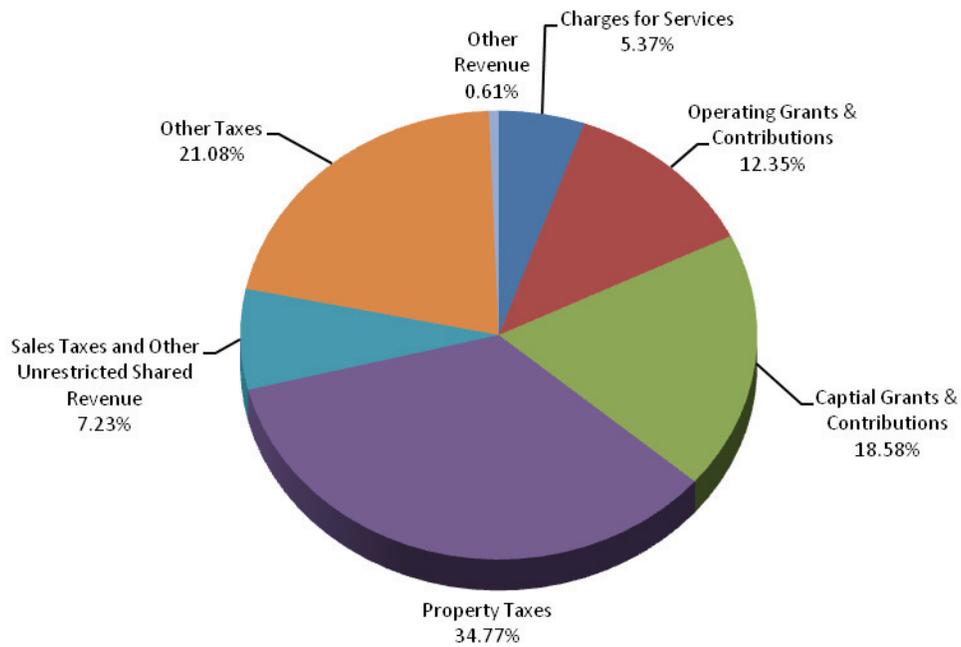
City of Palatka Changes in Net Assets For the Year Ended September 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$583,247	\$564,866	\$6,628,540	\$6,460,995	\$7,211,787	\$7,025,861
Operating Grants & Contributions	\$1,341,212	\$1,163,584			\$1,341,212	\$1,163,584
Capital Grants & Contributions	\$2,016,675	\$1,288,072	\$2,413,721	\$8,242,870	\$4,430,396	\$9,530,942
General Revenues:						
Property Taxes	\$3,774,261	\$3,836,383			\$3,774,261	\$3,836,383
Sales Taxes and Other Unrestricted Shared Revenues	\$785,219	\$803,775			\$785,219	\$803,775
Other Taxes	\$2,288,708	\$2,564,396			\$2,288,708	\$2,564,396
Other Revenue	\$66,326	\$87,690	\$417,920	\$289,030	\$484,246	\$376,720
Total Revenues	\$10,855,648	\$10,308,766	\$9,460,181	\$14,992,895	\$20,315,829	\$25,301,661
Expenses:						
General Government	\$1,472,469	\$768,892			\$1,472,469	\$768,892
Public Safety	\$5,968,153	\$6,005,490			\$5,968,153	\$6,005,490
Physical Environment	-	-			-	-
Transportation	\$697,212	\$1,129,653			\$697,212	\$1,129,653
Economic Environment	\$816,722	\$579,661			\$816,722	\$579,661
Human Services	\$209,332	\$266,804			\$209,332	\$266,804
Culture/Recreation	\$538,150	\$1,048,560			\$538,150	\$1,048,560
Interest on Long-Term Debt	\$182,996	\$203,215			\$182,996	\$203,215
Water			\$4,978,295	\$4,550,364	\$4,978,295	\$4,550,364
Sanitation			\$1,347,455	\$1,393,713	\$1,347,455	\$1,393,713
Golf Course			\$982,862	\$908,883	\$982,862	\$908,883
Airport			\$1,593,744	\$1,273,476	\$1,593,744	\$1,273,476
Total Expenses	\$9,885,034	\$10,002,275	\$8,902,356	\$8,126,436	\$18,787,390	\$18,128,711
Increase in Net Assets before Transfers	\$970,614	\$306,491	\$557,825	\$6,866,459	\$1,528,439	\$7,172,950
Transfers	(\$803,896)	\$126,527	\$803,896	(\$126,527)	\$0	\$0
Increase in Net Assets	\$166,718	\$433,018	\$1,361,721	\$6,739,932	\$1,528,439	\$7,172,950
Net Assets-Beginning of Year	\$14,178,626	\$13,745,608	\$31,636,469	\$24,896,537	\$45,815,095	\$38,642,145
Net Assets-End of Year	\$14,345,344	\$14,178,626	\$32,998,190	\$31,636,469	\$47,343,534	\$45,815,095

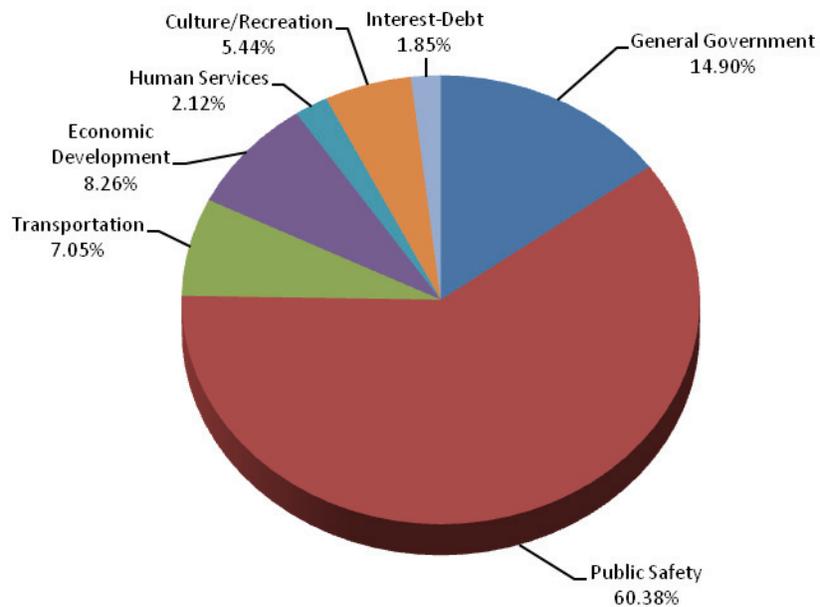
Governmental Activities

The City's total net assets increased \$1,528,439 over the previous year with an increase of \$166,718 resulting from governmental activities and an increase of \$1,361,721 from business activities. The primary reason for this change was a decrease in expenditures 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 \$1,361,721 accounting for 89.09% of growth in the City's net assets. Key elements in this increase are as follows:

The Water Revenue fund received grant funds of \$1,859,472 from the Department of Environmental Protection and St. Johns River Water Management District. These funds were also used for capital improvement projects for upgrading wastewater reuse lines and a water plant upgrade. These projects ultimately created an increase in net assets in the Water fund of \$1,918,834. The net assets at the end of the fiscal year in the Water fund totaled \$19,081,237.

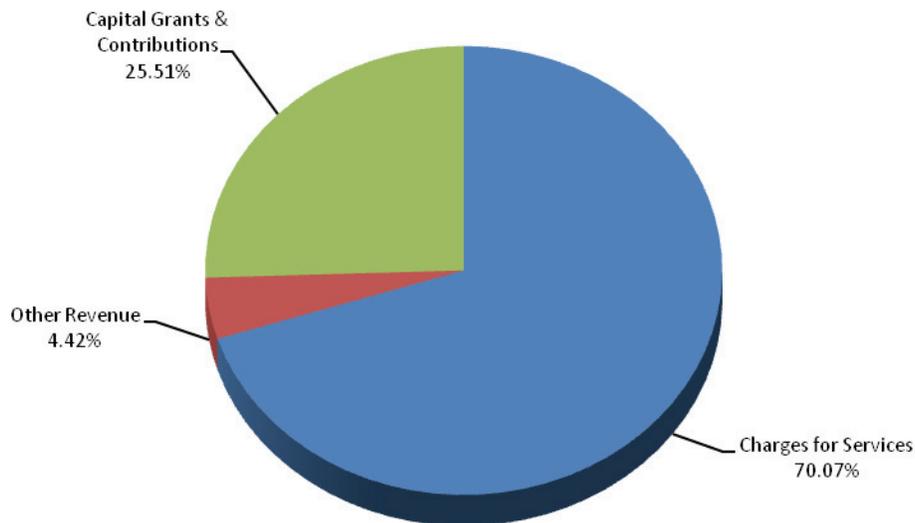
The Sanitation fund net assets increased by \$110,296 due to reductions in personnel and operating expenses. The net assets at the end of the fiscal year in the Sanitation fund totaled \$559,277.

The Golf Course fund net assets decreased by \$358,400 due to a substantial shortfall in anticipated revenues as well as a large increase in operating expenses. The increase in operating expenses was mostly due to the hiring of a professional golf course management firm. The net assets at the end of the fiscal year in the Golf Course fund had a negative balance of \$227,111.

The Airport fund received state and federal grants of \$554,249 during the fiscal year. These funds were used for several capital improvement projects that included rehabilitation of several runways as well as drainage rehabilitation. The depreciation and amortization from prior year projects as well as an increase in operating expenditures caused a decrease of net assets in the Airport fund of \$309,009. The net assets at the end of the fiscal year in the Airport fund totaled \$13,584,787.

The most significant expenses were improvements related to grants received. Operating expenses, which includes personnel and depreciation, for all enterprise funds increased by \$678,703.

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 \$2,805,875, a decrease of \$469,169 (14.33%) in comparison to the prior year. This total includes a reserved fund balance of \$414,758 and an unreserved fund balance of \$1,262,722 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 \$1,677,480, a decrease of \$4,628 (.28%) from the prior year. This was mostly due to advances from the General fund to the Enterprise funds.

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 \$124,196 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 8.65 mills and generated \$3,208,869, a decrease of \$47,209 from the prior year.

The General Fund had a decrease of \$370,615 in expenditures due to adjustments in the personnel and operating sections of all departments in the General Fund.

Unreserved fund balance in the General Fund decreased by \$419,386 from the prior year because \$414,758 was transferred to reserve fund balance for advances to the Golf Course fund.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$1,120,889, a decrease of \$201,618 from the prior year. This decrease was caused primarily by expenditures from two ongoing grant programs.

Other Governmental Funds fund balance was \$7,506, a decrease of \$262,923 (97.22%) from the prior year. This was due to grant funds that had been received for Community Development Block Grants from the Department of Community Affairs for two grant programs that were transferred to the Water Fund to cover costs related to the 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 operates 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, 2010, total proprietary fund net assets amounted to \$32,998,190.

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

\$145,940 or 3.81% from the prior year while expenses increased by a total of \$315,663. This increase in expenses was due to large increases in operating expenses and depreciation due to the new Water Treatment Plant going online in mid October. Unrestricted net assets at the end of the fiscal year for the water revenue fund amounted to \$1,002,668.

Sanitation Fund

There was a slight decrease in operating revenue of \$11,176 or .73% from the prior year. Expenses decreased by a total of \$42,177 due to slightly decreased personnel and operating expenditures. Unrestricted net assets for the sanitation fund totaled \$149,090.

Golf Course Fund

Operating revenues decreased by \$102,051 or 14.05% from the prior year. Operating expenses increased by \$78,133 or 9.80%, exceeding operating revenues by \$250,969. Unrestricted net assets decreased by \$345,374 to arrive at a negative unrestricted net asset balance of \$469,224 for the year. The city has implemented several changes at the golf course, including hiring a professional golf management firm, moving all employees into a professional employer organization to reduce costs, and is proposing an increasing fee schedule to bring user fees in line with other nearby courses within the next few years.

Airport Fund

Operating revenue increased by \$153,091 from the prior year due to substantial increases in user fees. The airport received \$554,249 from state and federal grants. Unrestricted net assets of the airport fund totaled \$286,594 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 \$837,380 (including transfers) an increase of 9.35% over the original projections. These increases were mostly attributed to unanticipated revenues received during the year from grants and other sources. The variance between original and final budget amounts for the year is composed of the following:

- Premium monies in the amount of \$143,381 received from the State of Florida that is used for the fire and police pension funds, grants for the police and fire departments totaling \$218,438 as well as storm water and hazard mitigation grants in the amount of \$337,463 that were received during the fiscal year, and other smaller balance forwards along with police and fire special expense accounts totaling \$107,586.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$143,370 more than budgeted.

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

- Public Safety actual expenditures were \$297,380 less than final budget due to reductions in overtime along with grants and other projects that will carry forward to next fiscal year.
- Culture and recreation expenditures were \$196,063 more than expected due to a grant project that will continue into next fiscal year.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2010

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and Improvements	\$6,746,180	\$6,746,180	\$4,223,659	\$4,223,659	\$10,969,839	\$10,969,839
Buildings and Improvements	\$4,168,065	\$3,198,256	\$13,492,020	\$11,998,930	\$17,660,085	\$15,197,186
Infrastructure	\$2,837,588	\$2,743,254	\$0	\$0	\$2,837,588	\$2,743,254
Equipment	\$1,468,975	\$1,593,218	\$2,401,770	\$1,056,204	\$3,870,745	\$2,649,422
Intangibles	\$91,206	\$0	\$0	\$0	\$91,206	\$0
Water and Sewer Distributions System	\$0	\$0	\$6,282,989	\$11,564,601	\$6,282,989	\$11,564,601
Plant Assets and Equipment	\$0	\$0	\$18,587,526	\$0	\$18,587,526	\$0
Construction in Progress	\$0	\$781,283	\$2,751,971	\$17,167,356	\$2,751,971	\$17,948,639
	<u>\$15,312,014</u>	<u>\$15,062,191</u>	<u>\$47,739,935</u>	<u>\$46,010,750</u>	<u>\$63,051,949</u>	<u>\$61,072,941</u>

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, 2010, the governmental capital assets of the City amounted to \$15,312,014, net of depreciation. This was an increase of \$249,823 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, 2010, (net of accumulated depreciation) amounts to \$63,051,949. 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 \$1,979,008.

Major capital asset events during the fiscal year were in airport, water and transportation. The city received FAA and FDOT grants that paid 76.5% to 97.5% of the project costs 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 \$4,575,193 were for the following:

- Rehabilitation of runways and drainage improvements at the airport.
- Water and sewer main extensions.
- Storm water and drainage upgrades.
- Water treatment plant upgrades.
- Remote read water meters.
- Wastewater reuse improvements.
- Riverfront master plan.
- Upgrades to several city buildings.

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, 2010, the City had \$3,381,920 of revenue bonds & notes payable from specific general fund revenue sources other than ad valorem taxes. Also, outstanding were, \$7,444,872 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$478,601 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,328,740 Drinking Water State Revolving Fund Loan payable

from the net revenues of the water and sewer system including connection fees; \$1,609,842 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$650,000 Airport Hangar Revenue notes and a \$1,083,334 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes; \$250,926 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 \$19,406,191. Of this amount, \$966,179 comprises debt backed by the full faith and credit of the City, \$143,563 water/sewer agreements with other agencies, \$14,322 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	
	2010	2009	2010	2009	2010	2009
Revenue Bonds	\$2,666,667	\$2,970,831	\$7,444,872	\$5,383,638	\$10,111,539	\$8,354,469
Notes Payable	715,253	771,940	8,421,514	16,997,451	9,136,767	17,769,391
Capital Lease Obligations	14,322	37,513	0	0	14,322	37,513
Water/Sewer Agreements	0	0	143,563	143,563	143,563	143,563
Total	\$3,396,242	\$3,780,284	\$16,009,949	\$22,524,652	\$19,406,191	\$26,304,936

The City's total long-term debt decreased \$6,898,745 from the prior year, while the long-term liability for compensated absences also decreased by \$20,544.

Governmental Activities:

- The City made the following principal payments during the year: revenue bonds - \$304,164; notes payable - \$56,687; and capital lease - \$23,191.
- Governmental obligations for compensated absences decreased by 6.91% or \$27,000.

Business-type activities:

- The City entered into a \$2,570,071 short-term water revenue loan in order to repay the Florida Rural Utility loan.
- The City paid off the \$10,405,000 Florida Rural Utility loan which had been used as interim financing for the construction water plant upgrade.
- The City issued revenue bonds in the amount of \$7,665,000 to refund the water and sewer revenue bonds, meter equipment loan and partially refund the short-term water revenue note.
- The City received additional proceeds of \$570,601 for the interim construction loan for the water plant upgrade and a \$1,982,398 Drinking Water State Revolving Fund loan.
- The following principal payments were made during the year: revenue bonds - \$5,485,000, notes payable - \$13,699,007.
- Compensated absences increased by 3.06% or \$6,456.

The City's current bond rating is A from Standard and Poor's Ratings Services. 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

For the fourth consecutive year, 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 continue to limit capital improvement projects and capital outlay expenditures as a result. Last year we reduced operating expenses to minimums so that all existing employees could be retained. To maintain payroll at current levels, pay raises have not been provided to employees for the past three years. As in the past, we are not expecting to fill nonessential positions vacated due to attrition or retirement. Any additional cost cutting measures will surely affect the level of service currently provided by the City.

Department Heads were asked to maintain last year's budget number for this coming year. Current plans are to maintain all millage rates, taxes and service fees/rate structures at last year's levels. Fuel price increases, commodity increases and revenue shortfalls are being considered in that decision. The final decision on this matter will be made during the July budget workshops.

The management team change at the golf course has had a positive impact as it relates to increasing play and improving the overall condition of the golf course. However, last year's expenditures continue to outpace revenues resulting in similar losses to previous years. When comparing this loss with the pro forma submitted by the management team a loss was not unexpected. Regardless, these losses need to be corrected; otherwise the City will need to evaluate other options as it relates to operating a municipal golf course.

In addition, it will be necessary to closely monitor expenditures at the municipal airport. Given the economic downturn, hangar and fuel revenues have not met expected thresholds from 2006-07 when the decision was made to borrow money to construct a new terminal building. This may be a short term issue as new businesses continue to evaluate the airport for future development. One new business (aircraft painting) has recently opened with several persons being employed by this operation. The new terminal building is playing a significant role in attracting potential businesses to the airport.

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, 2010

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Palatka Gas Authority</u>
ASSETS				
Cash and Equivalents	\$ 2,164,313	\$ 871,903	3,036,216	\$ 329,741
Investments	-	-	-	3,613,429
Accounts Receivable	27,396	489,362	516,758	114,930
Internal Balances	414,758	(414,758)	-	-
Due From Other Governments	395,980	258,833	654,813	-
Inventory	-	177,809	177,809	96,076
Mortgages Receivable	13,911	-	13,911	-
Other Assets	-	-	-	35,638
Restricted Cash and Equivalents	-	90,845	90,845	-
Restricted Investments	-	472,931	472,931	-
Capital Assets:				
Non-Depreciable	6,746,180	6,975,630	13,721,810	194,147
Depreciable, Net	8,565,834	40,764,305	49,330,139	2,382,278
TOTAL ASSETS	18,328,372	49,686,860	68,015,232	6,766,239
LIABILITIES				
Accounts Payable and Accrued Liabilities	172,840	66,076	238,916	79,962
Deposits	3,025	371,433	374,458	226,167
Noncurrent Liabilities:				
Net OPEB Obligation	46,921	23,669	70,590	-
Due Within One Year	440,845	1,608,844	2,049,689	-
Due in More Than One Year	3,319,397	14,618,648	17,938,045	8,900
TOTAL LIABILITIES	3,983,028	16,688,670	20,671,698	315,029
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	11,915,772	31,509,858	43,425,630	2,576,425
Restricted For:				
Downtown Redevelopment	1,120,889	-	1,120,889	-
Housing and Community Development	7,506	-	7,506	-
Capital Projects	-	46,273	46,273	-
Bond Reserve	-	472,931	472,931	-
Unrestricted	1,301,177	969,128	2,270,305	3,874,785
TOTAL NET ASSETS	\$ 14,345,344	\$ 32,998,190	\$ 47,343,534	\$ 6,451,210

See accompanying notes.

City of Palatka, Florida
Statement of Activities
For the Year Ended September 30, 2010

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	Primary Government		Total	
					Governmental Activities	Business-type Activities		
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
General Government	\$ 1,472,469	\$ 105,351	\$ -	\$ -	\$ (1,367,118)	\$ -	\$ (1,367,118)	\$ -
Public Safety	5,968,153	248,591	656,481	-	(5,063,081)	-	(5,063,081)	-
Transportation	697,212	51,654	502,323	990,264	847,029	-	847,029	-
Economic Environment	816,722	-	-	783,411	(33,311)	-	(33,311)	-
Human Services	209,332	160,407	173,333	-	124,408	-	124,408	-
Culture and Recreation	538,150	17,244	9,075	243,000	(268,831)	-	(268,831)	-
Interest on Long-Term Debt	182,996	-	-	-	(182,996)	-	(182,996)	-
TOTAL GOVERNMENTAL ACTIVITIES	9,885,034	583,247	1,341,212	2,016,675	(5,943,900)	-	(5,943,900)	-
BUSINESS-TYPE ACTIVITIES:								
Water	4,978,295	3,780,615	-	1,859,472	-	661,792	661,792	-
Sanitation	1,347,455	1,522,581	-	-	-	175,126	175,126	-
Golf Course	982,862	620,594	-	-	-	(362,268)	(362,268)	-
Airport	1,593,744	704,750	-	554,249	-	(334,745)	(334,745)	-
TOTAL BUSINESS-TYPE ACTIVITIES	8,902,356	6,628,540	-	2,413,721	-	139,905	139,905	-
TOTAL PRIMARY GOVERNMENT	\$ 18,787,390	\$ 7,211,787	\$ 1,341,212	\$ 4,430,396	(5,943,900)	139,905	(5,803,995)	-
COMPONENT UNIT:								
Palatka Gas Authority	\$ 1,474,917	\$ 1,404,223	\$ -	\$ 550,000	-	-	-	479,306
GENERAL REVENUES:								
Property Taxes					3,774,261	-	3,774,261	-
Sales Tax and Intergovernmental Unrestricted								
Shared Revenues					785,219	-	785,219	-
Franchise Taxes					879,660	-	879,660	-
Utility Taxes					886,932	-	886,932	-
Communications Service Tax					522,116	-	522,116	-
Investment Earnings					5,689	188,945	194,634	37,158
Miscellaneous					60,637	228,975	289,612	121,301
Transfers					(803,896)	803,896	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					6,110,618	1,221,816	7,332,434	158,459
CHANGE IN NET ASSETS					166,718	1,361,721	1,528,439	637,765
NET ASSETS – BEGINNING OF YEAR					14,178,626	31,636,469	45,815,095	5,813,445
NET ASSETS – END OF YEAR					\$ 14,345,344	\$ 32,998,190	\$ 47,343,534	\$ 6,451,210

See accompanying notes.

City of Palatka, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Equivalents	\$ 1,019,912	\$ 1,116,188	\$ 28,213	\$ 2,164,313
Accounts Receivable	22,695	4,701	-	27,396
Due from Other Governments	395,980	-	-	395,980
Advances to Other Fund	414,758	-	-	414,758
Mortgages Receivable	-	-	13,911	13,911
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,853,345</u>	<u>\$ 1,120,889</u>	<u>\$ 42,124</u>	<u>\$ 3,016,358</u>
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$ 172,840	\$ -	\$ -	\$ 172,840
Deposits	3,025	-	-	3,025
Deferred Revenue	-	-	34,618	34,618
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>175,865</u>	<u>-</u>	<u>34,618</u>	<u>210,483</u>
<u>FUND BALANCES</u>				
Reserved for Advances	414,758	-	-	414,758
Unreserved, Reported In:				
General Fund	1,262,722	-	-	1,262,722
Special Revenue Funds	-	1,120,889	7,506	1,128,395
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,677,480</u>	<u>1,120,889</u>	<u>7,506</u>	<u>2,805,875</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,853,345</u>	<u>\$ 1,120,889</u>	<u>\$ 42,124</u>	<u>\$ 3,016,358</u>

See accompanying notes.

City of Palatka, Florida
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2010

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 2,805,875
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	15,312,014
Long-term liabilities are not reported in the governmental funds.	
Bonds and Notes Payable	(3,381,920)
Capital Leases	(14,322)
Compensated Absences	(364,000)
The Net OPEB Obligation is reported in the government-wide financial statements but is not reported in the governmental fund financial statements.	
	(46,921)
Liabilities for earned but unavailable revenue are reported in the governmental funds but not in the statement of net assets.	
Deferred Revenue	34,618
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 14,345,344

See accompanying notes.

City of Palatka, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>				
Taxes	\$ 6,755,885	\$ 565,392	\$ -	\$ 7,321,277
Licenses and Permits	90,738	-	-	90,738
Intergovernmental	2,131,474	-	783,411	2,914,885
Charges for Services	267,914	-	-	267,914
Fines and Forfeitures	65,042	-	-	65,042
Miscellaneous	194,668	-	1,124	195,792
TOTAL REVENUES	<u>9,505,721</u>	<u>565,392</u>	<u>784,535</u>	<u>10,855,648</u>
<u>EXPENDITURES</u>				
Current:				
General Government	1,608,841	-	-	1,608,841
Public Safety	5,952,155	-	-	5,952,155
Transportation	663,316	-	-	663,316
Economic Environment	-	748,160	68,562	816,722
Human Services	209,228	-	-	209,228
Culture and Recreation	703,621	-	-	703,621
Debt Service:				
Principal Retirement	384,042	-	-	384,042
Interest and Fiscal Charges	182,996	-	-	182,996
TOTAL EXPENDITURES	<u>9,704,199</u>	<u>748,160</u>	<u>68,562</u>	<u>10,520,921</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(198,478)</u>	<u>(182,768)</u>	<u>715,973</u>	<u>334,727</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	193,850	-	-	193,850
Transfers Out	-	(18,850)	(978,896)	(997,746)
TOTAL OTHER FINANCING SOURCES (USES)	<u>193,850</u>	<u>(18,850)</u>	<u>(978,896)</u>	<u>(803,896)</u>
NET CHANGE IN FUND BALANCES	(4,628)	(201,618)	(262,923)	(469,169)
FUND BALANCES – BEGINNING OF YEAR	<u>1,682,108</u>	<u>1,322,507</u>	<u>270,429</u>	<u>3,275,044</u>
FUND BALANCES – END OF YEAR	<u>\$ 1,677,480</u>	<u>\$ 1,120,889</u>	<u>\$ 7,506</u>	<u>\$ 2,805,875</u>

See accompanying notes.

City of Palatka, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2010

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (469,169)

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

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

Acquisitions of Capital Assets	1,051,693
Current Year Depreciation Expense	(801,870)

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

Principal Payments	384,042
--------------------	---------

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	27,000
Net OPEB Obligation	(24,978)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 166,718

See accompanying notes.

City of Palatka, Florida
Statement of Net Assets
Proprietary Funds
September 30, 2010

	<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	\$ 554,671	\$ -	\$ 55,857	\$ 261,375	\$ 871,903
Restricted Cash and Equivalents	14,869	-	-	-	14,869
Accounts Receivable	340,792	136,625	4,690	7,255	489,362
Due from Other Governments	226,171	-	-	32,662	258,833
Inventory	138,018	-	16,713	23,078	177,809
TOTAL CURRENT ASSETS	1,274,521	136,625	77,260	324,370	1,812,776
<u>NONCURRENT ASSETS</u>					
Restricted Cash and Equivalents	75,976	-	-	-	75,976
Restricted Investments	472,931	-	-	-	472,931
Advance to Other Fund	20,505	80,969	-	-	101,474
Capital Assets, Net	30,195,340	661,113	1,851,955	15,031,527	47,739,935
TOTAL NONCURRENT ASSETS	30,764,752	742,082	1,851,955	15,031,527	48,390,316
TOTAL ASSETS	32,039,273	878,707	1,929,215	15,355,897	50,203,092
<u>CURRENT LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	30,957	3,910	12,882	18,327	66,076
Deposits	344,181	-	17,370	9,882	371,433
Current Portion of Long-Term Liabilities	1,260,683	131,648	79,366	137,147	1,608,844
TOTAL CURRENT LIABILITIES	1,635,821	135,558	109,618	165,356	2,046,353
<u>NONCURRENT LIABILITIES</u>					
Net OPEB Obligation	15,779	6,644	-	1,246	23,669
Advances from Other Funds	-	-	516,232	-	516,232
Other Long-Term Liabilities	11,306,436	177,228	1,530,476	1,604,508	14,618,648
TOTAL NONCURRENT LIABILITIES	11,322,215	183,872	2,046,708	1,605,754	15,158,549
TOTAL LIABILITIES	12,958,036	319,430	2,156,326	1,771,110	17,204,902
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	17,559,365	410,187	242,113	13,298,193	31,509,858
Restricted For Capital Projects	46,273	-	-	-	46,273
Restricted for Bond Reserve	472,931	-	-	-	472,931
Unrestricted	1,002,668	149,090	(469,224)	286,594	969,128
TOTAL NET ASSETS	\$ 19,081,237	\$ 559,277	\$ (227,111)	\$ 13,584,787	\$ 32,998,190

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, 2010

	<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	\$ 3,780,615	\$ 1,522,581	\$ 620,594	\$ 704,750	\$ 6,628,540
Other Operating Revenues	199,201	170	3,868	25,736	228,975
TOTAL OPERATING REVENUES	<u>3,979,816</u>	<u>1,522,751</u>	<u>624,462</u>	<u>730,486</u>	<u>6,857,515</u>
<u>OPERATING EXPENSES</u>					
Personal Services	1,794,658	712,564	280,784	151,455	2,939,461
Operating Expenses	1,230,044	565,700	519,588	715,505	3,030,837
Depreciation and Amortization	1,001,920	57,633	75,059	628,681	1,763,293
TOTAL OPERATING EXPENSES	<u>4,026,622</u>	<u>1,335,897</u>	<u>875,431</u>	<u>1,495,641</u>	<u>7,733,591</u>
OPERATING INCOME (LOSS)	<u>(46,806)</u>	<u>186,854</u>	<u>(250,969)</u>	<u>(765,155)</u>	<u>(876,076)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	188,945	-	-	-	188,945
Interest Expense	(951,673)	(11,558)	(107,431)	(98,103)	(1,168,765)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(762,728)</u>	<u>(11,558)</u>	<u>(107,431)</u>	<u>(98,103)</u>	<u>(979,820)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>(809,534)</u>	<u>175,296</u>	<u>(358,400)</u>	<u>(863,258)</u>	<u>(1,855,896)</u>
Capital Contributions	1,859,472	-	-	554,249	2,413,721
Transfers In	978,896	-	-	-	978,896
Transfers Out	(110,000)	(65,000)	-	-	(175,000)
CHANGE IN NET ASSETS	<u>1,918,834</u>	<u>110,296</u>	<u>(358,400)</u>	<u>(309,009)</u>	<u>1,361,721</u>
NET ASSETS – BEGINNING OF YEAR	<u>17,162,403</u>	<u>448,981</u>	<u>131,289</u>	<u>13,893,796</u>	<u>31,636,469</u>
NET ASSETS – END OF YEAR	<u>\$ 19,081,237</u>	<u>\$ 559,277</u>	<u>\$ (227,111)</u>	<u>\$ 13,584,787</u>	<u>\$ 32,998,190</u>

See accompanying notes.

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

	<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 ACTIVITIES</u>					
Receipts from Customers	\$ 4,117,441	\$ 1,434,389	\$ 619,966	\$ 1,831,141	\$ 8,002,937
Payments to Suppliers	(2,012,880)	(559,953)	(132,478)	(1,549,550)	(4,254,861)
Payments to Employees	(1,764,337)	(695,220)	(304,347)	(150,007)	(2,913,911)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>340,224</u>	<u>179,216</u>	<u>183,141</u>	<u>131,584</u>	<u>834,165</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers In	978,896	-	-	-	978,896
Transfers Out	(110,000)	(65,000)	-	-	(175,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>868,896</u>	<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>803,896</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Issued Debt	12,567,942	-	-	-	12,567,942
Capital Contributions	1,859,472	-	-	554,249	2,413,721
Acquisitions of Capital Assets	(3,043,248)	-	-	(347,868)	(3,391,116)
Principal Paid on Debt	(18,876,104)	(112,537)	(62,033)	(133,333)	(19,184,007)
Interest Paid on Debt	(1,206,253)	(11,558)	(107,431)	(98,103)	(1,423,345)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(8,698,191)</u>	<u>(124,095)</u>	<u>(169,464)</u>	<u>(25,055)</u>	<u>(9,016,805)</u>
<u>INVESTING ACTIVITIES</u>					
Interest Received	188,945	-	-	-	188,945
Proceeds from Investments	510,926	-	-	-	510,926
Purchase of Investments	(472,931)	-	-	-	(472,931)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>226,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,940</u>
CHANGE IN CASH AND EQUIVALENTS	<u>(7,262,131)</u>	<u>(9,879)</u>	<u>13,677</u>	<u>106,529</u>	<u>(7,151,804)</u>
CASH AND EQUIVALENTS – BEGINNING OF YEAR	<u>7,907,647</u>	<u>9,879</u>	<u>42,180</u>	<u>154,846</u>	<u>8,114,552</u>
CASH AND EQUIVALENTS – END OF YEAR	<u>\$ 645,516</u>	<u>\$ -</u>	<u>\$ 55,857</u>	<u>\$ 261,375</u>	<u>\$ 962,748</u>

(continued)

City of Palatka, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2010

(concluded)

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
OPERATING INCOME (LOSS)	\$ (46,806)	\$ 186,854	\$ (250,969)	\$ (765,155)	\$ (876,076)
Depreciation and Amortization	1,001,920	57,633	75,059	628,681	1,763,293
Change In:					
Accounts Receivable	(42,700)	(7,393)	(828)	30,477	(20,444)
Due from Other Funds	7,450	-	-	-	7,450
Due from Other Governments	188,900	-	-	1,067,586	1,256,486
Advance to Golf Course	(20,505)	(80,969)	-	-	(101,474)
Inventory	26,922	-	(2,046)	27,568	52,444
Accounts Payable and Accrued Liabilities	(804,234)	7,912	7,710	(788,732)	(1,577,344)
Due to Other Funds	-	-	(134,786)	(72,327)	(207,113)
Advance from Other Funds	-	-	516,232	-	516,232
Compensated Absences	15,753	11,794	(21,390)	300	6,457
Net OPEB Obligation	9,044	3,385	(2,173)	594	10,850
Customer Deposits	4,480	-	(3,668)	2,592	3,404
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 340,224</u>	<u>\$ 179,216</u>	<u>\$ 183,141</u>	<u>\$ 131,584</u>	<u>\$ 834,165</u>

See accompanying notes.

City of Palatka, Florida
Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2010

ASSETS

Investments:

Money Market and Other Cash Equivalents	\$ 763,400
Government Bonds and Notes	2,471,755
Corporate Bonds and Notes	7,786,333
Mutual Funds - Equities	9,483,610
Mutual Funds (REIT)	454,301
Common Stock/Equities	8,116,790

Total Investments 29,076,189

Accounts Receivable 105,478

TOTAL ASSETS 29,181,667

LIABILITIES 2,061

NET ASSETS

Held in Trust for Pension Benefits \$ 29,179,606

See accompanying notes.

City of Palatka, Florida
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended September 30, 2010

ADDITIONS

CONTRIBUTIONS:

Employer	\$ 940,022
Member	343,122
State on behalf, through General Fund	<u>143,381</u>

TOTAL CONTRIBUTIONS 1,426,525

INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments	2,218,871
Interest	287,291
Dividends	<u>165,736</u>
	2,671,898
Less Investment Management Fee	<u>178,011</u>

NET INVESTMENT INCOME 2,493,887

TOTAL ADDITIONS 3,920,412

DEDUCTIONS

Member Benefits	2,667,818
Withdrawals	127,640
Administrative Expense	<u>67,430</u>

TOTAL DEDUCTIONS 2,862,888

CHANGE IN NET ASSETS 1,057,524

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
Beginning of Year 28,122,082

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS,
End of Year \$ 29,179,606

See accompanying notes.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

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, 2010

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 2009-2010 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, 2010

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, 2010

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 \$54,354 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 intangible assets and infrastructure. Intangible assets, such as computer software, use a capitalization threshold of \$10,000. 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, 2010

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 and amortization 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
Intangibles	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 2010.

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 General Fund and Downtown Redevelopment Agency Fund, the funds that incurred the liabilities.

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2010, property taxes receivable were not material.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

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.

Future Accounting Pronouncement

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, will be effective for the City's fiscal year beginning October 1, 2010. The objectives of Statement No. 54 are to enhance the usefulness of fund balance information and clarify the existing governmental fund type definitions. The City is currently evaluating the effects this Statement will have on its financial statements for the year ending September 30, 2011.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

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.

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:

	Primary Government	Component Unit
Statement of Net Assets:		
Cash and Equivalents	\$ 3,036,216	\$ 329,741
Investments	-	3,613,429
Restricted Cash and Equivalents	90,845	-
Restricted Investments	472,931	-
Statement of Fiduciary Net Assets:		
Investments	29,076,189	-
Total Deposits and Investments	<u>\$ 32,676,181</u>	<u>\$ 3,943,170</u>

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

	Primary Government	Component Unit
Deposits with Financial Institutions, including Certificates of Deposit	\$ 3,127,061	\$ 3,943,170
Investments - Other than Pension	472,931	-
Investments - Pension	29,076,189	-
Total Deposits and Investments	<u>\$ 32,676,181</u>	<u>\$ 3,943,170</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

The City's investments at September 30, 2010 are summarized in the following table:

		Maturities		
		<u>0-5 yrs</u>	<u>5-10 yrs</u>	<u>10+ yrs</u>
Pension Investments:				
Money Market & Other Cash Equivalents	\$ 763,400	\$ 763,400	\$ -	\$ -
Government Bonds and Notes	2,471,755	378,752	732,640	1,360,363
Corporate Bonds and Notes	7,786,333	6,434,345	1,258,642	93,346
Mutual Funds (Equities)	1,842,197	1,842,197	-	-
Mutual Funds (REIT)	454,301	454,301	-	-
Mutual Funds (Foreign Equities)	2,044,676	2,044,676	-	-
Mutual Funds (Taxable-Equity)	5,596,737	5,596,737	-	-
Common Stock	8,116,790	8,116,790	-	-
Total Pension Investments	<u>29,076,189</u>	<u>25,631,198</u>	<u>1,991,282</u>	<u>1,453,709</u>
Other Investments:				
Government Bonds and Notes	472,931	472,931	-	-
Total	<u>\$29,549,120</u>	<u>\$ 26,104,129</u>	<u>\$1,991,282</u>	<u>\$ 1,453,709</u>

The City's investments in common stock, corporate bonds and notes, and government bonds and notes are rated as follows:

Common Stock	Corporate Bonds and Notes	Government Bonds and Notes
A+ -	AAA 8%	AAA 100%
A -	AA1 2%	
A- -	AA2 9%	- -
B+ -	AA3 5%	- -
B -	A1 5%	- -
B- -	A2 24%	- -
	A3 3%	- -
	BBB 4%	
Not rated 100%	Not rated 40%	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.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS

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.

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2010, interfund balances are as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 414,758	\$ -
Major Enterprise Funds:		
Water	20,505	-
Sanitation	80,969	-
Golf Course	-	516,232
Total	<u>\$ 516,232</u>	<u>\$ 516,232</u>

As summarized below, the interfund balances arose in part because one fund had overdrawn its share of the City's pooled cash account. All of the interfund balances are advances, which are not expected to be repaid within one year.

	<u>Cash and Equivalents As Reported</u>	<u>Adjustment for Overdraft</u>	<u>True Balance</u>
General Fund	\$ 1,019,912	\$ 414,758	\$ 1,434,670
Major Enterprise Fund:			
Water	645,516	20,505	666,021
Sanitation	-	80,969	80,969
Golf Course	55,857	(516,232)	(460,375)
Total	<u>\$ 1,721,285</u>	<u>\$ -</u>	<u>\$ 1,721,285</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended September 30, 2010 consisted of the following:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 193,850	\$ -
Downtown Redevelopment Agency Fund	-	18,850
Other Governmental Funds	-	978,896
Major Enterprise Funds:		
Water	978,896	110,000
Sanitation	-	65,000
Total	<u>\$ 1,172,746</u>	<u>\$1,172,746</u>

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

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2010, the following changes in capital assets occurred:

<u>Primary Government</u>	<u>Balance October 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2010</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 6,746,180	\$ -	\$ -	\$ 6,746,180
Construction in Progress	781,283	-	781,283	-
Total Capital Assets Not Being Depreciated	<u>7,527,463</u>	<u>-</u>	<u>781,283</u>	<u>6,746,180</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	5,598,949	1,221,813	-	6,820,762
Infrastructure	8,178,037	423,064	-	8,601,101
Furniture and Equipment	3,032,217	96,893	-	3,129,110
Intangibles	-	91,206	-	91,206
Total Capital Assets Being Depreciated	<u>16,809,203</u>	<u>1,832,976</u>	<u>-</u>	<u>18,642,179</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,400,693	252,004	-	2,652,697
Infrastructure	5,434,783	328,730	-	5,763,513
Furniture and Equipment	1,438,999	221,136	-	1,660,135
Intangibles	-	-	-	-
Total Accumulated Depreciation	<u>9,274,475</u>	<u>801,870</u>	<u>-</u>	<u>10,076,345</u>
Total Capital Assets Being Depreciated, Net	<u>7,534,728</u>	<u>1,031,106</u>	<u>-</u>	<u>8,565,834</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,062,191</u>	<u>\$ 1,031,106</u>	<u>\$ 781,283</u>	<u>\$ 15,312,014</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 4 – CAPITAL ASSET ACTIVITY

<u>Primary Government</u>	<u>Balance October 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2010</u>
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 4,223,659	\$ -	\$ -	\$ 4,223,659
Construction in Progress	17,167,356	1,850,390	16,265,775	2,751,971
Total Capital Assets Not Being Depreciated	<u>21,391,015</u>	<u>1,850,390</u>	<u>16,265,775</u>	<u>6,975,630</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	18,423,760	2,170,590	-	20,594,350
Furniture and Equipment	2,534,558	1,951,401	445,217	4,040,742
Water and Sewer Distribution System	8,517,032	1,205,464	-	9,722,496
Plant Assets and Equipment	14,914,404	12,924,263	-	27,838,667
Total Capital Assets Being Depreciated	<u>44,389,754</u>	<u>18,251,718</u>	<u>445,217</u>	<u>62,196,255</u>
Less Accumulated Depreciation for:				
Building and Improvements	6,424,830	677,500	-	7,102,330
Furniture and Equipment	1,478,354	160,618	-	1,638,972
Water and Sewer Distribution System	3,253,823	185,684	-	3,439,507
Plant Assets and Equipment	8,613,012	638,129	-	9,251,141
Total Accumulated Depreciation	<u>19,770,019</u>	<u>1,661,931</u>	<u>-</u>	<u>21,431,950</u>
Total Capital Assets Being Depreciated, Net	<u>24,619,735</u>	<u>16,589,787</u>	<u>445,217</u>	<u>40,764,305</u>
Business-type Activities Capital Assets, Net	<u>\$ 46,010,750</u>	<u>\$ 18,440,177</u>	<u>\$ 16,710,992</u>	<u>\$ 47,739,935</u>

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

Governmental Activities:	\$ 558,271
General Government	169,864
Public Safety	32,491
Transportation	8,519
Human Services	32,725
Culture and Recreation	<u>32,725</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 801,870</u>
Business-type Activities:	
Water and Sewer	\$ 900,558
Sanitation	57,633
Airport	75,059
Golf Course	<u>628,681</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,661,931</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2010 follows:

	Balance October 1, 2009	Increases	Decreases	Balance September 30, 2010
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>415,021</u>	<u>-</u>	<u>220,874</u>	<u>194,147</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	571,542	835,719	-	1,407,261
Furniture and Equipment	538,965	45,270	18,792	565,443
Plant Assets and Equipment	2,887,386	26,017	-	2,913,403
Total Capital Assets Being Depreciated	<u>3,997,893</u>	<u>907,006</u>	<u>18,792</u>	<u>4,886,107</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	88,898	21,245	-	110,143
Furniture and Equipment	408,573	39,788	18,380	429,981
Plant Assets and Equipment	1,917,625	46,080	-	1,963,705
Total Accumulated Depreciation	<u>2,415,096</u>	<u>107,113</u>	<u>18,380</u>	<u>2,503,829</u>
Total Capital Assets Being Depreciated, Net	<u>1,582,797</u>	<u>799,893</u>	<u>412</u>	<u>2,382,278</u>
Gas Authority Capital Assets, Net	<u>\$1,997,818</u>	<u>\$ 799,893</u>	<u>\$ 221,286</u>	<u>\$2,576,425</u>

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.	\$ 690,261
\$3,200,000 Infrastructure Surtax Revenue Bonds, Series 2008, 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 \$3,426,897. During the current year, the City recognized infrastructure surtax revenues of \$715,264 and made \$418,907 principal and interest payments.	2,666,667
\$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%.	24,992
Total	<u>\$ 3,381,920</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

Business-type Activities

Long-term debt of the business-type activities is described below.

<p>\$7,665,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A; payable in varying installments through October 1, 2040, bearing interest from 2.0% to 4.625%, secured by a pledge of Half-Cent Sales Tax Revenues, Public Service Tax Revenues, and Communications Service Tax Revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$14,040,418. During the current year, the City recognized pledged revenues of \$1,782,893. No principal or interest payments were made or due as of September 30, 2010.</p>	<p>\$ 7,665,000</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 \$511,220. During the current year, the City recognized net revenues of \$861,838, and made \$53,822 principal and interest payments.</p>	<p>478,601</p>
<p>\$3,411,848 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$120,261, including interest at 2.57%, through July 2027, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$ 4,145,429. During the current year, the City recognized net revenues of \$861,838 and paid principal and interest payments in the amount of \$127,420.</p>	<p>3,328,740</p>
<p>\$2,570,071 Interim financing Water Revenue note at 2.66% interest, due January 2011, payable from the proceeds of a subsequent draw of the Drinking Water State Revolving Fund loan, with further security from the net revenues of the water and sewer system, public service tax, half-cent sales tax and communications tax. The proceeds of this interim financing were used to help repay the Florida Rural Utility interim construction loan for the water treatment plant. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,047,205. During the current year, the City recognized pledged revenues of \$2,644,731 and made \$1,556,267 principal and interest payments.</p>	<p>1,020,071</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>250,926</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 \$950,074. During the current year, the City recognized net revenues of \$(136,474) and made \$96,175 principal and interest payments.</p>	<p>650,000</p>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

Business-type Activities

<p>\$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 \$1,421,109. During the current year, the City recognized net revenues of \$(136,474) and made \$135,261 principal and interest payments.</p>	\$ 1,083,334
<p>\$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 \$2,418,715. During the current year, the City had net revenues of \$(175,910) and made \$169,463 principal and interest payments.</p>	1,609,842
<p>Less Unamortized Costs</p>	(220,128)
<p>Total</p>	<u>\$ 15,866,386</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 325,523	\$ 164,964	\$ 1,553,044	512,565
2012	327,744	148,898	657,033	591,843
2013	327,760	132,667	593,174	568,086
2014	322,794	116,649	596,904	547,057
2015	324,986	100,616	613,270	525,255
2016-2020	1,660,931	257,887	3,294,575	2,248,071
2021-2025	92,182	2,771	3,018,885	1,540,946
2026-2030	-	-	1,774,629	1,079,443
2031-2035	-	-	1,565,000	745,097
2036-2040	-	-	2,420,000	350,344
Totals	\$ 3,381,920	\$ 924,452	\$ 16,086,514	\$ 8,708,707

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

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

Governmental Activities

	Balance October 1, <u>2009</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2010</u>	Due Within <u>One Year</u>
Revenue Bonds and Notes Payable	\$ 3,742,771	\$ -	\$ 360,851	\$ 3,381,920	\$ 325,523
Capital Leases	37,513	-	23,191	14,322	14,322
Compensated Absences	391,000	253,000	280,000	364,000	101,000
Total	<u>\$ 4,171,284</u>	<u>\$ 253,000</u>	<u>\$ 664,042</u>	<u>\$ 3,760,242</u>	<u>\$ 440,845</u>

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 September 30</u>	<u>Governmental Activities</u>
2011	\$ 14,533
Less: Amount Representing Interest	211
Present Value of Net Minimum Lease Payments	<u>\$ 14,322</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 5 – LONG-TERM OBLIGATIONS

Business-type Activities

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Due Within One Year
Water and Sewer Refunding Revenue					
Bonds Series 1998	\$ 5,485,000	\$ -	\$ 5,485,000	\$ -	\$ -
Less: Unamortized Issuance Costs	(101,362)	-	(101,362)	-	-
Florida Municipal Loan Council Revenue					
Bonds Series 2010A	-	7,665,000	-	7,665,000	-
Less: Unamortized Issuance Costs	-	(220,128)	-	(220,128)	-
Drinking Water State Revolving Fund Loan	1,429,450	1,982,398	83,108	3,328,740	155,512
Sanitation Equipment	363,463	-	112,537	250,926	117,194
Water Reuse Loan	525,537	-	46,936	478,601	47,568
Florida Rural Utility Loan	9,747,459	570,601	10,318,060	-	-
Water Fund Satellite Meter Equipment Loan	1,393,000	-	1,393,000	-	-
SunTrust Water Revenue Note	-	2,570,071	1,550,000	1,020,071	1,020,071
Golf Revenue Note	1,671,875	-	62,033	1,609,842	79,366
Airport Terminal Revenue Note	1,166,667	-	83,333	1,083,334	83,333
Airport T-Hangars Revenue Note	700,000	-	50,000	650,000	50,000
Total Revenue Bonds and Notes	<u>22,381,089</u>	<u>12,567,942</u>	<u>19,082,645</u>	<u>15,866,386</u>	<u>1,553,044</u>
County Water/Sewer Agreement	132,270	-	-	132,270	-
SJRWMD Water/Sewer Agreement	11,293	-	-	11,293	-
Compensated Absences	211,087	126,156	119,700	217,543	55,800
Total	<u>\$ 22,735,739</u>	<u>\$ 12,694,098</u>	<u>\$ 19,202,345</u>	<u>\$ 16,227,492</u>	<u>\$ 1,608,844</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, 2010, rate covenants on certain debt obligations of the Water, Golf and Airport Funds were not met. The City has refinanced several debt obligations in the Water Fund in order to lower annual debt service expenditures, implemented a marketing plan for the Airport Fund to increase revenues, and made several changes in the Golf Course Fund to increase revenues, as part of its efforts to generate sufficient gross revenues to meet covenants in the future.

Current Refunding

The City issued \$7,665,000 of revenue bonds, Series 2010A, for a current refunding of \$5,485,000 of water and sewer refunding revenue bonds, Series 1998. The refunding was undertaken to repay the Series 1998 bonds, the Satellite Meter Equipment note and a portion of the interim financing water revenue note and to reduce total future debt service payments. The transaction resulted in an economic gain of approximately \$894,000 and a reduction of approximately \$924,000, in future debt service payments.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

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	\$ 90,845
Investments	472,931
	563,776
Total	563,776
Liabilities Payable from Restricted Assets:	
Current Portion of Debt Service:	
Principal	29,703
Interest	14,869
	44,572
Total	44,572
Restricted Net Assets	\$ 519,204

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, 2010 the City recognized \$62,976 and \$80,405 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

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, 2008, are equal to total years of service times 2.5%, 2.5% and

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 7 – PENSION PLANS

3.25%, respectively, of final average compensation (highest 3 consecutive years of the last 5). No other changes in benefit provisions have been made for the plan year beginning October 1, 2008. 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, 2010 is as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Active Employees	94	36	20	150
Service Retirees and Beneficiaries	68	18	9	95
Disability Retirees	-	2	-	2
Terminated Vested	7	3	2	12
DROP	14	-	1	15
Total	<u>183</u>	<u>59</u>	<u>32</u>	<u>274</u>

Funded Status and Funding Progress: The funded status of each plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
General Plan	\$ 15,717	\$ 19,810	\$ 4,093	79%	\$ 2,858	143%
Police Officers Plan	\$ 8,370	\$ 9,401	\$ 1,032	89%	\$ 1,630	63%
Firefighters Plan	\$ 6,018	\$ 7,376	\$ 1,358	82%	\$ 794	171%

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, 2010

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%	17.6%	21.1%
Plan Members	6.0%	6.0%	6.0%
Annual Pension Cost	480,493	303,235	172,163
Contributions Made	480,493	303,235	172,163
Actuarial Valuation Date	10/1/2008	10/1/2008	10/1/2008
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	29 Years	30 Years	28 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	9/30/2010	\$ 480,493	100%	\$ -
	9/30/2009	\$ 641,357	100%	-
	9/30/2008	\$ 559,533	100%	-
Police Officers	9/30/2010	\$ 303,235	100%	\$ -
	9/30/2009	\$ 236,148	100%	-
	9/30/2008	\$ 297,845	100%	-
Firefighters	9/30/2010	\$ 172,163	100%	\$ -
	9/30/2009	\$ 146,114	100%	-
	9/30/2008	\$ 124,076	100%	-

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 7 – PENSION PLANS

Combining Statement of Fiduciary Net Assets

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Investments:				
Money Market and Other Cash Equivalents	\$ 325,786	\$ 279,801	\$ 157,813	\$ 763,400
Government Bonds and Notes	-	1,684,645	787,110	2,471,755
Corporate Bonds and Notes	5,189,206	1,802,283	794,844	7,786,333
Mutual Funds (REIT)	-	233,039	221,262	454,301
Mutual Funds - Equities	1,842,197	3,681,164	3,960,249	9,483,610
Common Stock/Equities	8,116,790	-	-	8,116,790
Total Investments	<u>15,473,979</u>	<u>7,680,932</u>	<u>5,921,278</u>	<u>29,076,189</u>
Receivables	57,655	40,357	7,466	105,478
TOTAL ASSETS	<u>15,531,634</u>	<u>7,721,289</u>	<u>5,928,744</u>	<u>29,181,667</u>
LIABILITIES	<u>2,061</u>	<u>-</u>	<u>-</u>	<u>2,061</u>
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 15,529,573</u>	<u>\$ 7,721,289</u>	<u>\$ 5,928,744</u>	<u>\$ 29,179,606</u>

Combining Statement of Changes in Fiduciary Net Assets

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ADDITIONS</u>				
<u>CONTRIBUTIONS:</u>				
Employer	\$ 482,307	\$ 303,264	\$ 154,451	\$ 940,022
Member	192,197	102,198	48,727	343,122
State on Behalf, through General Fund	-	62,976	80,405	143,381
TOTAL CONTRIBUTIONS	<u>674,504</u>	<u>468,438</u>	<u>283,583</u>	<u>1,426,525</u>
<u>INVESTMENT INCOME:</u>				
Net Appreciation in Fair Value of Investments	1,398,965	440,821	379,085	2,218,871
Interest	-	162,125	125,166	287,291
Dividends	45,841	60,422	59,473	165,736
	<u>1,444,806</u>	<u>663,368</u>	<u>563,724</u>	<u>2,671,898</u>
Less Investment Management Fee	108,991	36,084	32,936	178,011
NET INVESTMENT INCOME	<u>1,335,815</u>	<u>627,284</u>	<u>530,788</u>	<u>2,493,887</u>
TOTAL ADDITIONS	<u>2,010,319</u>	<u>1,095,722</u>	<u>814,371</u>	<u>3,920,412</u>
<u>DEDUCTIONS</u>				
Member Benefits	1,179,395	475,071	1,013,352	2,667,818
Withdrawals	68,062	16,868	42,710	127,640
Administrative Expense	19,934	26,337	21,159	67,430
TOTAL DEDUCTIONS	<u>1,267,391</u>	<u>518,276</u>	<u>1,077,221</u>	<u>2,862,888</u>
CHANGE IN NET ASSETS	<u>742,928</u>	<u>577,446</u>	<u>(262,850)</u>	<u>1,057,524</u>
NET ASSETS HELD IN TRUST FOR				
PENSION BENEFITS, Beginning of Year	<u>14,786,646</u>	<u>7,143,843</u>	<u>6,191,593</u>	<u>28,122,082</u>
NET ASSETS HELD IN TRUST FOR				
PENSION BENEFITS, End of Year	<u>\$ 15,529,574</u>	<u>\$ 7,721,289</u>	<u>\$ 5,928,743</u>	<u>\$ 29,179,606</u>

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

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, 2010, 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, 2010. The City's annual OPEB cost for the fiscal year was \$70,590 (of which \$23,669 is related to the enterprise funds). The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 were as follows (on next page):

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2010	\$ 55,610	\$ 14,980	35.6%	\$ 70,590
September 30, 2009	\$ 58,246	\$ 23,484	40.3%	\$ 34,762
September 30, 2008	N/A	N/A	N/A	N/A

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, 2010 was as follows:

Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Plan Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
\$ 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, 2010

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	29 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Funding Interest Rate	5%
Payroll Growth/ Inflation	3%
Healthcare Inflation	8% 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 – DEFICIT BALANCE

At September 30, 2010, the Golf Course Fund had deficit net assets of \$227,111. The deficit balance resulted from a large shortfall in anticipated revenues, as well as an increase in expenditures, and will be eliminated by rehabilitating the course and incremental increases in revenues, with an aggressive marketing strategy to bring in new customers that will continue playing at the course.

City of Palatka, Florida
Notes to Financial Statements
September 30, 2010

NOTE 11 – COMMITMENTS

The City leases some of its police vehicles and golf carts under operating leases. Lease payments for the year ended September 30, 2010 were \$321,980. Future lease payments are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2011	\$ 251,440	\$ 23,669
2012	157,561	-
2013	58,277	-
2014	<u>58,277</u>	<u>-</u>
Total	<u>\$ 525,555</u>	<u>\$ 23,669</u>

NOTE 12 – 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 cannot 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, 2010

	<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>
<u>REVENUES</u>				
Taxes	\$ 6,774,551	\$ 6,917,932	\$ 6,755,885	\$ (162,047)
Licenses and Permits	105,000	105,000	90,738	(14,262)
Intergovernmental	1,267,218	1,823,119	2,131,474	308,355
Charges for Services	170,477	178,843	267,914	89,071
Fines and Forfeitures	57,464	73,344	65,042	(8,302)
Miscellaneous	208,166	264,113	194,668	(69,445)
TOTAL REVENUES	8,582,876	9,362,351	9,505,721	143,370
<u>EXPENDITURES</u>				
Current:				
General Government	1,172,257	1,643,919	1,608,841	35,078
Public Safety	5,919,063	6,249,535	5,952,155	297,380
Transportation	607,393	608,559	663,316	(54,757)
Human Services	180,285	204,234	209,228	(4,994)
Culture and Recreation	507,427	507,558	703,621	(196,063)
Debt Service:				
Principal Retirement	384,229	384,229	384,042	187
Interest and Fiscal Charges	183,921	183,921	182,996	925
TOTAL EXPENDITURES	8,954,575	9,781,955	9,704,199	77,756
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(371,699)	(419,604)	(198,478)	221,126
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	175,000	193,850	193,850	-
Transfers Out	-	(10,000)	-	10,000
TOTAL OTHER FINANCING SOURCES (USES)	175,000	183,850	193,850	10,000
NET CHANGE IN FUND BALANCES	(196,699)	(235,754)	(4,628)	231,126
FUND BALANCES – BEGINNING OF YEAR	196,699	235,754	1,682,108	1,446,354
FUND BALANCES – END OF YEAR	\$ -	\$ -	\$ 1,677,480	\$ 1,677,480

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 571,828	\$ 571,828	\$ 565,392	\$ (6,436)
<u>EXPENDITURES</u>				
Economic Environment	<u>1,809,828</u>	<u>1,809,828</u>	<u>748,160</u>	<u>1,061,668</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,238,000)	(1,238,000)	(182,768)	1,055,232
<u>OTHER FINANCING USES</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(18,850)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,238,000)	(1,238,000)	(201,618)	1,036,382
FUND BALANCES - Beginning of Year	<u>1,238,000</u>	<u>1,238,000</u>	<u>1,322,507</u>	<u>84,507</u>
FUND BALANCES - End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,120,889</u></u>	<u><u>\$ 1,120,889</u></u>

City of Palatka, Florida
Schedules of Funding Progress—Pension Plans
September 30, 2010

General Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Accrued Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2010	\$ 15,717	\$ 19,810	\$ 4,093	79%	\$ 2,858	143%
9/30/2009	16,053	19,084	3,031	84%	3,493	87%
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%

Police Officers' Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Accrued Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2010	\$ 8,370	\$ 9,401	\$ 1,032	89%	\$ 1,630	63%
9/30/2009	8,240	9,126	886	90%	1,750	51%
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%

Firefighters' Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Accrued Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2010	\$ 6,018	\$ 7,376	\$ 1,358	82%	\$ 794	171%
9/30/2009	6,130	7,412	1,282	83%	834	154%
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%

City of Palatka, Florida
Schedules of Contributions From Employer and Other Contributing Entities—Pension Plans
September 30, 2010

General Plan

<u>Year Ended</u>	<u>Employer Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2010	\$ 480,493	\$ 480,493	100.00%
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%

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>
9/30/2010	\$ 303,235	\$ 303,235	100.00%	\$ 62,976	\$ 62,976	100.00%
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%

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>
9/30/2010	\$ 172,163	\$ 172,163	100.00%	\$ 80,405	\$ 80,405	100.00%
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%

City of Palatka, Florida
Other Postemployment Benefits Plan
September 30, 2010

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>
9/30/2010	\$ 55,610	35.6%
9/30/2009	58,246	40.3%
9/30/2008	N/A	N/A

Notes:

- 1) The City has elected to implement GASB Statement No. 45, effective October 1, 2008, prospectively. Information for the preceding year 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, 2010

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, 2010

	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	\$ 325,786	\$ 279,801	\$ 157,813	\$ 763,400
Government Bonds and Notes	-	1,684,645	787,110	2,471,755
Corporate Bonds and Notes	5,189,206	1,802,283	794,844	7,786,333
Mutual Funds - Equities	1,842,197	3,681,164	3,960,249	9,483,610
Mutual Funds (REIT)	-	233,039	221,262	454,301
Common Stock/Equities	8,116,790	-	-	8,116,790
Receivables	57,655	40,357	7,466	105,478
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	15,531,634	7,721,289	5,928,744	29,181,667
LIABILITIES	2,061	-	-	2,061
	<hr/>	<hr/>	<hr/>	<hr/>
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 15,529,573</u>	<u>\$ 7,721,289</u>	<u>\$ 5,928,744</u>	<u>\$ 29,179,606</u>

City of Palatka, Florida
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended September 30, 2010

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ADDITIONS</u>				
CONTRIBUTIONS:				
Employer	\$ 482,307	\$ 303,264	\$ 154,451	\$ 940,022
Member	192,197	102,198	48,727	343,122
State on Behalf, through General Fund	-	62,976	80,405	143,381
TOTAL CONTRIBUTIONS	674,504	468,438	283,583	1,426,525
INVESTMENT INCOME:				
Net Appreciation in Fair Value of Investments	1,398,965	440,821	379,085	2,218,871
Interest	-	162,125	125,166	287,291
Dividends	45,841	60,422	59,473	165,736
	1,444,806	663,368	563,724	2,671,898
Less Investment Management Fee	108,991	36,084	32,936	178,011
NET INVESTMENT INCOME	1,335,815	627,284	530,788	2,493,887
TOTAL ADDITIONS	2,010,319	1,095,722	814,371	3,920,412
<u>DEDUCTIONS</u>				
Member Benefits	1,179,395	475,071	1,013,352	2,667,818
Withdrawals	68,062	16,868	42,710	127,640
Administrative Expense	19,934	26,337	21,159	67,430
TOTAL DEDUCTIONS	1,267,391	518,276	1,077,221	2,862,888
CHANGE IN NET ASSETS	742,928	577,446	(262,850)	1,057,524
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year	14,786,646	7,143,843	6,191,593	28,122,082
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year	\$ 15,529,574	\$ 7,721,289	\$ 5,928,743	\$ 29,179,606

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	45
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	49
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	53
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	58
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	60
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 Eight 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>	<u>2010</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	\$11,915,772
Restricted	\$268,690	\$335,292	\$416,950	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395
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>	<u>\$1,301,177</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>	<u>\$14,345,344</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	\$31,509,858
Restricted	\$1,542,942	\$806,035	\$830,601	\$779,907	\$773,851	\$792,708	\$810,484	\$519,204
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>	<u>\$969,128</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>	<u>\$32,998,190</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	\$43,425,630
Restricted	\$1,811,632	\$1,141,327	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599
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>	<u>\$2,270,305</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>	<u>\$47,343,534</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 Eight Fiscal Years

	Fiscal Years Ending September 30 ---							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities:								
General Government	\$805,254	\$879,252	\$957,828	\$882,002	\$677,251	\$852,906	\$768,892	\$1,472,469
Public Safety	\$4,217,475	\$4,614,844	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601	\$6,005,490	\$5,968,153
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	\$697,212
Economic Environment	\$50,538	\$66,979	\$63,715	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722
Human Services	\$147,360	\$186,242	\$176,399	\$212,165	\$227,525	\$232,009	\$266,804	\$209,332
Culture and Recreation	\$341,136	\$540,808	\$443,796	\$505,841	\$561,238	\$822,826	\$1,048,560	\$538,150
Interest on Long-Term Debt	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996
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	\$9,885,034
Business-type Activities:								
Airport	\$617,672	\$654,561	\$659,324	\$854,457	\$974,382	\$1,127,150	\$1,273,476	\$1,593,744
Water	\$3,113,053	\$3,239,058	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295
Golf	\$803,795	\$773,144	\$803,434	\$933,767	\$1,004,007	\$1,014,105	\$908,883	\$982,862
Sanitation	\$1,227,770	\$1,273,168	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689	\$1,393,713	\$1,347,455
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	\$8,902,356
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	\$18,787,390
Program Revenues								
Governmental Activities:								
Charges for Services:								
General Government	\$102,144	\$115,774	\$108,424	\$102,416	\$100,431	\$116,431	\$102,882	\$105,351
Public Safety	\$230,062	\$316,470	\$279,116	\$322,191	\$234,747	\$235,176	\$296,767	\$248,591
Other	\$170,592	\$152,957	\$179,865	\$167,965	\$198,985	\$182,337	\$165,217	\$229,305
Operating Grants and Contributions	\$314,102	\$777,845	\$573,201	\$832,506	\$912,670	\$705,287	\$1,163,584	\$1,341,212
Capital Grants and Contributions	\$267,530	\$1,816,727	\$765,763	\$874,390	\$1,463,953	\$1,090,723	\$1,288,072	\$2,016,675
Total Governmental Activities Program Revenue:	\$1,084,430	\$3,179,773	\$1,906,369	\$2,299,468	\$2,910,786	\$2,329,954	\$3,016,522	\$3,941,134
Business-type Activities:								
Charges for Services :								
Airport	\$275,335	\$305,496	\$386,036	\$567,999	\$506,385	\$709,468	\$572,594	\$704,750
Water	\$2,993,651	\$3,089,418	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813	\$3,628,361	\$3,780,615
Golf	\$645,426	\$531,170	\$711,672	\$762,061	\$751,903	\$754,328	\$726,113	\$620,594
Sanitation	\$1,297,709	\$1,329,226	\$1,426,784	\$1,430,572	\$1,518,191	\$1,500,141	\$1,533,927	\$1,522,581
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	\$2,413,721
Total Business-type Activities Program Revenue:	\$6,525,777	\$6,246,464	\$6,779,585	\$7,298,393	\$8,694,853	\$12,881,813	\$14,703,865	\$9,042,261
Total Primary Government Program Revenue:	\$7,610,207	\$9,426,237	\$8,685,954	\$9,597,861	\$11,605,639	\$15,211,767	\$17,720,387	\$12,983,395
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)	(\$5,943,900)
Business-type Activities	\$763,487	\$306,533	\$374,225	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905
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)	(\$5,803,995)
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	\$3,774,261
Sales Tax and Other State Shared Revenue	\$765,778	\$794,003	\$848,661	\$888,738	\$894,912	\$863,426	\$803,775	\$785,219
Franchise Fees	\$547,816	\$611,540	\$684,678	\$911,188	\$915,447	\$898,638	\$931,985	\$879,660
Other Taxes	\$2,028,649	\$1,282,812	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411	\$1,409,048
Investment Earnings	\$27,686	\$30,041	\$50,519	\$64,090	\$62,975	\$81,319	\$55,790	\$5,689
Miscellaneous	\$44,862	\$57,250	\$54,804	\$79,721	\$85,774	\$50,031	\$31,900	\$60,637
Transfers	\$184,832	(\$569,282)	\$135,297	\$22,214	\$142,873	\$212,910	\$126,527	-\$803,896
Total Governmental Activities	\$5,717,586	\$4,646,507	\$5,846,770	\$6,804,650	\$7,650,391	\$8,163,151	\$7,418,771	\$6,110,618
Business-type Activities:								
Investment Earnings	\$7,322	\$6,749	\$11,071	\$19,859	\$17,786	\$421,634	\$56,140	\$188,945
Gain on Sale of Assets	-	-	-	-	-	-	\$22,174	-
Miscellaneous	(\$2,587)	\$174,522	\$72,754	\$200,203	\$455,747	\$121,167	\$210,716	\$228,975
Transfers	(\$184,832)	\$569,282	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)	\$803,896
Total Business-type Activities	(\$180,097)	\$750,553	(\$51,472)	\$197,848	\$330,660	\$329,891	\$162,503	\$1,221,816
Total Primary Government	\$5,537,489	\$5,397,060	\$5,795,298	\$7,002,498	\$7,981,051	\$8,493,042	\$7,581,274	\$7,332,434
Changes in Net Assets								
Governmental Activities	\$637,209	\$876,175	\$51,192	\$337,083	\$988,143	\$907,693	\$433,018	\$166,718
Business-type Activities	\$583,390	\$1,057,086	\$322,753	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932	\$1,361,721
Total Primary Government	\$1,220,599	\$1,933,261	\$373,945	\$961,867	\$2,794,725	\$6,162,006	\$7,172,950	\$1,528,439

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>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>	<u>2010</u>
General Fund										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$1,269,605	\$0	\$0	\$414,758
Unreserved	\$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	\$1,262,722
Total General Fund	<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>	<u>\$1,677,480</u>
All Other Governmental Funds										
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved, reported in:										
Special Revenue Funds	\$303,141	\$285,883	\$338,928	\$408,727	\$490,642	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395
Total All Other Governmental Funds	<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>	<u>\$1,128,395</u>

Source: Audited financial statements

Table 4
City of Palatka, Florida

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$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	\$7,232,476
License and Permits	\$172,552	\$273,989	\$199,014	\$303,236	\$194,268	\$219,316	\$199,194	\$191,364	\$207,494	\$179,539
Intergovernmental	\$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	\$2,914,885
Charges for Services	\$118,495	\$153,156	\$144,096	\$118,285	\$156,139	\$138,910	\$196,549	\$176,968	\$176,629	\$267,914
Fines and Forfeitures	\$91,395	\$85,065	\$86,905	\$127,217	\$146,437	\$151,038	\$75,607	\$85,850	\$112,850	\$65,042
Miscellaneous	\$337,834	\$137,425	\$65,376	\$81,166	\$115,696	\$225,377	\$227,782	\$234,367	\$291,894	\$195,792
Total Revenues	\$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	\$10,855,648
Expenditures										
General Government	\$700,524	\$618,590	\$726,687	\$726,240	\$799,618	\$869,487	\$1,022,291	\$3,900,803	\$1,442,668	\$1,608,841
Public Safety	\$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	\$5,952,155
Physical Environment	-	-	-	\$716,608	\$16,191	\$14,028	\$481,343	\$295,824	-	-
Transportation	\$883,130	\$508,185	\$638,457	\$614,119	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315	\$780,123	\$663,316
Economic Environment	\$163,566	\$35,012	\$50,538	\$66,979	\$129,128	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722
Human Services	\$130,696	\$142,652	\$147,126	\$179,312	\$226,867	\$217,471	\$257,208	\$227,715	\$284,172	\$209,228
Culture and Recreation	\$660,149	\$499,504	\$673,638	\$915,684	\$454,624	\$571,372	\$708,890	\$897,530	\$1,038,817	\$703,621
Debt Service										
Principal Retirement	\$346,598	\$245,693	\$200,382	\$159,867	\$155,134	\$148,626	\$146,794	\$633,924	\$449,966	\$384,042
Interest and Fiscal Charges	\$61,164	\$42,526	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996
Total Expenditures	\$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	\$10,520,921
Excess of Revenues Over (Under) Expenditure	(\$410,481)	(\$65,081)	\$79,590	\$277,357	(\$68,943)	\$150,049	(\$1,262,271)	(\$2,739,558)	(\$295,603)	\$334,727
Other Financing Sources (Uses)										
Proceeds From Borrowing	\$59,000	\$24,150	\$38,000	-	-	-	\$1,379,225	\$3,243,802	-	-
Capital Leases	-	-	\$44,281	-	-	-	-	-	-	-
Transfers In	\$237,327	\$234,000	\$291,480	\$284,974	\$282,766	\$332,837	\$247,957	\$259,048	\$275,000	\$193,850
Transfers Out	(\$110,803)	(\$144,000)	(\$106,648)	(\$137,648)	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)
Total Other Financing Sources (Uses)	\$185,524	\$114,150	\$267,113	\$147,326	\$135,297	\$22,214	\$1,540,472	\$3,456,712	\$126,527	(\$803,896)
Net Change in Fund Balances	(\$224,957)	\$49,069	\$346,703	\$424,683	\$66,354	\$172,263	\$278,201	\$717,154	(\$169,076)	(\$469,169)
Acquisitions of Capital Assets	\$755,887	\$399,985	\$557,249	\$504,593	\$356,524	\$275,970	\$2,459,657	\$3,359,965	\$1,021,747	\$1,051,693
Debt Service as a Percentage of Non-Capital Expenditures	7.19%	5.32%	3.93%	2.56%	2.43%	1.99%	1.99%	7.06%	6.78%	5.99%

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, 2010

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	
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%
2009-10	\$350,826,549	\$745,957,201	\$61,172,680	\$93,443,957	\$411,999,229	\$839,401,158	8.650	49.08%

(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, 2010

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Collections to Levy</u>
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
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768

Source: Putnam County Tax Collector

Table 7
City of Palatka

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
September 30, 2010

Fiscal Year	City of Palatka	Putnam County	<u>District School Board</u>		St. Johns River Water Management District	Total
			Operating	Bond Debt/Cap Outlay		
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
2010	8.650	8.5765	5.363	2.498	0.4158	25.503

Source: Putnam County Property Appraiser

Table 8
City of Palatka, Florida

Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2010-----</u>			<u>Fiscal Year 2001 -----</u>		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
Putnam Community Medical Center	\$11,541,030	1	1.46%	\$13,036,766	1	5.40%
Wal-Mart Inc.	\$10,494,825	2	1.33%	\$4,430,383	7	1.80%
Revenue Properties Town & Country	\$8,887,542	3	1.13%	-	-	-
Southern Medical Associates, Inc	\$6,292,609	4	0.80%	\$6,196,827	5	2.70%
Home Depot U.S.A., Inc.	\$6,100,290	5	0.77%	-	-	-
Lowe's Home Centers, Inc.	\$5,716,935	6	0.72%	-	-	-
FWI 5, LLC	\$4,317,015	7	0.55%	\$3,951,311	8	1.60%
Palatka Mall, LLC	\$4,124,171	8	0.52%	\$3,383,136	10	1.40%
Stag II Palatka LLC	\$4,020,291	9	0.51%	-	-	-
Barrington Apartments LTD Ptnship	\$3,794,293	10	0.48%	-	-	-
BellSouth Telecommunications	-	-	-	\$10,809,898	2	4.40%
Spipal Inc.	-	-	-	\$7,080,040	3	2.90%
Florida Power & Light	-	-	-	\$6,754,611	4	2.80%
Florida Furniture	-	-	-	\$4,484,110	6	1.80%
TWI Cable	-	-	-	\$3,937,290	9	1.60%
Total	\$65,289,001		8.27%	\$64,064,372		26.40%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
September 30, 2010

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
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
2010	\$0	\$0	\$0	0.00%	\$0

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, 2010

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, 2010

<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			
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	8.79%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.34%	\$1,763

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</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>			<u>Utility</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>		
	<u>Gross</u>	<u>Operating</u>	<u>Available</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Gross</u>	<u>Operating</u>	<u>Available</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
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%
2010	\$730,486	\$866,960	(\$136,474)	\$133,333	\$98,103	-158.97%	\$3,886,540	\$3,024,702	\$861,838	\$18,876,104	\$951,673	4.35%

Fiscal Year	Golf Revenue Bonds						Infrastructure Surtax Revenue Note			
	<u>Golf</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>			<u>Sales</u>	<u>Debt Service</u>		
	<u>Gross</u>	<u>Operating</u>	<u>Available</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Surtax</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
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%
2010	\$624,462	\$800,372	(\$175,910)	\$62,033	\$107,431	-103.80%	\$715,264	\$266,667	\$152,240	170.75%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2010

Fiscal Year	Population(1)	Personal Income(million of dollars) (2)	Per Capita Personal Income(3)	School (4) Enrollment	Unemployment Rate(5)
2001	10,033	\$196	\$19,558	5885	5.4%
2002	10,250	\$205	\$20,037	5629	6.6%
2003	10,510	\$224	\$21,271	5623	5.7%
2004	10,820	\$235	\$21,699	5716	5.5%
2005	11,100	\$255	\$23,002	5371	4.5%
2006	11,417	\$276	\$24,177	5508	3.8%
2007	11,470	\$286	\$24,907	5555	4.8%
2008	11,264	\$290	\$25,712	4101	7.2%
2009	11,133	\$298	\$26,740	4768	12.3%
2010	10,926	\$304	\$27,809	4860	13.8%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population
- (2) Personal Income figures are the results of multiplying Per Capita Personal Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
Figures from 2001 - 2008 are based on per capita personal income data.
Figures from 2009 - 2010 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

Employer	Fiscal Year 2010			Fiscal Year 2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Putnam County School District	1,300	1	23.80%	918	1	18.30%
St. Johns River Water Management	700	2	12.81%	696	2	13.87%
Putnam County Government	607	3	11.11%	467	4	9.31%
Putnam Community Medical Center	525	4	9.61%	535	3	10.66%
Publix Supermarket, Inc.	300	5	5.49%	200	8	3.99%
Wal-Mart Stores, Inc.	300	6	5.49%	250	6	4.98%
St. Johns River Community College	230	7	4.21%	210	7	4.19%
Lowes Home Centers, Inc.	150	8	2.75%	-	-	-
City of Palatka	145	9	2.65%	171	10	3.41%
Home Depot	120	10	2.20%	-	-	-
Florida Furniture Industries	-	-	-	350	5	6.98%
Winn Dixie Marketplace	-	-	-	180	9	3.59%
Total	4,377		80.12%	3,977		79.27%

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>Function/Program</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>	<u>2010</u>
General Government:										
Building permits issued	717	767	846	821	982	884	804	621	80	596
Building inspections conducted	1933	1944	1931	2280	1905	1843	1987	1543	1499	1359
Code enforcements	391	338	382	417	532	281	547	311	701	200
Occupational license issued	1016	905	973	1016	1014	904	1072	1013	1258	1092
Police:										
Calls for service	29,910	28,547	26,683	27,132	30,595	36,196	32,350	31,933	31,264	34,559
Physical arrests	1,361	1,610	2,185	1,507	1,989	2,264	2,003	1,798	1,450	1,528
Citations	3,073	3,538	3,282	1,568	1,989	2,747	2,299	1,217	1,269	2,060
Fire:										
Emergency responses	1,454	1,432	1,660	2,189	1,987	1,958	2,063	2,590	2,610	2,412
Fires extinguished	621	646	999	1,093	1,020	923	721	457	538	98
Refuse collection:										
Customers	4,900	4,745	4,985	5,100	4,998	5,062	5,027	4,935	3,469	3,850
Other public works:										
Street resurfaced (miles)	n/a	2.5	2.5	2.5	6	0.0	1.2	0.0	0.0	0.0
Potholes repaired	200	175	175	150	125	100	100	98	100	100
Parks and recreation:										
Community center rentals	88	101	55	69	75	68	68	142	147	197
Human Services:										
Interments	133	120	131	124	113	150	145	133	103	146
Water:										
Water main breaks	12	12	12	12	12	12	30	16	10	7
Average daily consumption (thousands of gallons)	1,932	1,940	1,887	1,727	1,905	2,366	1,735	2,229	2,030	2,000
Peak daily consumption (thousands of gallons)	2,790	2,819	2,883	2,359	2,757	3,189	2,300	2,997	2,870	2,720
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	1,940
Airport:										
Rentals-T Hangars	49	49	49	49	49	49	49	49	54	54
Building	2	2	2	2	2	2	2	1	1	1
Land leases	2	2	2	2	2	2	2	1	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>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>	<u>2010</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	25	25	25	25	26	24	22	22
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	17	17	17	17	20	20	20	23	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	22	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 (miles)	101	102	103	104	105	106	106	106	106	108
Fire hydrants	430	435	440	445	450	455	455	565	570	578
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)	71	72	73	74	75	76	80	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	1095	1095	1278
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>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>	<u>2010</u>
General Government										
General Administration	8	8	8	8	9	9	8	8	9	8
Attorney	1	1	1	1	1	1	1	1	1	1
General Service Director	0	0	0	0	0	1	0	0	0	0
Mainstreet	0	1	1	0	1	1	0	0	1	0
Public Safety										
Building & Zoning	5	6	6	6	6	7	7	6	4	5
Police Officers	35	35	35	33	32	39	39	39	37	36
Police Clerical	7	7	7	8	8	7	7	7	6	6
Firefighters	17	17	17	17	17	20	20	20	23	23
Transportation										
Streets	9	9	9	9	9	9	9	7	6	6
Human Services										
Cemeteries	4	4	4	4	5	5	5	5	4	3
Culture/Recreation	5	5	5	6	6	7	7	7	8	7
Business Type Activities:										
Airport	3	3	3	3	4	4	4	4	3	3
Water	36	36	36	37	36	37	37	37	33	33
Golf	14	14	7	8	8	7	10	9	8	0
Sanitation	20	20	20	19	19	19	19	19	16	14

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, 2010, and have issued our report thereon dated April 7, 2011.

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

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective action have been taken to address findings and recommendations made in the preceding audit. In that regard, prior audit findings are once again addressed in the accompanying Schedule of Findings and Questioned Costs as items 10-1 through 10-3.

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 10-2 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 \$469,000 deficit in unrestricted net assets and \$227,000 deficit in total net assets as of September 30, 2010. Other available unreserved resources of the City were sufficient to offset the deficit, but continued use of those unreserved resources strains the general operating reserves of the City. The September 30, 2010 unreserved General Fund balance represents approximately 1.6 months general operating expenditures, which is below recommended reserves. 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, 2010, 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, 2010.

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 cursive script that reads "Carr, Riggs & Ingram LLC".

April 7, 2011
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, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2011. 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 10-1 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 10-2.

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.



April 7, 2011
Palatka, Florida

City of Palatka, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2010

<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	\$ 587,522
Community Development Block Grant	14.228	09DB-1A-04-64-02-E08	195,888
Program Total			<u>783,410</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Crime Victim Assistance	16.575	V09045	30,016
Byrne Formula Grant	16.579	2007DJBX0192	773
Community Capacity Development - Weed & Seed	16.595	2009-WS-QX-0170	104,284
Community Capacity Development - Weed & Seed	16.595	2008-WS-QX-0213	68,579
Program Total			<u>172,863</u>
Bulletproof Vest Partnership Program	16.607	--	3,249
Public Safety Partnership and Community Policing Grant	16.710	2008 UMWX0032	25,223
Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0247	33,910
Program Total			<u>59,133</u>
Passed Through Florida Department of Law Enforcement:			
Byrne Justice Assistance Grant Program	16.738	2010-JAGC-PUTN-1-4X-126	26,640
ARRA-Byrne Justice Assistance Grant Program	16.738	2010-ARRC-PUTN-1-W7-033	97,342
Byrne Justice Assistance Grant Program	16.738	2009-DJ-BX-0978	21,321
Program Total			<u>145,303</u>
ARRA-Byrne Justice Assistance Grant Program	16.804	2009-SB-B9-0645	28,506
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FAA Airport Improvement Program	20.106	AIP 3-12-0061-017-2008	63,965
FAA Airport Improvement Program	20.106	AIP 3-12-0061-016-2008	32,788
FAA Airport Improvement Program	20.106	AIP 3-12-0061-018-2009	338,109
FAA Airport Improvement Program	20.106	AIP 3-12-0061-019-2009	84,146
FAA Airport Improvement Program	20.106	AIP 3-12-0061-020-2010	19,000
Program Total			<u>538,008</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Nonpoint Source Implementation Grants	66.460	G0287	150,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Hazard Mitigation Grant	97.039	08HM-3G-04-64-02-022	153
Hazard Mitigation Grant	97.039	10HM-23-04-64-02-002	78,986
Program Total			<u>79,139</u>
Assistance to Firefighters Grant	97.044	EMW-2008-FF-00811	110,535
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,100,935</u>

City of Palatka, Florida
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2010

(Concluded)

<u>State Financial Assistance</u>	<u>State CSFA Number</u>	<u>Contract/Grant Number</u>	<u>State Expenditures</u>
<u>STATE DEPARTMENT OF ENVIRONMENTAL PROTECTION</u>			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP6771	429,007
<u>DEPARTMENT OF STATE AND SECRETARY OF STATE</u>			
Historic Preservation Grant	45.031	S1017	50,000
<u>STATE DEPARTMENT OF TRANSPORTATION</u>			
Aviation Development Grant – Master Plan	55.004	APD49	1,108
Aviation Development Grant – Taxiway/Drainage	55.004	AP029	10,825
Aviation Development Grant – Drainage Design/Bidding	55.004	APS00	3,625
Program Total			<u>15,558</u>
<u>FLORIDA FISH & WILDLIFE CONSERVATION COMMISSION</u>			
Florida Boating Improvement Program	77.006	08082	193,000
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 687,565</u></u>

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 With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance

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 could have a direct and material effect on each of its major federal programs and state project for the year ended September 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 10-3 and 10-4.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in compliance* 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 and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

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.



April 7, 2011
Palatka, Florida

City of Palatka, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Part I – Summary of Auditors’ Results

1. The independent auditors’ report on the financial statements was unqualified.
2. The audit reported 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 report 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 findings required to be reported for the major federal programs CFDA 16.738 and 66.460. 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>
Community Development Block Grant	14.228
Byrne Justice Assistance Grant Programs	16.738
Nonpoint Source Implementation Grant	66.460
	<u>State CSFA Number</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039

8. A threshold of \$300,000 and \$206,270 was used to distinguish between Type A and Type B programs for federal programs and for state projects, respectively.
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, 2010

Part II – Financial Statement Findings Section

- 10-1 *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.

- 10-2 *Condition* – As of September 30, 2010, 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 66.460

- 10-3 *Condition* – The City did not obtain from a vendor the certification pertaining to suspension and debarment. There are no reportable questioned costs.

Recommendation – The City should implement policies and procedures to ensure suspension certifications are obtained, when required.

CFDA 16.738

- 10-4 *Condition* – The City did not obtain from a vendor, under DOJ contract 2010-ARRC-PUTN-1-W7-033, the certification pertaining to suspension and debarment. In addition, under DOJ contract 2010-JAGC-PUTN-1-4X-126, certain activity logs supporting reimbursement claims did not appear to be accurately completed. There are no reportable questioned costs.

Recommendation – The City should implement policies and procedures to ensure suspension certifications are obtained, when required.

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, 2010

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 09-3 – CFDA No. 20.106: The City did not incorporate in its contract with a contractor the certification requirements pertaining to debarment and suspension.

Status – As of September 30, 2010, the City has verified on the Excluded Parties List that the contractor is not debarred or suspended.

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
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 7, 2011

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, 2010.

Part II – Financial Statement Findings Section

10-1 *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.

10-2 *Condition* – As of September 30, 2010, 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.

Resolution – The City has refinanced several debt obligations in the Water Fund in order to lower annual debt service expenditures, implemented a marketing plan

for the Airport Fund to increase revenues, and made several changes in the Golf Course Fund to increase revenues as part of its efforts to generate sufficient gross revenues to meet the covenants in the future.

Part III – Findings and Questioned Costs – Federal Awards

CFDA 66.460

10-3 *Condition* – The City did not obtain from a vendor the certification pertaining to suspension and debarment. There are no reportable questioned costs.

Recommendation – The City should implement policies and procedures to ensure suspension certifications are obtained, when required.

Resolution – The City will retain evidence that the suspension and debarment excluded parties list has been verified.

CFDA 16.738

10-4 *Condition* – The City did not obtain from a vendor, under DOJ contract 2010-ARRC-PUTN-1-W7-033, the certification pertaining to suspension and debarment. In addition, under DOJ contract 2010-JAGC-PUTN-1-4X-126, certain activity logs supporting reimbursement claims did not appear to be accurately completed. There are no reportable questioned costs.

Recommendation – The City should implement policies and procedures to ensure suspension certifications are obtained, when required.

Resolution – The City will retain evidence that the suspension and debarment excluded parties list has been verified and will implement procedures to ensure the accuracy of activity logs.

Part IV – Findings and Questioned Costs – State Projects

There were no findings relating to the major state project.

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

Sincerely,



Matthew D. Reynolds
Finance Director