

# **City of Palatka, Florida**

## **Comprehensive Annual Financial Report**

**For the Year Ended September 30, 2017**

**PREPARED BY:  
LOGAN BECKER  
FINANCE DIRECTOR**

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**TERRILL HILL**  
MAYOR-COMMISSIONER

**MARY LAWSON BROWN**  
VICE MAYOR –  
COMMISSIONER

**RUFUS J. BOROM**  
COMMISSIONER

**JUSTIN R. CAMPBELL**  
COMMISSIONER

**TAMMIE M. WILLIAMS**  
COMMISSIONER



**BETSY JORDAN DRIGGERS**  
INTERIM CITY  
MANAGER/CLERK

**LOGAN B. BECKER**  
FINANCE DIRECTOR

**JASON SHAW**  
CHIEF OF POLICE

**KEITH 'JR' GRIMES**  
CHIEF FIRE DEPT.

**DONALD E. HOLMES**  
CITY ATTORNEY

Regular meeting 2<sup>nd</sup> and 4<sup>th</sup> Thursdays each month at 6:00 p.m.

October 1, 2018

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, 2017.

This report was completed by the Finance Director and City Manager, 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 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 xvii.

### **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 10,662 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 owns a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility

## **THE REPORTING ENTITY (Concluded)**

systems. The Palatka Downtown Redevelopment Agency, and the Palatka Gas Authority are considered component units of the City, and the City is financially accountable for them. Accordingly, these component units are included in the City's Comprehensive Annual Financial Report.

## **ECONOMIC CONDITION**

Palatka's population is 10,662 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2017. 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 2017-18, the City proposed a General Fund operating budget that was 6.5% more than the previous year increasing from \$11.129 million to \$11.863 million. The City is currently in year three (3) of implementing a fire service special assessment that resulted in revenues of \$1,653,302 in FY2017. The millage rate remained at 6.4000 mills for the second consecutive year. Other revenue sources such as state shared revenues, sales taxes, fuel taxes, utility taxes, franchise fees and communication service taxes increased from the prior year. The annual transfer from the Palatka Gas Authority was \$159,210 in FY2017 as a result of the same formula used for franchise fees, 5.9% of gross revenues.

The City Commission kept the City's millage rate the same as FY 2016-2017, 6.4000 mills. The inclusion of the annual special assessment for fire protection services allows for the millage rate to avoid an increase. Overall, the City continues to face the challenge of maintaining the current level of service it provides its citizens without increasing the total amount of revenues received from ad valorem taxes and the fire service assessment.

For the year-ended September 30, 2017, the General Fund total fund balance was \$1,927,321, a slight increase of last year end.

Approximately fifteen percent (15%) of the General Fund total fund balance is non-spendable due to advances to other funds, therefore the City will not have this portion available for use in the immediate future. Restricted and committed fund balances comprise an additional fourteen percent (14%) of the total fund balance. The remaining unassigned fund balance is 15.01% of the total general fund expenditures, which totals \$1,365,670. This balance is 1.17% lower than last year and approximately 1.66% away from meeting the minimum balance recommended by the GFOA of approximately 16.67% or two months worth of operating expenditures. The net position of the Enterprise Funds decreased by approximately 3.51%.

## **ECONOMIC CONDITION (Concluded)**

The City's golf course continues to operate at a financial deficit with money from the general fund being budgeted as a transfer to offset this deficit. In February 2017, the City entered into a franchise lease agreement for the day to day operations of its historic golf course to minimize the operating deficit and reduce the annual transfer.

## **MAJOR INITIATIVES**

**Invest in staff** – Motivate, retain and develop a quality labor pool.

**Improve the effectiveness of our services and the appearance of the community** – Focus resources on those services and projects that provide the community (tax payers) the greatest positive impact on quality of life and aesthetics of the community. Initiate team building through developing strong internal and external collaborative relationships. Enhance the use of information systems and reporting.

**Create a safe working environment-** Create and sustain safe facilities, and infrastructure while identifying and reducing risks.

**Improve facilities and infrastructure** - Improve the condition and functionality of all community facilities and infrastructure. Institutionalize preventative maintenance procedures and increase the replacement of deficient infrastructure.

**Reduction of Personnel Cost** – Identify and implement work schedule to reduce the cost of overtime while incorporating training and providing for better service and coverage during peak times.

## **CURRENT PROJECTS**

The City's Riverfront property redevelopment and revitalization efforts continue to be a critical and vital improvement project in order to reinvigorate the downtown and City. The City was successful in attracting two development partners to build a new hotel and to revitalize several historic buildings along the riverfront which will be a high quality mixed use development. 4The hotel, now completed, will add more than \$3 million dollars to tax roll while the mixed use development is expected to be substantially completed by summer of 2017.

## **MAJOR INITIATIVES (Continued)**

### CURRENT PROJECTS (continued)

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately six point one million dollars (\$6.1 million) of improvements to the Riverfront Park Downtown Area including; road way, storm drainage, parking facilities, landscaping, playground, restroom and shower facilities, and appurtenant facilities. The funding for these improvements has come from the downtown tax increment fund and infrastructure surtax revenues as well as significant grant dollars from various State and Federal sources. The City also previously issued a RFP for dock operations, concessions and park management and was successful in attracting a qualified vendor and secured a management agreement in December 2016. The City will receive an enhanced level of service and maintenance at those facilities from the vendor and will share in a portion of the vendor's earned revenue.

Infrastructure surtax revenues (Better Place Funds) are dedicated to capital improvements within the City. This year's improvements were primarily used for grant match, infrastructure improvements (i.e. sidewalks, road resurfacing and stormwater) and repayment of capital-related loan obligations.

The City continues to upgrade the pavement and drainage systems and add new hangar facilities at the airport with the help of Federal Aviation Administration (FAA) and Florida Department of Transportation (FDOT) grants. The City in cooperation with the funding partners expended over one and half million dollars to expand apron and aircraft parking. The T-Hangar project is now complete with 100% occupancy generating additional revenue. These improvements have enhanced the City's ability to sustain the airport and provide for further development and economic opportunities there. The City has begun to address on and off airport obstructions with assistance from the FAA and FDOT. These improvements are intended to mitigate existing safety concerns and to prepare the airport for possible runway expansion in the future.

### FUTURE PROJECTS

Better Place Funds will continue to be used to improve the City's infrastructure, debt repayment and for major equipment purchases. This use of Better Place Funds will continue next fiscal year and thereafter until all streets, drainage and sidewalks in the City are addressed.

The City has evaluated parts of the City's Waste Water Treatment process that produces bio-solids which currently are sent to the County's landfill for disposal. The City is seeking funding



**MAJOR INITIATIVES  
(Continued)**

FUTURE PROJECTS (continued)

from various sources in order to finance the equipment and processes which would produce a class A bio-solid which could be sold for fill and ground cover. The improvements are expected to cost three million dollars with some of the funding expected to come from State and Federal sources. A St. Johns River Water Management District grant for \$1.2 million was awarded for the development of a 200+ acre reclaimed disposal site adjacent to the treatment plant. The City advertised for agricultural lease proposals for the 200 acre site and is in negotiations to finalize a lease that will ensure the beneficial use of reclaimed water and bio-solids on site for agricultural purposes. This lease is expected to generate \$20,000/year.

Better Place Funds will continue to be used to improve the City's infrastructure, debt repayment and for major equipment purchases. This use of Better Place Funds will continue next fiscal year and thereafter until all streets, drainage and sidewalks in the City are addressed.

The City has evaluated parts of the City's Waste Water Treatment process that produces bio-solids which currently are sent to the County's landfill for disposal. The City is seeking funding from various sources in order to finance the equipment and processes which would produce a class A bio-solid which could be sold for fill and ground cover. The improvements are expected to cost three million dollars with some of the funding expected to come from State and Federal sources. A St. Johns River Water Management District grant for \$1.2 million was awarded for the development of a 200+ acre reclaimed disposal site adjacent to the treatment plant. The City advertised for agricultural lease proposals for the 200 acre site and is in negotiations to finalize a lease that will ensure the beneficial use of reclaimed water and bio-solids on site for agricultural purposes. This lease is expected to generate \$20,000/year.

The City continues to field locate all water and sewer assets to populate the Geographic Information System (GIS) asset management system. The City has prioritized three areas for water main replacement by analyzing water main breaks, calls for service and age of the infrastructure. The City has submitted two (2) legislative appropriation requests totaling \$3.9 million for potable (drinking) water main line replacement and Wastewater Treatment Plant upgrades. The City received \$1 million in SJRWMD funding for potable line replacement in the North Historic District and Palatka Heights. This funding has been matched with State Revolving Loan Funds from FDEP and Tax Increment Funds. The City plans to replace 40,000 linear feet of potable main lines in the next 3-5 years.

The City is seeking additional Federal and State grant funds to identify, plan and finance needed water system deficiencies. The City conducted a leak detection study in the spring of 2016 within the oldest areas of the City. While the report noted the poor condition of the potable delivery system it did not find any notable leaks that could contribute to water loss.

## **MAJOR INITIATIVES (Concluded)**

### FUTURE PROJECTS (continued)

The City anticipates being able to fund a considerable water renewal project within the next two to three years using multiple State and local funding sources. The City will be seeking approximately two million dollars (\$2 million) in State Revolving Fund loan monies that will be repaid by the City's three tax increment fund districts in order to address other water line replacements to be completed in conjunction with the water main replacement. The City will continue to evaluate any appropriate water and sanitary sewer extensions to the present system to serve new areas and customers outside of the current service limits.

Other future projects include two (2) stormwater infrastructure projects to pretreat stormwater runoff prior to it entering the St. Johns River system and the replacement of more than 3,000 linear feet of sidewalks throughout the City in effort to improve walkability and quality of life for our residents. The City has also received four hundred forty thousand dollars (\$440,000) from the St. Johns River Water Management District for the construction of a regional storm water drainage pond near the City owned Booker Park.

The City continues to work with Putnam County and Chamber of Commerce representatives to expand utility services in order to promote and facilitate economic development. The City continues to meet with Putnam County to discuss annexation of enclaves around the City and potential utility boundary service areas which could spark and promote economic development in the region.

## **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 administrative officer of the City. The Finance Director is the financial officer for the City and 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.

**FINANCIAL POLICIES  
(Concluded)**

INTERNAL CONTROL STRUCTURE (continued)

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 and divisions within the same fund. All interfund transfers require prior approval of the City Commission. Departmental expenditures are monitored on a monthly basis by the City Manager and Finance Director. The City Commission is provided with a quarterly budget status report. Encumbrances lapse at year's end.

**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, 2016. This was the twenty-fifth year in a row 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,



Betsy J. Driggers  
Interim City Manager



Logan B. Becker  
Finance Director

## **GFOA Certificate of Achievement**

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2016 is presented on the following page.



Government Finance Officers Association

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, 2016**

*Christopher P. Morrill*

Executive Director/CEO

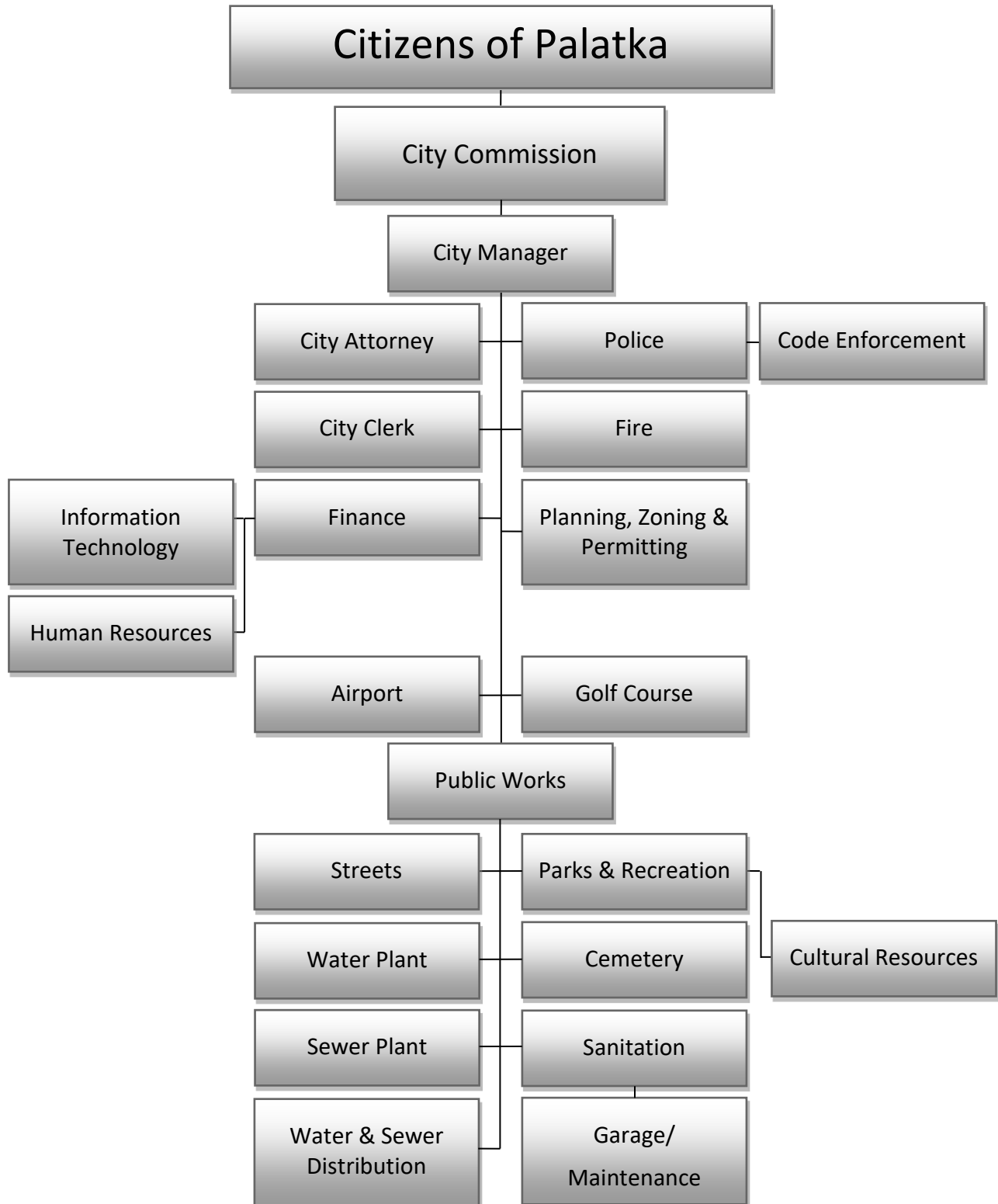
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# *City of Palatka*

## *Organizational Chart*

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

**ELECTED OFFICIALS**

Mayor-Commissioner  
Vice Mayor-Commissioner  
Commissioner  
Commissioner  
Commissioner

Terrill Hill  
Mary Lawson Brown  
Tammie McCaskill  
Rufus Borom  
Justin Campbell

**APPOINTED OFFICIALS**

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

Terry Suggs  
Betsy Jordan Driggers  
Matthew D. Reynolds  
Donald E. Holmes  
Jason L. Shaw, Sr.  
Keith "JR" Grimes

**DEPARTMENT SUPERINTENDENTS**

Airport  
Planning Director  
Golf  
Public Works  
Sanitation and Garage Maintenance  
Streets  
Water Treatment Plant  
Wastewater Treatment Plant  
Water/Sewer Distribution

John Youell  
Thad Crowe  
Andy Hertz  
Jonathan Griffith  
Ed Chandler  
Shawn Ladd  
Kayla Wylie  
Brian McCann  
Rhett McCamey

**AUDITORS**

Carr, Riggs & Ingram, LLC



## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and  
City Commissioners  
City of Palatka, Florida

### Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the information listed in the table of contents as "required supplementary information" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, information listed in the table of contents as "supplementary information," including the Schedule of Expenditures of Federal Awards, which is required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carri Riggs & Ingram, L.L.C.*

Palatka, Florida  
October 1, 2018

**City of Palatka  
Management's Discussion and Analysis  
September 30, 2017**

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, 2017. 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 net position of the City at the close of the fiscal year was \$48,971,699. The total unrestricted net position of the City ended the fiscal year at \$(2,894,152).
- The City's total net position increased by \$1,288,857 (2.70%). Governmental net position, including restatement increased by \$1,858,014 (17.26%) and the Enterprise funds net position, including restatement decreased by \$569,157 (1.54%).
- The total net position of each Enterprise fund was: Water \$16,366,153, Sanitation \$329,483, Golf \$842,103 and Airport \$18,808,654.
- As of September 30, 2017, the City's governmental funds reported combined ending fund balances of \$3,026,167, an increase of \$43,136 (1.45%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,365,670 or 15.01% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$895,142. Better Place Plan fund balance was \$165,502.
- Net position of the General, Police Officers', and Firefighter's Pension Trust Funds increased by \$716,715, \$834,862, and \$453,762 respectively due to appreciation in the fair value of investments.

***Overview of Financial Statements***

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

***Government-wide Financial Statements***

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

The *Statement of Net Position* presents information on all of the City of Palatka's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position. The City has deferred outflows or deferred inflows that are pension related in the government-wide statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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 governmental 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 four 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, the Downtown Redevelopment Agency fund, and the Better Place Plan 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 each governmental fund. Budgetary comparison schedules have been provided for the General fund and the Downtown Redevelopment special revenue fund in the required supplementary information section and for the Better Place Plan fund and the other non-major governmental fund in the 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 does the independent Component Unit 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 - 46 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 net liabilities, contributions and investment returns relating to its pension plans and the City's progress in funding its obligation for other postemployment benefits to its employees. Required supplementary information can be found on pages 47 – 57 of this report.

Supplementary information can be found on pages 58 – 60 of this report immediately following the required supplementary information.

## **Government-wide Financial Analysis**

### ***Net Position***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palatka, assets and deferred outflows exceeded liabilities and deferred inflows by \$48,971,699 at the close of the most recent fiscal year. There were deferred inflows of \$1,171,683 and deferred outflows of \$3,248,820 which were both pension related due to the implementation of GASB 68.

The majority of the City's net position (102.55%) rests 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 Position  
For the Year Ended September 30, 2017**

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 4,177,977	\$ 3,585,499	\$ 3,292,758	\$ 3,203,997	\$ 7,470,735	\$ 6,789,496
Capital assets	\$ 15,359,515	\$ 14,624,081	\$ 48,588,064	\$ 50,033,667	\$ 63,947,579	\$ 64,657,748
Total assets	\$ 19,537,492	\$ 18,209,580	\$ 51,880,822	\$ 53,237,664	\$ 71,418,314	\$ 71,447,244
Deferred outflows of resources						
Pension related	\$ 2,443,272	\$ 1,670,583	\$ 805,548	\$ 632,648	\$ 3,248,820	\$ 2,303,231
Total outflows	\$ 2,443,272	\$ 1,670,583	\$ 805,548	\$ 632,648	\$ 3,248,820	\$ 2,303,231
Long-term liabilities						
Outstanding	\$ 7,800,137	\$ 7,869,607	\$ 15,789,230	\$ 16,021,468	\$ 23,589,367	\$ 23,891,075
Other liabilities	\$ 570,999	\$ 445,315	\$ 363,386	\$ 757,284	\$ 934,385	\$ 1,202,599
Total liabilities	\$ 8,371,136	\$ 8,314,922	\$ 16,152,616	\$ 16,778,752	\$ 24,523,752	\$ 25,093,674
Deferred inflows of resources						
Pension related	\$ 984,322	\$ 797,949	\$ 187,361	\$ 176,010	\$ 1,171,683	\$ 973,959
Total inflows	\$ 984,322	\$ 797,949	\$ 187,361	\$ 176,010	\$ 1,171,683	\$ 973,959
Net position:						
Net investment in capital assets	\$ 13,804,049	\$ 12,532,966	\$ 36,415,452	\$ 37,456,909	\$ 50,219,501	\$ 49,989,875
Restricted	\$ 1,312,154	\$ 1,264,580	\$ 334,196	\$ 334,285	\$ 1,646,350	\$ 1,598,865
Unrestricted	\$ (2,490,897)	\$ (3,030,254)	\$ (403,255)	\$ (875,644)	\$ (2,894,152)	\$ (3,905,898)
Total net position	\$ 12,625,306	\$ 10,767,292	\$ 36,346,393	\$ 36,915,550	\$ 48,971,699	\$ 47,682,842

An additional portion of the City's net position 1,646,350 (3.36%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a negative amount of \$2,894,152.

## Change in Net Position

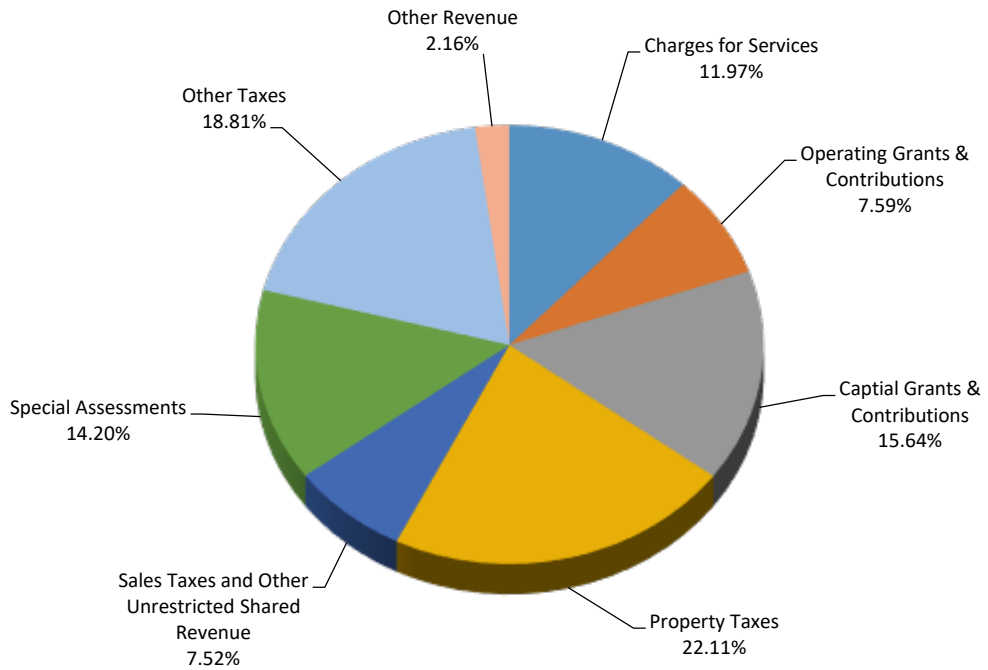
The City's total net position, including restatement increased \$1,288,857 over the previous year as a result of an increase of \$1,858,014 from governmental activities and a decrease of \$569,157 from business activities.

### City of Palatka Changes in Net Position For the year ended September 30, 2017

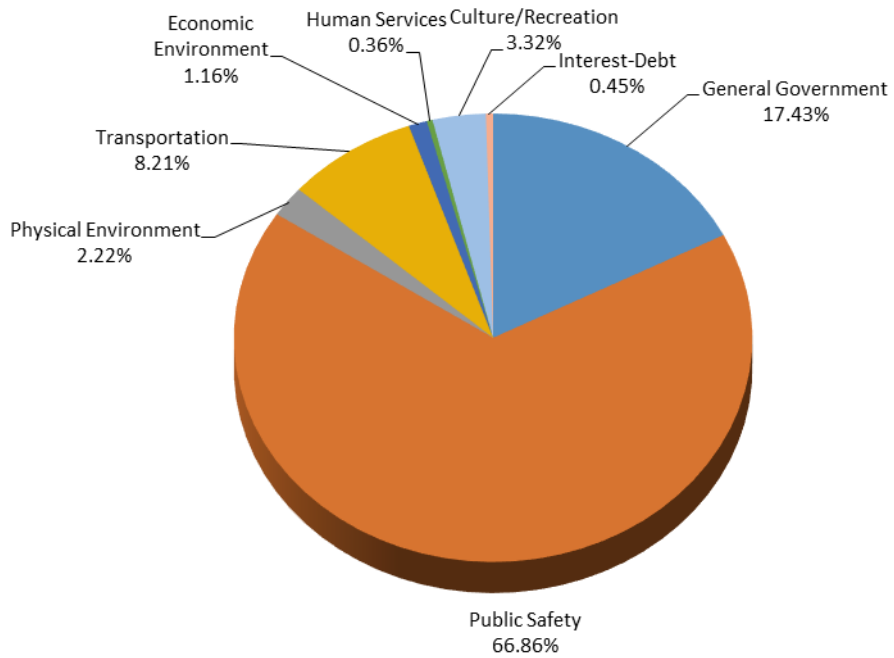
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$1,393,156	\$1,117,817	\$7,712,709	\$7,886,211	\$9,105,865	\$9,004,028
Operating Grants & Contributions	\$884,023	\$886,922			\$884,023	\$886,922
Capital Grants & Contributions	\$1,820,801	\$1,041,768	\$820,508	\$361,721	\$2,641,309	\$1,403,489
General Revenues:						
Property Taxes	\$2,573,515	\$2,751,117			\$2,573,515	\$2,751,117
Sales Taxes and Other Unrestricted						
Shared Revenues	\$875,598	\$836,379			\$875,598	\$836,379
Special Assessments	\$1,653,302	\$948,803			\$1,653,302	\$948,803
Other Taxes	\$2,189,560	\$1,967,738			\$2,189,560	\$1,967,738
Other Revenue	\$251,984	\$372,282	\$84,570	\$73,475	\$336,554	\$445,757
<b>Total Revenues</b>	<b>\$11,641,939</b>	<b>\$9,922,826</b>	<b>\$8,617,787</b>	<b>\$8,321,407</b>	<b>\$20,259,726</b>	<b>\$18,244,233</b>
<b>Expenses:</b>						
General Government	\$1,828,406	\$2,008,770			\$1,828,406	\$2,008,770
Public Safety	\$7,015,197	\$7,380,867			\$7,015,197	\$7,380,867
Physical Environment	\$233,000	\$91,593			\$233,000	\$91,593
Transportation	\$861,820	\$505,409			\$861,820	\$505,409
Economic Environment	\$121,398	\$92,509			\$121,398	\$92,509
Human Services	\$37,322	\$78,523			\$37,322	\$78,523
Culture/Recreation	\$348,255	\$479,185			\$348,255	\$479,185
Interest on Long-Term Debt	\$46,948	\$56,534			\$46,948	\$56,534
Water			\$5,064,916	\$4,820,628	\$5,064,916	\$4,820,628
Sanitation			\$1,812,266	\$1,687,785	\$1,812,266	\$1,687,785
Golf Course			\$434,136	\$990,203	\$434,136	\$990,203
Airport			\$1,563,492	\$1,433,879	\$1,563,492	\$1,433,879
<b>Total Expenses</b>	<b>\$10,492,346</b>	<b>\$10,693,390</b>	<b>\$8,874,810</b>	<b>\$8,932,495</b>	<b>\$19,367,156</b>	<b>\$19,625,885</b>
Increase/(Decrease) in Net Position before transfers	\$1,149,593	(\$770,564)	(\$257,023)	(\$611,088)	\$892,570	(\$1,381,652)
Transfers	(\$68,790)	\$90,996	\$68,790	(\$90,996)	\$0	\$0
Increase/(Decrease) in Net Position	\$1,080,803	(\$679,568)	(\$188,233)	(\$702,084)	\$892,570	(\$1,381,652)
Net Position previously reported	\$10,767,292	\$11,446,860	\$36,915,550	\$37,617,634	\$47,682,842	\$49,064,494
Restatement	\$777,211	\$0	(\$380,924)	\$0	\$396,287	\$0
Net Position-Beginning of Year, as restated	\$11,544,503	\$11,446,860	\$36,534,626	\$37,617,634	\$48,079,129	\$49,064,494
Net Position-End of Year	\$12,625,306	\$10,767,292	\$36,346,393	\$36,915,550	\$48,971,699	\$47,682,842



### Revenue by Source - Governmental Activity



### Expenses - Governmental Activities



## ***Business-type Activities***

Business-Type activities decreased the City's net position by \$569,157, including restatement, thereby accounting for 44.16% of the total change in the net position of the City. A key element of this decrease was the substantial increase are as follows:

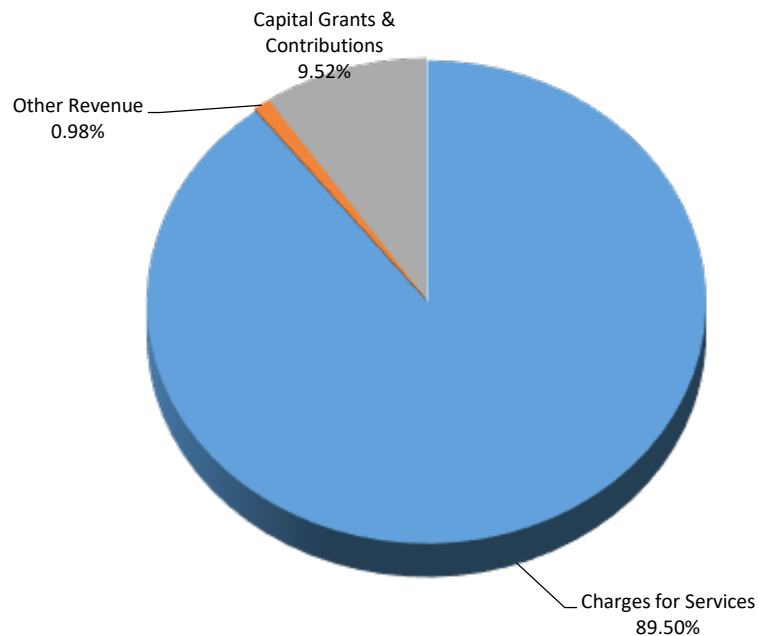
The Water fund had an operating income of \$357,807 in addition to nonoperating expenses of \$385,321 resulting in loss of \$27,514 before capital contributions and transfers. After capital contributions and transfers, the net position decreased by \$409,710. The net position at the end of the fiscal year in the Water fund totaled \$16,366,153.

The Sanitation fund net position decreased by \$276,325 due to operating loss of the fund increasing from the prior year. The net position at the end of the fiscal year in the Sanitation fund totaled \$329,483.

The Golf Course fund net position increased by \$94,337 due to transfers from the General Fund. The net position at the end of the fiscal year in the Golf Course fund was \$842,103.

The Airport fund received capital contributions of \$760,508 for various capital projects throughout the fiscal year. These funds were used for projects that included pavement, marking, and lighting rehabilitation of taxiways, taxilanes, and runways. The operating loss for the Airport which includes depreciation totaled \$724,796. This loss combined with a total nonoperating expense of \$26,870 were partially offset by the capital contributions, bringing the change in net position of the fund to \$403,465. The net position at the end of the fiscal year in the Airport fund totaled \$18,808,654.

**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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,026,167, an increase of \$43,136 (1.45%) in comparison to the prior year. This total includes a nonspendable fund balance of \$292,927, a restricted fund balance of \$1,312,154, a committed fund balance of \$55,416 and an unassigned fund balance of \$1,365,670 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 \$1,927,322, a slight increase of \$1,556, from the prior year.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes increased by \$107,588 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.4000 mills, and generated \$2,573,515 which was a decrease of \$177,602 from the prior year. The City is in its second year of implementing a special assessment for fire protection services that generated \$1,653,302 in revenue.

Total revenues for the General Fund increased by \$955,003 from the prior year.

The General Fund had an increase of \$569,314 in expenditures due to a substantial increase in transportation and culture and recreation expenditures.

Unassigned fund balance in the General Fund decreased by \$14,093 (1.02%) from the prior year.

#### ***Special Revenue Funds***

The Downtown Redevelopment fund balance was \$895,142, an increase of \$91,389 from the prior year. This increase was caused by an excess of tax revenues over economic environment expenditures.

The Better Place Plan fund ended the fiscal year with a balance of \$165,502, a decrease of \$49,828 from the prior year. This decrease was due to a significant increase in accounts payable and accrued liabilities.

Other Governmental Funds fund balance was \$38,201, an increase of \$20 (0.05%) from the prior year. This was due to a slight amount of interest revenue.

#### ***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, 2017, total proprietary fund net position amounted to \$36,346,393.

### ***Water Revenue Fund***

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Operating revenue increased by \$179,208 or 3.69% from the prior year. Operating expenses also increased by a total of \$257,272. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to a negative \$326,563.

### ***Sanitation Fund***

There was an increase in operating revenue of \$65,046 or 3.92% from the prior year. Expenses increased by \$120,715. Unrestricted net position for the sanitation fund equaled positive \$98,793.

### ***Golf Course Fund***

The City entered into a Franchise Agreement in February 2017. As a result of the agreement, operating revenues booked decreased by \$457,282 from the prior year. Operating expenses also decreased by \$528,291 or 56%, exceeding operating revenues by \$191,273. Unrestricted net position remained negative at unrestricted net position balance of \$64,189 for the year.

### ***Airport Fund***

Operating revenue increased by \$80,380, compared to last year's operating revenue decrease of \$61,086. Unrestricted net position decreased by \$290,914 from the prior year. This resulted in a continued negative unrestricted net position balance of \$111,296 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***

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$765,523 more than budgeted.

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

- General government actual expenditures were \$101,459 less than final budget primarily due to multiple budgeted positions remaining vacant.
- Transportation actual expenditures were \$164,264 more than final budget primarily due to the expenditures related to storm clean up.
- Additionally, \$1,225,099 reserved for contingencies was unspent.

## Capital Asset and Debt Administration

### City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2017

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$3,358,501	\$3,358,501	\$5,443,536	\$4,756,159	\$8,802,037	\$8,114,660
Buildings and Improvements	\$3,298,518	\$3,571,227	\$16,257,184	\$17,120,650	\$19,555,702	\$20,691,877
Infrastructure	\$4,726,895	\$4,765,725	\$0	\$0	\$4,726,895	\$4,765,725
Equipment	\$1,467,757	\$1,801,663	\$2,681,835	\$2,590,868	\$4,149,592	\$4,392,531
Intangibles	\$100,327	\$125,232	\$0	\$0	\$100,327	\$125,232
Water/Sewer Distribution System	\$0	\$0	\$4,861,707	\$5,078,042	\$4,861,707	\$5,078,042
Plant Assets and Equipment	\$0	\$0	\$19,226,302	\$20,427,948	\$19,226,302	\$20,427,948
Construction in Progress	\$2,407,517	\$1,001,733	\$117,500	\$60,000	\$2,525,017	\$1,061,733
	\$15,359,515	\$14,624,081	\$48,588,064	\$50,033,667	\$63,947,579	\$64,657,748

### 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, 2017, the governmental capital assets of the City amounted to \$15,359,515, net of depreciation. This was an increase of \$735,434 over the prior year. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at estimated acquisition value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, (net of accumulated depreciation) amounts to \$63,947,579. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total decrease in the City's net investment in capital assets was \$710,169.

Major capital asset events during the fiscal year occurred in multiple funds. The city received various grants and private contributions that paid for project costs at the airport and the City's riverfront and historic districts. The capital asset expenditures of approximately \$4 million were for the following:

- Rehabilitation of Runway 17-35 and Taxiway C Pavement and Lighting.
- Runway 17-35 and 9-27 Marking Rehabilitation.
- T Hangar Taxilane Pavement Rehabilitation.
- Purchase of a skid steer, dump truck, back hoe, two (2) utility trucks, street sweeper and a clamshell.
- Completion of Phase I of Historic District Potable Line Replacement
- Construction of the Water Taxi Terminal Facility
- Construction of Nature Based Playground at Riverfront Park
- Construction of Riverfront vaulted stormwater ponds
- Completion of Phase I of the South Historic District Stormwater

Additional information on the City's capital assets is found in Note 5 in the notes to the financial statements.

### Long-Term Debt

At September 30, 2017, the City had \$1,555,466 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$6,620,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$131,892 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$2,915,233 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$887,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem

taxes; \$305,000 Airport Hangar Revenue notes and a \$511,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes and \$802,487 in capital leases payable.

At the end of the current fiscal year, the City had total debt outstanding of \$13,845,934. Of this amount, \$5,046,346 comprises debt backed by the full faith and credit of the City, \$1,388,732 capital leases, \$117,856 water/sewer agreements with other agencies 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	
	2017	2016	2017	2016	2017	2016
Revenue Bonds	\$ 673,000	\$ 948,000	\$ 6,620,000	\$ 6,790,000	\$ 7,293,000	\$ 7,738,000
Notes Payable	\$ 296,221	\$ 359,202	\$ 4,750,125	\$ 5,258,825	\$ 5,046,346	\$ 5,618,027
Capital Lease Obligations	\$ 586,245	\$ 783,913	\$ 802,487	\$ 527,933	\$ 1,388,732	\$ 1,311,846
Water/Sewer Agreements	\$ -	\$ -	\$ 117,856	\$ 137,031	\$ 117,856	\$ 137,031
<b>Total</b>	<b>\$ 1,555,466</b>	<b>\$ 2,091,115</b>	<b>\$ 12,290,468</b>	<b>\$ 12,713,789</b>	<b>\$ 13,845,934</b>	<b>\$ 14,804,904</b>

The City's total long-term debt decreased \$958,970 from the prior year.

**Governmental Activities:**

- Governmental obligations for compensated absences decreased by 1.88% or \$7,000.
- Net OPEB obligations increased by \$17,879 (9.67%) to arrive at a total obligation of \$184,809.
- Net pension liability increased by \$455,300 (8.69%) to arrive at a total obligation of \$5,693,862.

**Business-type activities:**

- Compensated absences decreased by 13.70% or \$30,991.
- Net OPEB obligations increased by \$9,591 (10.87%) to arrive at a total obligation of \$97,830.
- Net pension liability increased by \$212,483 (7.10%) to arrive at a total obligation of \$3,205,642.

Additional information on the City's long-term liabilities can be found in Note 6 in the notes to the financial statements.

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

The Budget serves as the annual financial plan for the City. It articulates public priorities, helps management make informed choices about the allocation of resources, promotes effective communications, establishes broad goals and management strategies to guide decision making and develops approaches to achieve those goals.

For the FY 2017-2018 budget, City staff proposed a balanced General Fund budget without the use of reserves to balance the budget. The City Commission kept the City's millage rate the same as FY 2016-2017, 6.4000 mills. The inclusion of the annual special assessment for fire protection services allows for the millage rate to avoid an increase.

Water and sewer rates were increased by 4.9% (FY17-18) to accommodate for inflation resulting in the Utility Fund budget being balanced with some funds anticipated to be put into reserves. Solid waste rates were also increased by 6.5% along with the anticipation of increasing rates for the next two fiscal years by this rate as well. These increases are necessary in order to balance the Sanitation funds revenues versus expenditures to ensure the long term sustainability of the fund.

The City continues to assess various cost cutting and revenue enhancing activities at the Palatka Municipal Airport in order to move this community asset toward financial solvency. Rehabilitation of Markings, Lighting, and pavement on Runways, Taxiways, and Taxilanes with 100% grant funding.

***Request for Information***

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

**Statement of Net Position**  
**September 30, 2017**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Palatka Gas Authority
<b>Assets</b>				
Cash and equivalents	\$ 3,055,665	\$ 1,828,093	\$ 4,883,758	\$ 919,227
Investments	-	-	-	1,396,071
Accounts receivable, net	16,400	573,473	589,873	293,150
Internal balances	292,927	(292,927)	-	-
Due from other governments	664,674	453,179	1,117,853	-
Inventory	-	169,106	169,106	89,394
Restricted cash and equivalents	148,311	86,773	235,084	-
Restricted investments	-	475,061	475,061	-
Capital assets:				
Non-depreciable	5,766,018	5,596,591	11,362,609	211,543
Depreciable, net	9,593,497	42,991,473	52,584,970	5,460,094
<b>Total assets</b>	<b>19,537,492</b>	<b>51,880,822</b>	<b>71,418,314</b>	<b>8,369,479</b>
<b>Deferred outflows of resources</b>				
Pension related	2,443,272	805,548	3,248,820	290,079
<b>Liabilities</b>				
Accounts payable and accrued liabilities	552,926	302,391	855,317	98,113
Deposits	18,073	60,995	79,068	941,221
Due to other governments	-	-	-	505,074
Noncurrent liabilities:				
Due within one year	692,770	916,218	1,608,988	24,341
Due in more than one year	7,107,367	14,873,012	21,980,379	1,186,158
<b>Total liabilities</b>	<b>8,371,136</b>	<b>16,152,616</b>	<b>24,523,752</b>	<b>2,754,907</b>
<b>Deferred inflows of resources</b>				
Pension related	984,322	187,361	1,171,683	68,132
<b>Net position</b>				
Net investment in capital assets	13,804,049	36,415,452	50,219,501	5,671,637
Restricted for:				
Law enforcement	61,694	-	61,694	-
Fire safety education	32,934	-	32,934	-
Fire protection	5,841	-	5,841	-
Cemetery improvements	112,840	-	112,840	-
Capital projects	165,502	-	165,502	-
Downtown redevelopment	895,142	-	895,142	-
Housing and community development	38,201	-	38,201	-
Capital projects	-	8,095	8,095	-
Bond reserve/debt sinking	-	326,101	326,101	-
Unrestricted	(2,490,897)	(403,255)	(2,894,152)	164,882
<b>Total net position</b>	<b>\$ 12,625,306</b>	<b>\$ 36,346,393</b>	<b>\$ 48,971,699</b>	<b>\$ 5,836,519</b>

*See accompanying notes.*





**Balance Sheet  
Governmental Funds  
September 30, 2017**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>					
Cash and equivalents	\$ 1,964,950	\$ 888,687	312,139	\$ 38,201	\$ 3,203,977
Accounts receivable, net	9,400	7,000	-	-	16,400
Due from other governments	21,704	-	642,970	-	664,674
Advances to other funds	292,927	-	-	-	292,927
<b>Total assets</b>	<b>\$ 2,288,981</b>	<b>\$ 895,687</b>	<b>\$ 955,109</b>	<b>\$ 38,201</b>	<b>\$ 4,177,978</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 343,586	\$ 545	\$ 208,795	\$ -	\$ 552,926
Deposits	18,073	-	-	-	18,073
<b>Total liabilities</b>	<b>361,659</b>	<b>545</b>	<b>208,795</b>	<b>-</b>	<b>570,999</b>
<b>Deferred inflow of resources</b>					
Unavailable revenue	-	-	580,812	-	580,812
<b>Fund balances</b>					
Nonspendable	292,927	-	-	-	292,927
Restricted	213,309	895,142	165,502	38,201	1,312,154
Committed	55,416	-	-	-	55,416
Unassigned	1,365,670	-	-	-	1,365,670
<b>Total fund balances</b>	<b>1,927,322</b>	<b>895,142</b>	<b>165,502</b>	<b>38,201</b>	<b>3,026,167</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,288,981</b>	<b>\$ 895,687</b>	<b>\$ 955,109</b>	<b>\$ 38,201</b>	<b>\$ 4,177,978</b>

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
September 30, 2017**

<b>Fund balances – total governmental funds</b>	\$	3,026,167
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not reported in the governmental funds.</p>		
Capital assets – net		15,359,515
<p>Long-term liabilities are not reported in the governmental funds.</p>		
Bonds and notes payable		(969,221)
Capital leases		(586,245)
Compensated absences		(366,000)
Net OPEB obligation		(184,809)
Net Pension liability		(5,693,862)
<p>The timing of revenue recognition sometimes differs between governmental funds and governmental activities.</p>		
Unavailable revenue		580,812
<p>Deferred outflows and inflows associated with pensions are not reported in the governmental funds.</p>		
Deferred outflows		2,443,272
Deferred inflows		(984,322)
<hr/>		
<b>Net position of governmental activities</b>	\$	<b>12,625,307</b>

*See accompanying notes.*

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended September 30, 2017**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 4,396,461	\$ 317,684	\$ 866,313	\$ -	\$ 5,580,458
Permits, fees and special assessments	2,621,392	-	-	-	2,621,392
Intergovernmental	982,831	-	530,829	-	1,513,660
Charges for services	180,804	-	-	-	180,804
Fines and forfeitures	884,679	-	-	-	884,679
Miscellaneous	433,620	-	3,646	20	437,286
<b>Total revenues</b>	<b>9,499,787</b>	<b>317,684</b>	<b>1,400,788</b>	<b>20</b>	<b>11,218,279</b>
<b>Expenditures</b>					
Current:					
General government	1,285,827	-	199,784	-	1,485,611
Public safety	6,163,129	-	-	-	6,163,129
Physical environment	9,106	-	223,894	-	233,000
Transportation	814,121	-	-	-	814,121
Economic environment	-	121,398	-	-	121,398
Human services	33,753	-	-	-	33,753
Culture and recreation	522,019	-	1,150,725	-	1,672,744
Debt service:					
Principal retirement	254,081	-	337,981	-	592,062
Interest and fiscal charges	13,378	-	33,570	-	46,948
<b>Total expenditures</b>	<b>9,095,414</b>	<b>121,398</b>	<b>1,945,954</b>	<b>-</b>	<b>11,162,766</b>
<b>Excess of revenues over (under) expenditures</b>	<b>404,373</b>	<b>196,286</b>	<b>(545,166)</b>	<b>20</b>	<b>55,513</b>
<b>Other financing sources (uses)</b>					
Transfers in	821,338	-	523,464	-	1,344,802
Transfers out	(1,280,569)	(104,897)	(28,126)	-	(1,413,592)
Capital lease	56,413	-	-	-	56,413
<b>Total other financing sources (uses)</b>	<b>(402,818)</b>	<b>(104,897)</b>	<b>495,338</b>	<b>-</b>	<b>(12,377)</b>
<b>Net change in fund balances</b>	<b>1,555</b>	<b>91,389</b>	<b>(49,828)</b>	<b>20</b>	<b>43,136</b>
<b>Fund balances – beginning of year</b>	<b>1,925,766</b>	<b>803,753</b>	<b>215,330</b>	<b>38,182</b>	<b>2,983,031</b>
<b>Fund balances – end of year</b>	<b>\$ 1,927,321</b>	<b>\$ 895,142</b>	<b>\$ 165,502</b>	<b>\$ 38,202</b>	<b>\$ 3,026,167</b>

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances to the Statement of Activities  
Governmental Funds  
Year ended September 30, 2017**

**Net change in fund balances – total governmental funds** \$ 43,136

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	1,627,247
Loss on disposal of capital assets	(3,125)
Current year depreciation expense	(888,688)

The issuance of long-term debt provides current financial resources in governmental funds but does not effect net position of governmental activities.

Capital lease	(56,413)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.

Principal retirement	592,062
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	7,000
Net OPEB obligation	(17,879)

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

Change in unavailable revenue	423,658
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Net changes in net pension liability and deferred outflows and inflows are reported in the statement of activities but not in the governmental funds

Net pension liability	(455,300)
Deferred outflows	(4,522)
Deferred inflows	(186,373)

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**Change in net position of governmental activities** **\$ 1,080,803**

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*See accompanying notes.*

**Statement of Net Position  
Proprietary Funds  
September 30, 2017**

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
<b>Current assets</b>					
Cash and equivalents	\$ 1,218,182	\$ 609,011	\$ -	\$ 900	\$ 1,828,093
Restricted cash and equivalents	52,001	-	14,308	12,369	78,678
Accounts receivable, net	419,570	117,680	22,978	13,245	573,473
Due from other governments	74,995	-	-	378,184	453,179
Inventory	154,430	-	-	14,676	169,106
<b>Total current assets</b>	<b>1,919,178</b>	<b>726,691</b>	<b>37,286</b>	<b>419,374</b>	<b>3,102,529</b>
<b>Noncurrent assets</b>					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	475,061	-	-	-	475,061
Advance to other funds	20,505	80,970	-	-	101,475
Capital assets, net	26,025,723	1,003,368	1,823,102	19,735,871	48,588,064
<b>Total noncurrent assets</b>	<b>26,529,384</b>	<b>1,084,338</b>	<b>1,823,102</b>	<b>19,735,871</b>	<b>49,172,695</b>
<b>Total assets</b>	<b>28,448,562</b>	<b>1,811,029</b>	<b>1,860,388</b>	<b>20,155,245</b>	<b>52,275,224</b>
<b>Deferred outflow of resources</b>					
Pension related	590,639	168,131	-	46,778	805,548
<b>Current liabilities</b>					
Accounts payable and accrued liabilities	214,910	48,561	-	38,920	302,391
Deposits	33,077	-	-	27,918	60,995
Unearned revenue	-	-	-	-	-
Current portion of long-term liabilities	465,849	159,872	162,810	127,687	916,218
<b>Total current liabilities</b>	<b>713,836</b>	<b>208,433</b>	<b>162,810</b>	<b>194,525</b>	<b>1,279,604</b>
<b>Noncurrent liabilities</b>					
Net OPEB obligation	64,649	27,568	-	5,613	97,830
Net pension liability	2,328,542	691,409	-	185,691	3,205,642
Advances from other funds	-	-	101,475	292,927	394,402
Other long-term liabilities	9,433,568	678,278	754,000	703,694	11,569,540
<b>Total noncurrent liabilities</b>	<b>11,826,759</b>	<b>1,397,255</b>	<b>855,475</b>	<b>1,187,925</b>	<b>15,267,414</b>
<b>Total liabilities</b>	<b>12,540,595</b>	<b>1,605,688</b>	<b>1,018,285</b>	<b>1,382,450</b>	<b>16,547,018</b>
<b>Deferred inflow of resources</b>					
Pension related	132,453	43,989	-	10,919	187,361
<b>Net position</b>					
Net investment in capital assets	16,358,598	230,690	906,292	18,919,872	36,415,452
Restricted for capital projects	8,095	-	-	-	8,095
Restricted for bond reserve/debt sinking	326,023	-	-	78	326,101
Unrestricted	(326,563)	98,793	(64,189)	(111,296)	(403,255)
<b>Total net position</b>	<b>\$ 16,366,153</b>	<b>\$ 329,483</b>	<b>\$ 842,103</b>	<b>\$ 18,808,654</b>	<b>\$ 36,346,393</b>

See accompanying notes.

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year ended September 30, 2017**

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
<b>Operating revenues</b>					
User fees	\$ 5,006,669	\$ 1,719,726	\$ 178,198	\$ 808,116	\$ 7,712,709
Other operating revenues	26,859	468	45,457	3,290	76,074
<b>Total operating revenues</b>	<b>5,033,528</b>	<b>1,720,194</b>	<b>223,655</b>	<b>811,406</b>	<b>7,788,783</b>
<b>Operating expenses</b>					
Personal services	2,118,516	959,007	-	177,298	3,254,821
Operating expenses	1,568,820	630,429	329,668	604,748	3,133,665
Depreciation	988,385	210,762	62,712	754,156	2,016,015
<b>Total operating expenses</b>	<b>4,675,721</b>	<b>1,800,198</b>	<b>392,380</b>	<b>1,536,202</b>	<b>8,404,501</b>
<b>Operating income (loss)</b>	<b>357,807</b>	<b>(80,004)</b>	<b>(168,725)</b>	<b>(724,796)</b>	<b>(615,718)</b>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings	88	56	-	-	144
Interest expense	(389,195)	(12,068)	(41,756)	(27,290)	(470,309)
Sale of surplus property	3,786	2,882	1,264	420	8,352
<b>Total nonoperating revenues (expenses)</b>	<b>(385,321)</b>	<b>(9,130)</b>	<b>(40,492)</b>	<b>(26,870)</b>	<b>(461,813)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(27,514)</b>	<b>(89,134)</b>	<b>(209,217)</b>	<b>(751,666)</b>	<b>(1,077,531)</b>
Capital contributions	60,000	-	-	760,508	820,508
Transfers in	85,997	-	834,172	469,523	1,389,692
Transfers out	(528,193)	(187,191)	(530,618)	(74,900)	(1,320,902)
<b>Change in net position</b>	<b>(409,710)</b>	<b>(276,325)</b>	<b>94,337</b>	<b>403,465</b>	<b>(188,233)</b>
<b>Net position – beginning of year, as restated</b>	<b>16,775,863</b>	<b>605,808</b>	<b>747,766</b>	<b>18,405,189</b>	<b>36,534,626</b>
<b>Net position – end of year</b>	<b>\$ 16,366,153</b>	<b>\$ 329,483</b>	<b>\$ 842,103</b>	<b>\$ 18,808,654</b>	<b>\$ 36,346,393</b>

See accompanying notes.

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year ended September 30, 2017**

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
<b>Operating activities</b>					
Receipts from customers	\$ 4,515,039	\$ 1,762,172	\$ 202,073	\$ 484,649	\$ 6,963,933
Payments to suppliers	(1,433,851)	(627,864)	(303,825)	(574,818)	(2,940,358)
Payments to employees	(1,874,261)	(840,032)	-	(151,890)	(2,866,183)
Net cash provided (used) by operating activities	1,206,927	294,276	(101,752)	(242,059)	1,157,392
<b>Noncapital financing activities</b>					
Transfers in	85,997	-	834,172	469,523	1,389,692
Transfers out	(528,193)	(187,191)	(530,618)	(74,900)	(1,320,902)
Net cash provided (used) by noncapital financing activities	(442,196)	(187,191)	303,554	394,623	68,790
<b>Capital and related financing activities</b>					
Capital contributions	60,000	-	-	760,508	820,508
Acquisitions of capital assets	(533,326)	-	-	(759,854)	(1,293,180)
Sale of surplus property	3,786	2,882	1,264	420	8,352
Issued debt	-	418,986	-	-	418,986
Principal paid on debt	(443,884)	(109,723)	(161,708)	(127,000)	(842,315)
Interest paid on debt	(389,195)	(12,068)	(41,756)	(27,290)	(470,309)
Net cash used by capital and related financing activities	(1,302,619)	300,077	(202,200)	(153,216)	(1,357,958)
<b>Investing activities</b>					
Interest received	88	56	-	-	144
Net cash provided by investing activities	88	56	-	-	144
<b>Change in cash and equivalents</b>	(537,800)	407,218	(398)	(652)	(131,632)
<b>Cash and equivalents – beginning of year</b>	1,816,078	201,793	14,706	13,921	2,046,498
<b>Cash and equivalents – end of year</b>	\$ 1,278,278	\$ 609,011	\$ 14,308	\$ 13,269	\$ 1,914,866

See accompanying notes.



Statement of Cash Flows  
 Proprietary Funds  
 Year ended September 30, 2017

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
<b>Operating income (loss)</b>	\$ 357,807	\$ (80,004)	\$ (168,725)	\$ (724,796)	\$ (615,718)
Depreciation	988,385	210,762	62,712	754,156	2,016,015
Change in:					
Accounts receivable	69,801	41,978	(12,517)	(9,581)	89,681
Due from other funds	-	-	-	-	-
Due from other governments	(21,857)	-	-	(318,184)	(340,041)
Inventory	(6,257)	-	31,022	5,202	29,967
Deferred outflows	115,578	43,607	-	9,762	168,947
Accounts payable and accrued liabilities	154,748	5,929	(5,179)	25,310	180,808
Due to other funds	-	-	-	-	-
Compensated absences	(43,822)	11,304	-	1,317	(31,201)
Net OPEB obligation	5,852	2,926	-	813	9,591
Unearned revenue	21,855	-	-	-	21,855
Customer deposits	(588,290)	-	(9,065)	1,008	(596,347)
Net pension liability	145,361	54,844	-	12,278	212,483
Deferred inflows	7,766	2,930	-	656	11,352
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,206,927</b>	<b>\$ 294,276</b>	<b>\$ (101,752)</b>	<b>\$ (242,059)</b>	<b>\$ 1,157,392</b>

(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position  
Pension Trust Funds  
September 30, 2017

**Assets**

Investments:

Money market and other cash equivalents	\$ 1,181,940
Government bonds and notes	1,038,500
Corporate bonds and notes	7,129,858
Mutual funds - equities	26,304,421
Mutual funds (REIT)	637,223

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Total investments	36,291,942
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Accounts receivable	208,599
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Total assets	36,500,541
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**Liabilities**

-

**Net position**

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Restricted for pension benefits	\$ 36,500,541
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See accompanying notes.

**Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
Year ended September 30, 2017**

**Additions**

Contributions		
Employer	\$	1,321,075
Member		339,798
State on behalf, through general fund		128,097
<hr/>		
Total contributions		1,788,970
<hr/>		
Investment income		
Net appreciation(depreciation) in fair value of investments		2,320,249
Interest		114,844
Dividends		1,128,762
<hr/>		
		3,563,855
Less investment management fee		148,895
<hr/>		
Net investment income		3,414,960
<hr/>		
Total additions		5,203,930
<hr/>		
<b>Deductions</b>		
Member benefits		3,073,768
Withdrawals		48,312
Administrative expense		76,511
<hr/>		
Total deductions		3,198,591
<hr/>		
<b>Change in net position</b>		2,005,339
<hr/>		
<b>Net position restricted for pension benefits, beginning of year</b>		34,495,202
<hr/>		
<b>Net position restricted for pension benefits, end of year</b>	\$	36,500,541
<hr/>		

*See accompanying notes.*

Notes to Financial Statements

**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, or entities that would be misleading to exclude. 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, and a financial benefit or burden relationship exists. 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 a minimum of 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

Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 2016-2017 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 position 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 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.

Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major governmental funds:

*General Fund* – the primary operating fund, used to account for and report all financial resources not accounted for and reported in another fund.

*Downtown Redevelopment Agency Fund* – to account for the collection and use of tax increment funds of the City's Downtown Redevelopment Agency.

*Better Place Plan Fund* – to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

The City reports the following major enterprise 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.

The City has one nonmajor governmental fund.

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.

Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 \$45,685 allowance. Accounts receivable of the Gas Authority are net of a \$17,298 allowance.

***Investments***

Investments are reported at fair value based on quoted market prices when available, 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 a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

***Capital Assets***

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition 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, have a capitalization threshold of \$10,000. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, have a capitalization threshold of \$100,000.

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.

Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	Years
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 2017.

***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, 2017, property taxes receivable was not material.

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



Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the information about the fiduciary net position of the City's General, Police, and Firefighters' Pension Plans (the "Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflow/ Inflows of Resources***

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

***Restricted Net Position***

In the accompanying government-wide and proprietary funds' statements of net position, *restricted net position* is 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.

The City has no net position restricted by enabling legislation.

***Fund Balance***

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Notes to Financial Statements

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The fund balance classifications specified in GASB Statement No. 54 are as follows:

*Nonspendable Fund Balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City’s highest level of decision-making authority, which is by ordinance approved by the City Commission. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

*Assigned Fund Balance* – Assigned fund balances are amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Commission or (b) a body or official to which the Commission has delegated the authority to assign amounts to be used for specific purposes. At this point in time, only the Commission has the authority to assign fund balances.

*Unassigned Fund Balance* – Unassigned fund balance is the residual classification for the General Fund.

The City’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

***Use of Estimates***

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

	Primary Government	Component Unit
Statement of net position:		
Cash and equivalents	\$ 4,883,758	\$ 919,227
Investments	-	1,396,071
Restricted cash and equivalents	235,084	-
Restricted investments	475,061	-
Statement of fiduciary net position:		
Investments	36,291,942	-
<b>Total deposits and investments</b>	<b>\$ 41,885,845</b>	<b>\$ 2,315,298</b>

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Primary Government	Component Unit
Deposits with financial institutions, including certificates of deposit	\$ 5,118,842	\$ 2,315,298
Investments - other than pension	475,061	-
Investments - pension	36,291,942	-
<b>Total deposits and investments</b>	<b>\$ 41,885,845</b>	<b>\$ 2,315,298</b>

**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 interest bearing deposits 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.

The City’s investments at September 30, 2017 are summarized in the following table:

		Maturities		
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 1,181,940	\$ 1,181,940	\$ -	\$ -
Government bonds and notes	1,038,500	158,492	60,806	819,202
Corporate bonds and notes	7,129,858	5,419,599	1,710,259	-
Mutual funds (equities)	10,444,237	10,444,237	-	-
Mutual funds (REIT)	637,223	637,223	-	-
Mutual funds (ETF Equities)	9,630,830	9,630,830	-	-
Mutual funds (taxable-equity)	5,718,421	5,718,421	-	-
Mutual funds (taxable)	510,933	510,933	-	-
<b>Total pension investments</b>	<b>36,291,942</b>	<b>33,701,675</b>	<b>1,771,065</b>	<b>819,202</b>
Other investments:				
Government bonds and notes	475,061	-	-	-
<b>Total</b>	<b>\$ 36,767,003</b>	<b>\$ 33,701,675</b>	<b>\$ 1,771,065</b>	<b>\$ 819,202</b>

Notes to Financial Statements

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The City’s investments in debt securities are rated as follows:

Corporate Bonds and Notes		Government Bonds and Notes	
AAA	-	AAA	30%
AA1	3%	-	-
AA2	2%	-	-
AA3	2%	-	-
A1	24%	-	-
A2	23%	-	-
A3	36%	-	-
BAA1	7%	-	-
BAA2	3%	-	-
Not rated	-	Not rated	70%
	100%		100%

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

The City is not exposed to foreign currency risk, but is exposed to the following investment risks:

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

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

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

The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City’s exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. However, the City’s three pension plans have each adopted investment policies that address the risks described above and set other investing guidelines. Those policies require the investments to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Furthermore, the policies of the Police and Firefighter Plans 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

Notes to Financial Statements

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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 – FAIR VALUE MEASUREMENT**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2017:

- Government bonds and notes – U.S. Treasury bonds and notes are valued using quoted market prices. U.S. Agencies are valued using a matrix pricing model.
- Corporate bonds and notes – Valued using quoted market prices
- Mutual funds – Valued at the daily closing price as reported by the fund.

The following table summarizes the City’s assets for which fair values are determined on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets ( Level 1 )	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Government bonds and notes:				
U.S. Treasury bonds and notes	\$ 299,932	\$ 299,932	\$ -	\$ -
U.S. Agencies	738,568	-	738,568	-
Corporate bonds and notes	7,129,858	7,129,858	-	-
Mutual funds (equities)	10,444,237	10,444,237	-	-
Mutual funds (REIT)	637,223	637,223	-	-
Mutual funds (ETF equities)	9,630,830	9,630,830	-	-
Mutual funds (taxable-equity)	5,718,421	5,718,421	-	-
Mutual funds (taxable)	510,933	510,933	-	-
<b>Total pension investments</b>	<b>35,110,002</b>	<b>34,371,434</b>	<b>738,568</b>	<b>-</b>
Other investments:				
Government bond and notes	475,061	475,061	-	-
<b>Total investments</b>	<b>\$ 35,585,063</b>	<b>\$ 34,846,495</b>	<b>\$ 738,568</b>	<b>\$ -</b>

Notes to Financial Statements

**NOTE 4 – INTERFUND BALANCES AND TRANSFERS**

At September 30, 2017, interfund balances are as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General fund-advance to other	\$ 292,927	\$ -
Major enterprise funds:		
Water-advance to other	20,505	-
Sanitation-advance to other	80,970	-
Golf course-advance from other	-	101,475
Airport-advance from other	-	292,927
Total	\$ 394,402	\$ 394,402

As summarized below, the interfund balances arose because two funds had overdrawn their share of the City’s pooled cash account. The interfund advances are not expected to be repaid within one year.

	Cash and Equivalents As Reported	Adjustment for Overdraft	True Balance
General fund	\$ 1,964,950	\$ 292,927	\$ 2,257,877
Major enterprise fund:			
Water	1,278,278	20,505	1,298,783
Sanitation	609,011	80,970	689,981
Golf course	14,308	(101,475)	(87,167)
Airport	13,269	(292,927)	(279,658)
Total	\$ 4,191,955	\$ -	\$ 4,191,955

Interfund transfers for the year ended September 30, 2017 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 821,338	\$ 1,280,569
Downtown redevelopment agency fund		104,897
Better place plan fund	523,464	28,126
Major enterprise funds:		
Water	85,997	528,193
Sanitation	-	187,191
Golf course	834,172	530,618
Airport	469,523	74,900
Total	\$ 2,734,494	\$ 2,734,494

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

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2017, the following changes in capital assets occurred:

<b>Primary Government</b>	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 3,358,501	\$ -	\$ -	\$ 3,358,501
Construction in progress	1,001,733	1,405,784	-	2,407,517
<b>Total capital assets not being depreciated</b>	<b>4,360,234</b>	<b>1,405,784</b>	<b>-</b>	<b>5,766,018</b>
Capital assets being depreciated:				
Buildings and improvements	7,795,242	-	-	7,795,242
Infrastructure	12,774,690	165,549	-	12,940,239
Furniture and equipment	4,539,557	55,914	12,500	4,582,971
Intangibles	265,908	-	-	265,908
<b>Total capital assets being depreciated</b>	<b>25,375,397</b>	<b>221,463</b>	<b>12,500</b>	<b>25,584,360</b>
Less accumulated depreciation for:				
Buildings and improvements	4,224,015	272,709	-	4,496,724
Infrastructure	8,008,965	204,379	-	8,213,344
Furniture and equipment	2,737,894	386,695	9,375	3,115,214
Intangibles	140,676	24,905	-	165,581
<b>Total accumulated depreciation</b>	<b>15,111,550</b>	<b>888,688</b>	<b>9,375</b>	<b>15,990,863</b>
<b>Total capital assets being depreciated, net</b>	<b>7,338,441</b>	<b>(667,225)</b>	<b>3,125</b>	<b>6,668,091</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 14,624,081</b>	<b>\$ 738,559</b>	<b>\$ 3,125</b>	<b>\$ 15,359,515</b>

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY (CONTINUED)

<b>Primary Government</b>	Balance October 1, 2016, as restated*	Increases	Decreases	Balance September 30, 2017
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 4,756,159	\$ 687,377	\$ -	\$ 5,443,536
Construction in progress	60,000	93,055	-	153,055
<b>Total capital assets not being depreciated</b>	<b>4,816,159</b>	<b>780,432</b>	<b>-</b>	<b>5,596,591</b>
Capital assets being depreciated:				
Buildings and improvements	24,705,452	-	-	24,705,452
Furniture and equipment	4,635,526	219,277	110,689	4,744,114
Water and sewer distribution system	9,827,457	157,868	-	9,985,325
Plant assets and equipment	34,762,241	159,589	-	34,921,830
<b>Total capital assets being depreciated</b>	<b>73,930,676</b>	<b>536,734</b>	<b>110,689</b>	<b>74,356,721</b>
Less accumulated depreciation for:				
Building and improvements	7,607,350	840,918	-	8,448,268
Furniture and equipment	2,044,658	275,198	86,706	2,233,150
Water and sewer distribution system	4,749,415	216,335	-	4,965,750
Plant assets and equipment	15,034,516	683,564	-	15,718,080
<b>Total accumulated depreciation</b>	<b>29,435,939</b>	<b>2,016,015</b>	<b>86,706</b>	<b>31,365,248</b>
<b>Total capital assets being depreciated, net</b>	<b>44,494,737</b>	<b>(1,479,281)</b>	<b>23,983</b>	<b>42,991,473</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 49,310,896</b>	<b>\$ (698,849)</b>	<b>\$ 23,983</b>	<b>\$ 48,588,064</b>

\* See Note 15 for additional information on the restatement.



Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY (CONTINUED)

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

Governmental activities:	
General government	\$ 417,540
Public safety	381,299
Transportation	19,607
Human services	8,569
Culture and recreation	61,673
<b>Total depreciation expense - governmental activities</b>	<b>\$ 888,688</b>

Business-type activities:	
Water and sewer	\$ 988,385
Sanitation	210,762
Golf course	62,712
Airport	754,156
<b>Total depreciation expense - business-type activities</b>	<b>\$ 2,016,015</b>

**Discretely Presented Component Unit**

Capital assets activity for the Gas Authority for the year ended September 30, 2017 follows:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
Capital assets being depreciated:				
Buildings and improvements	1,420,922	-	-	1,420,922
Furniture and equipment	853,777	14,748	-	868,525
Plant assets and equipment	6,431,514	221,337	20,307	6,632,544
<b>Total capital assets being depreciated</b>	<b>8,706,213</b>	<b>236,085</b>	<b>20,307</b>	<b>8,921,991</b>
Less accumulated depreciation for:				
Buildings and improvements	322,744	35,840	-	358,584
Furniture and equipment	576,609	67,690	-	644,299
Plant assets and equipment	2,320,270	159,051	20,307	2,459,014
<b>Total accumulated depreciation</b>	<b>3,219,623</b>	<b>262,581</b>	<b>20,307</b>	<b>3,461,897</b>
<b>Total capital assets being depreciated, net</b>	<b>5,486,590</b>	<b>(26,496)</b>	<b>-</b>	<b>6,200,188</b>
<b>Gas Authority capital assets, net</b>	<b>\$ 5,698,133</b>	<b>\$ (26,496)</b>	<b>\$ -</b>	<b>\$ 5,671,637</b>

Notes to Financial Statements

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-term debt 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. \$ 296,221

\$1,890,000 Infrastructure Surtax Revenue Bonds, amended Series 2008, payable in annual installments ranging from \$111,000 to \$281,000 through October 2019, plus interest at - 2.35%, 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 \$698,042. During the current year, the City recognized infrastructure surtax revenues of \$866,313 and made \$295,657 principal and interest payments. 673,000

Total \$ 969,221

Business-Type Activities

\$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 \$10,933,756. During the current year, the City recognized pledged revenues of \$1,859,251, and made \$468,125 principal and interest payments. \$ 6,620,000

\$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 \$134,555. During the current year, the City recognized net revenues of \$1,106,020, and made \$53,822 principal and interest payments. 131,892

\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$142,476, including interest at 2.61%, through January 2029, 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 \$3,407,052. During the current year, the City recognized net revenues of \$1,106,020, and paid principal and interest payments in the amount of \$285,855. 2,915,233

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$342,631. During the current year, the City had recognized net revenues of \$29,780 and made \$62,844 principal and interest payments.

305,000

\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$553,491. During the current year, the City had recognized net revenues of \$29,780 and made \$91,446 principal and interest payments.

511,000

\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,182,916. During the current year, the City had deficit net revenues of \$104,748 and made \$168,756 principal and interest payments.

887,000

Total

\$ 11,370,125

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	346,424	24,008	694,608	430,655
2019	348,988	15,484	723,837	408,017
2020	181,626	6,573	724,310	384,505
2021	73,398	2,589	715,399	360,639
2022	18,785	182	733,373	336,276
2023-2027	-	-	2,714,110	1,136,919
2028-2032	-	-	1,979,488	959,797
2033-2037	-	-	1,795,000	594,925
2038-2042	-	-	1,290,000	160,141
<b>Totals</b>	<b>\$ 969,221</b>	<b>\$ 48,836</b>	<b>\$ 11,370,125</b>	<b>\$ 4,771,874</b>

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

**Governmental Activities**

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Due Within One Year
Revenue bonds and notes	\$ 1,307,202	\$ -	\$ 337,981	\$ 969,221	\$ 346,424
Capital leases	783,913	56,413	254,081	586,245	257,346
Compensated absences	373,000	209,000	216,000	366,000	89,000
Net OPEB obligation	166,930	17,879	-	184,809	-
Net pension liability	5,238,562	677,130	221,830	5,693,862	-
<b>Total</b>	<b>\$ 7,869,607</b>	<b>\$ 960,422</b>	<b>\$ 1,029,892</b>	<b>\$ 7,800,137</b>	<b>\$ 692,770</b>

In prior years, net pension liabilities and OBEP obligations associated with governmental funds were liquidated by the General Fund.

**Capital Leases**

The City has a \$300,000, 1.68% capital lease for police vehicles due in monthly installments of \$5,304, a \$520,700, 1.62% capital lease for police vehicles due in semi-annual installments of approximately \$54,000, a 389,000, 2.04% capital lease for police vehicles due in semi-annual installments of approximately \$45,000 and a \$56,400, 1.8% capital lease for a rescue vehicle due in semi-annual installments of approximately \$4,000. All four leases are payable from the General Fund and reported in governmental activities in Furniture and equipment.

The City also has a \$161,590, 3.3% capital lease for greens equipment due in monthly installments of \$3,026. This lease is payable from the Golf Fund and reported in business-type activities in Furniture and equipment.

Additionally, the City has a \$257,100, 1.62% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000, a \$289,257, 2.04% capital lease for a sanitation truck in semi-annual payments of approximately \$23,000 and a 419,000, 1.80% capital lease for two sanitation trucks in semi-annual payments of approximately \$30,000. All three leases are payable from the Sanitation Fund and are reported in business-type activities in Furniture and equipment.

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

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Year Ending September 30,	Governmental Activities	Business-type Activities
2018	266,663	185,692
2019	208,536	155,374
2020	99,874	155,383
2021	9,004	155,431
2022	8,304	109,409
2023-2027	11,368	84,430
Less: amount representing interest	(17,504)	(43,232)
Present value of net minimum lease payments	\$ 586,245	\$ 802,487

**Business-type Activities**

	Balance October 1,			Balance September 30,		Due Within One Year
	2016	Additions	Deductions	2017		
Florida Municipal Loan Council revenue bonds series 2010A	\$ 6,790,000	\$ -	\$ 170,000	\$ 6,620,000	\$ 175,000	
Drinking water state revolving fund loan	3,118,397	-	203,164	2,915,233	210,379	
Water reuse loan	183,428	-	51,536	131,892	52,229	
Golf revenue note series 2013A	1,014,000	-	127,000	887,000	133,000	
Airport revenue note series 2013B	355,000	-	50,000	305,000	48,000	
Airport revenue note series 2013C	588,000	-	77,000	511,000	76,000	
<b>Total revenue bonds and notes</b>	<b>12,048,825</b>	<b>-</b>	<b>678,700</b>	<b>11,370,125</b>	<b>694,608</b>	
Capital lease	527,933	418,986	144,432	802,487	171,718	
County water/sewer agreement	125,738	-	19,175	106,563	-	
SJRWMD water/sewer agreement	11,293	-	-	11,293	-	
Compensated absences	226,281	103,655	134,646	195,290	49,892	
Net OPEB obligation	88,239	9,591	-	97,830	-	
Net pension liability	2,993,159	212,483	-	3,205,642	-	
<b>Total</b>	<b>\$ 16,021,468</b>	<b>\$ 744,715</b>	<b>\$ 976,953</b>	<b>\$ 15,789,230</b>	<b>\$ 916,218</b>	

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.

Notes to Financial Statements

**NOTE 7 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES**

The following schedule displays restricted assets, liabilities payable from those assets, and restricted net position of the City’s business-type activities:

	Business-type Activities
<b>Restricted assets:</b>	
Cash and equivalents	\$ 86,773
Investments	475,061
<b>Total</b>	<b>561,834</b>
<b>Liabilities payable from restricted assets:</b>	
Current portion of debt service:	
Principal	60,674
Interest	166,964
<b>Total</b>	<b>227,638</b>
<b>Restricted net position</b>	<b>\$ 334,196</b>

Restricted net position of the business-type activities are further classified as follows:

Capital projects	\$ 8,095
Bond reserve/debt sinking	326,101
<b>Total</b>	<b>\$ 334,196</b>

Notes to Financial Statements

NOTE 8 – FUND BALANCE CLASSIFICATIONS

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Nonspendable:					
Advances	\$ 292,927	\$ -	\$ -	\$ -	\$ 292,927
Restricted for:					
Law enforcement	61,694	-	-	-	61,694
Fire safety education	32,934	-	-	-	32,934
Fire protection	5,841	-	-	-	5,841
Cemetery improvements	112,840	-	-	-	112,840
Capital projects	-	-	165,502	-	165,502
Downtown redevelopment	-	895,142	-	-	895,142
Housing and community development	-	-	-	38,201	38,201
<b>Total restricted</b>	<b>213,309</b>	<b>895,142</b>	<b>165,502</b>	<b>38,201</b>	<b>1,312,154</b>
Committed for:					
Law enforcement	9,115	-	-	-	9,115
Tree mitigation	3,579	-	-	-	3,579
Demolition and lot cleanup	42,722	-	-	-	42,722
<b>Total committed</b>	<b>55,416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,416</b>
Unassigned	1,365,670	-	-	-	1,365,670
<b>Total fund balances</b>	<b>\$ 1,927,322</b>	<b>\$ 895,142</b>	<b>\$ 165,502</b>	<b>\$ 38,201</b>	<b>\$ 3,026,167</b>

NOTE 9 – 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 General Pension Board consists of five members, including the City Manager, two City Commission appointees, one member elected by a majority of the other covered General employees, and one citizen having financial experience appointed by the City Commission. The Police Officer Pension Board and Firefighters Pension Board each consist of two City Commission appointees, two members of the Plan elected by a majority of the other covered members and a fifth member elected by the other four board trustees and appointed by the City Commission. 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, 2017 the City recognized \$67,554 and \$60,543 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:

Notes to Financial Statements

**NOTE 9 – PENSION PLANS (CONTINUED)**

*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. General plan members are eligible for retirement at the earlier of: 1) age 55 and 7 years of credited service, or 2) 30 years of credited service, regardless of age. Police officer members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, 3) age 52 and 25 years of credited service, or 4) 30 years of credited service, regardless of age. Firefighter members are eligible at the earlier of: 1) age 50 and 7 years of credited service for those hired before January 1, 2016, or age 50 and 10 years of credited service for those hired on or after January 1, 2016, 2) age 55 and 10 years of credited service, or 3) 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, termination 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, 2014, are equal to total years of service times 2.5% of final average compensation (highest 3 consecutive years of the last 5). In addition, police officer and firefighter members also will receive a supplement funded with Chapter 185 or 175, F.S., as applicable, Premium Tax monies equal to 0.63% and 0.79%, respectively, of final average compensation times credited service. No other changes in benefit provisions have been made for the plan year beginning October 1, 2015. 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. A member who terminates with less than 7 years' service may withdraw his or her member contributions.

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, 2017 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	113	26	14	153
Inactive plan members entitled to but				
not yet receiving benefits	14	11	1	26
Active plan members	81	29	21	131
<b>Total</b>	<b>208</b>	<b>66</b>	<b>36</b>	<b>310</b>

*Contributions.* Contributions consist of the remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. Employees are required to contribute 6.00% of their annual salary.



Notes to Financial Statements

**NOTE 9 – PENSION PLANS (CONTINUED)**

*Concentrations.* As of September 30, 2017, the Plans did not hold investments in any one organization that represents 5% or more of the Plans’ fiduciary net position.

*Rate of Return.* For the year ended September 30, 2017 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was 8.99%, 11.32%, and 11.32%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

*Deferred Retirement Option Program (DROP).* Eligibility is met with satisfaction of normal retirement requirements. Participation is not to exceed five years, or for police officers and firefighters, beyond attaining 35 or 34 years, respectively, of credited service, if earlier. General and Police DROP participants may choose actual net rate of return as reported by the Fund’s monitor each September 30 or a fixed 6.5% per annum compounded monthly. Effective year ending September 30, 2008 the rate of return was limited to 0% for general members in DROP. Rate for Firefighter DROP participants is the greater of: 1) net rate of investment return or 2) 5.0%. The DROP balance as of September 30, 2017 was \$546,190, \$203,489 and \$161,911, respectively, for general, police officer and firefighters.

*Net Pension Liability.* The City’s net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation updated as of that date.

The components of the net pension liability for the plans at September 30, 2017 were as follows:

	City of Palatka- General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 20,058,802	\$ 4,437,881	\$ 24,496,683
Plan fiduciary net position	(14,870,518)	(3,264,260)	(18,134,778)
Net pension liability	\$ 5,188,284	\$ 1,173,621	\$ 6,361,905

Plan fiduciary net position as a percentage of the total pension liability	74%	74%	74%
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	Police Officers	Firefighters
Total pension liability	\$ 12,310,894	\$ 9,766,088
Plan fiduciary net position	(11,054,889)	(7,310,874)
Net pension liability	\$ 1,256,005	\$ 2,455,214

Plan fiduciary net position as a percentage of the total pension liability	90%	75%
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Notes to Financial Statements

**NOTE 9 – PENSION PLANS (CONTINUED)**

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of October 1, 2017, applicable to September 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers	Firefighters
Investment rate of return	7.8%	7.8%	7.8%
Projected salary increases*	Service based	Service based	Service based
* Includes inflation at	2.7%	2.7%	2.7%
Post Retirement COLA	0.0%	0.0%	0.0%
Mortality Rates	RP-2000 Table	RP-2000 Table	RP-2000 Table

The most recent actuarial experience study for which significant assumptions are based upon was dated September 20, 2016 for the General Plan, and September 19, 2016 for Police and Firefighters Plans.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in all three pension plans' target asset allocations as of September, 30 2017 are summarized in the following table:

Asset class	General		Police Officers		Firefighters'	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	27%	7.00%	32%	7.00%	32%	7.00%
International equity	15%	3.70%	15%	3.70%	15%	3.70%
Bonds	34%	4.00%	25%	4.00%	25%	4.00%
High yields bonds	5%	5.90%	5%	5.90%	5%	5.90%
Convertibles	8%	6.00%	8%	6.00%	8%	6.00%
REITS	5%	6.80%	5%	6.80%	5%	6.80%
MLPs	5%	9.70%	5%	9.70%	5%	9.70%
Cash	1%	0.80%	5%	0.80%	5%	0.80%
Total	100%		100%		100%	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.80% for each Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Notes to Financial Statements

**NOTE 9 – PENSION PLANS (CONTINUED)**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Changes in the Net Pension Liability (General)***

	Increase (Decrease)								
	Total Plan			City of Palatka			Palatka Gas Authority		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance - beginning of year</b>	\$ 23,350,953	\$ 17,418,063	\$ 5,932,890	\$ 19,035,697	\$ 14,199,205	\$ 4,836,492	\$ 4,315,256	\$ 3,218,858	\$ 1,096,398
<b>Changes for the year:</b>									
Service cost	386,138	-	386,138	316,634	-	316,634	69,504	-	69,504
Interest	1,807,530	-	1,807,530	1,482,175	-	1,482,175	325,355	-	325,355
Difference between expected and actual experience	408,495	-	408,495	334,966	-	334,966	73,529	-	73,529
Changes of assumptions	257,491	-	257,491	211,143	-	211,143	46,348	-	46,348
Contributions-employer	-	739,093	(739,093)	-	606,057	(606,057)	-	133,036	(133,036)
Contributions-employees	-	192,427	(192,427)	-	157,791	(157,791)	-	34,636	(34,636)
Net investment income	-	1,528,570	(1,528,570)	-	1,253,428	(1,253,428)	-	275,142	(275,142)
Benefit payments, including refunds of employee contributions	(1,713,924)	(1,713,924)	-	(1,321,813)	(1,321,813)	-	(392,111)	(392,111)	-
Administrative expense	-	(29,451)	29,451	-	(24,150)	24,150	-	(5,301)	5,301
Net changes	1,145,730	716,715	429,015	1,023,105	671,313	351,792	122,625	45,402	77,223
<b>Balance - end of year</b>	\$ 24,496,683	\$ 18,134,778	\$ 6,361,905	\$ 20,058,802	\$ 14,870,518	\$ 5,188,284	\$ 4,437,881	\$ 3,264,260	\$ 1,173,621

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

*Changes in the Net Pension Liability (Police)*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance - beginning of year</b>	\$ 11,073,168	\$ 10,220,027	\$ 853,141
<b>Changes for the year:</b>			
Service cost	213,253	-	213,253
Interest	868,015	-	868,015
Difference between expected and actual experience	609,467	-	609,467
Change of assumptions	165,502		165,502
Changes of benefit terms	-	-	-
Contributions-employer	-	186,569	(186,569)
Contribution-State	-	67,554	(67,554)
Contributions-employees	-	86,168	(86,168)
Net investment income	-	1,137,327	(1,137,327)
Benefit payments, including refunds of employee contributions	(618,511)	(618,511)	-
Administrative expense	-	(24,245)	24,245
Net changes	1,237,726	834,862	402,864
<b>Balance - end of year</b>	<b>\$ 12,310,894</b>	<b>\$ 11,054,889</b>	<b>\$ 1,256,005</b>

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

*Changes in the Net Pension Liability (Firefighters)*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balance -beginning of year</b>	\$ 9,399,200	\$ 6,857,112	\$ 2,542,088
<b>Changed for the year:</b>			
Service cost	185,742	-	185,742
Interest	726,035	-	726,035
Difference between expected and actual experience	109,800	-	109,800
Changes of assumptions	134,956	-	134,956
Contributions-employer	-	395,413	(395,413)
Contribution-State	-	60,543	(60,543)
Contributions-employees	-	61,203	(61,203)
Net investment income	-	749,063	(749,063)
Benefit payments, including refunds of employee contributions	(789,645)	(789,645)	-
Administrative expense	-	(22,815)	22,815
<b>Net changes</b>	<b>366,888</b>	<b>453,762</b>	<b>(86,874)</b>
<b>Balance end of year</b>	<b>\$ 9,766,088</b>	<b>\$ 7,310,874</b>	<b>\$ 2,455,214</b>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7.80%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.80%) or 1 percentage point higher (8.80%) than the current rate:

Net Pension Liability	1% Decrease 6.80%	Current Discount Rate		1% Increase 8.80%
		7.80%		
General	\$ 8,916,308	\$ 6,361,905	\$ 4,213,857	
Police officers'	2,752,420	1,256,005	19,256	
Firefighters'	3,658,086	2,455,214	1,461,487	

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

*Pension expense and deferred outflows of resources and deferred inflows of resources.* For the year end September 30, 2017 the City recognized pension expense of \$1,532,142, \$563,882, and \$524,500 relating to the General, Police and Firefighters’ plans respectively. At September 30, 2017 the City reported deferred outflows and inflows of resources relating to the General, Police offices’ and Firefighters’ pensions from the following sources:

	General		Police Officers'		Firefighters'	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 272,330	\$ 24,740	\$ 406,312	\$ 151,653	\$ 136,008	\$ 74,708
Changes of assumptions	583,742	-	210,539	-	369,766	-
Difference between projected and on pension plan investments	729,514	347,065	481,754	390,847	348,934	250,802
Changes in proportion and contributions and proportionate Employer contributions subsequent to the measurement date	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,585,586</b>	<b>\$ 371,805</b>	<b>\$ 1,098,605</b>	<b>\$ 542,500</b>	<b>\$ 854,708</b>	<b>\$ 325,510</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	General	Police Officers'	Firefighters'
2018	\$ 837,145	\$ 323,560	\$ 181,171
2019	500,155	398,296	203,040
2020	(86,597)	(97,455)	28,573
2021	(36,922)	(68,296)	46,484
2022	-	-	34,965
Thereafter	-	-	34,965
<b>Total</b>	<b>\$ 1,213,781</b>	<b>\$ 556,105</b>	<b>\$ 529,198</b>

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Combining Statement of Fiduciary Net Position

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
<b>Assets</b>				
Investments:				
Money market and other cash equivalents	\$ 133,948	\$ 619,408	\$ 428,584	\$ 1,181,940
Government bonds and notes	-	623,076	415,424	1,038,500
Corporate bonds and notes	2,736,756	2,646,433	1,746,669	7,129,858
Mutual funds - equities	15,183,480	6,751,850	4,369,091	26,304,421
Mutual funds (REIT)	-	387,349	249,874	637,223
<b>Total investments</b>	<b>18,054,184</b>	<b>11,028,116</b>	<b>7,209,642</b>	<b>36,291,942</b>
Receivables	80,594	26,773	101,232	208,599
<b>Total assets</b>	<b>18,134,778</b>	<b>11,054,889</b>	<b>7,310,874</b>	<b>36,500,541</b>
<b>Liabilities</b>				
	-	-	-	-
<b>Net position:</b>				
Restricted for pension benefits	\$ 18,134,778	\$ 11,054,889	\$ 7,310,874	\$ 36,500,541

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions:				
Contributions:				
Employer	\$ 739,093	\$ 186,569	\$ 395,413	\$ 1,321,075
Member	192,427	86,168	61,203	339,798
State on behalf, through general fund	-	67,554	60,543	128,097
<b>Total contributions</b>	<b>931,520</b>	<b>340,291</b>	<b>517,159</b>	<b>1,788,970</b>
Investment income:				
Net appreciation in fair value of investments	782,859	927,668	609,722	2,320,249
Interest	-	69,732	45,112	114,844
Dividends	794,335	199,126	135,301	1,128,762
	1,577,194	1,196,526	790,135	3,563,855
Less investment management fee	48,624	59,199	41,072	148,895
<b>Net investment income</b>	<b>1,528,570</b>	<b>1,137,327</b>	<b>749,063</b>	<b>3,414,960</b>
<b>Total additions</b>	<b>2,460,090</b>	<b>1,477,618</b>	<b>1,266,222</b>	<b>5,203,930</b>
Deductions:				
Member benefits	1,682,191	610,282	781,295	3,073,768
Withdrawals	31,733	8,229	8,350	48,312
Administrative expense	29,451	24,245	22,815	76,511
<b>Total deductions</b>	<b>1,743,375</b>	<b>642,756</b>	<b>812,460</b>	<b>3,198,591</b>
Change in net position	716,715	834,862	453,762	2,005,339
Net position restricted for				
pension benefits, beginning of year	17,418,063	10,220,027	6,857,112	34,495,202
Net position restricted for				
pension benefits, end of year	\$ 18,134,778	\$ 11,054,889	\$ 7,310,874	\$ 36,500,541

**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. Consequently, the plan is not reported in the City's financial statements.



Notes to Financial Statements

**NOTE 10 – 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, 2017, participants consisted of:

Active employees	142
Retirees participants	17
Covered spouses	3
<b>Total</b>	<b>162</b>

***Annual OPEB Cost and Net OPEB Obligation***

The City had an actuarial valuation performed for the OPEB Plan as of October 01, 2016 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2017. The City’s annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 53,591
Interest on net OPEB obligation	10,207
Adjustments to ARC	(11,395)
Annual OPEB cost (expense)	52,403
Contributions made	(24,933)
Increase in net OPEB obligation	27,470
Net OPEB obligation - beginning of year	255,169
<b>Net OPEB obligation - end of year</b>	<b>\$ 282,639</b>

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

*Trend Information*

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2017	\$ 52,403	\$ 24,933	47.6%	\$ 282,639
September 30, 2016	55,585	29,427	52.9%	255,169
September 30, 2015	59,040	24,066	40.8%	229,011

*Funded Status*

The funded status of the OPEB Plan as of September 30, 2017 was as follows:

Actuarial Liability (AAL) Entry Age	Actuarial Value of Plan Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
\$ 409,863	\$ -	\$ 409,863	0.0%	\$ 5,126,405	8.0%

*Funding Policy*

Funding for the OPEB Plan is from the City’s general resources. The General Fund has been used in prior years to liquidate the net OPEB. 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

Notes to Financial Statements

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

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.

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	25 Years
Asset valuation method	Unfunded
Actuarial assumptions:	
Funding interest rate	4%
Payroll growth/inflation	3%
Healthcare inflation	8.75% in fiscal year 2017, then 8.50% in fiscal year 2018; grading down to 4.00% in 2073

**NOTE 11 – 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.

Notes to Financial Statements

**NOTE 12 – COMMITMENTS**

The City leases some of its police vehicles and golf carts under operating leases. Lease payments for the year ended September 30, 2017 were \$45,567. Future lease payments are as follows:

	Business-type Activities
2018	42,325
2019	42,973
2020	3,613
Total	\$ 88,911

**NOTE 13 – 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.

**NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued statements that will become effective in 2018. The statements address:

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The City is currently evaluating the effects that these statements will have on its 2018 financial statements.

Notes to Financial Statements

**NOTE 15 –RESTATEMENT**

Beginning balances of the Water Fund, Golf Fund and the Business-type Activities were restated to reflect unrecorded depreciation expense from prior years. Governmental activities, Business Activities, Water Fund, Sanitation Fund and Airport Fund were restated to correct pension deferral and expenses from prior year. The effects of this restatement are summarized below:

	Governmental Activities	Business-type Activities	Water Fund	Sanitation Fund	Golf Fund	Airport Fund
Net position, September 30, 2016 as previously reported	\$ 10,767,292	\$ 36,915,550	\$ 17,241,205	\$ 518,905	\$ 770,314	\$ 18,385,126
Deferred outflows	\$ 777,211	341,847	234,881	86,903	-	20,063
Depreciation expense	-	(722,771)	(700,223)	-	(22,548)	-
Net position, October 1, 2016, as restated	\$ 11,544,503	\$ 36,534,626	\$ 16,775,863	\$ 605,808	\$ 747,766	\$ 18,405,189

## **Required Supplementary Information**

**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**Year ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,360,361	\$ 4,360,361	\$ 4,396,461	\$ 36,100
Permits, fees & special assessments	2,229,936	2,229,936	2,621,392	391,456
Intergovernmental	1,023,908	1,023,908	982,831	(41,077)
Charges for services	170,700	170,700	180,804	10,104
Fines and forfeitures	572,242	572,242	884,679	312,437
Miscellaneous	377,117	377,117	433,620	56,503
<b>Total revenues</b>	<b>8,734,264</b>	<b>8,734,264</b>	<b>9,499,787</b>	<b>765,523</b>
<b>Expenditures</b>				
Current:				
General government	1,387,286	1,387,286	1,285,827	101,459
Public safety	6,147,843	6,147,843	6,163,129	(15,286)
Physical environment	-	-	9,106	(9,106)
Transportation	649,857	649,857	814,121	(164,264)
Human services	29,705	29,705	33,753	(4,048)
Culture and recreation	608,543	608,543	522,019	86,524
Reserve for contingencies	1,577,216	1,225,099	-	1,225,099
Debt service:				
Principal retirement	250,105	250,105	254,081	(3,976)
Interest and fiscal charges	12,906	12,906	13,378	(472)
<b>Total expenditures</b>	<b>10,663,461</b>	<b>10,311,344</b>	<b>9,095,414</b>	<b>1,215,930</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,929,197)</b>	<b>(1,577,080)</b>	<b>404,373</b>	<b>1,981,453</b>
<b>Other financing sources (uses)</b>				
Transfers in	824,950	824,950	821,338	(3,612)
Transfers out	(466,175)	(1,125,269)	(1,280,569)	(155,300)
<b>Total other financing sources (uses)</b>	<b>358,775</b>	<b>(300,319)</b>	<b>(402,818)</b>	<b>(102,499)</b>
<b>Net change in fund balances</b>	<b>(1,570,422)</b>	<b>(1,877,399)</b>	<b>1,555</b>	<b>1,878,954</b>
<b>Fund balances – beginning of year</b>	<b>1,570,422</b>	<b>1,877,399</b>	<b>1,925,766</b>	<b>48,367</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,927,321</b>	<b>\$ 1,927,321</b>

See accompanying notes.

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual – Downtown Redevelopment Agency Fund  
Year ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 317,683	\$ 317,683	\$ 317,684	\$ 1
Total revenues	317,683	317,683	317,684	1
<b>Expenditures</b>				
Economic environment	757,617	773,572	121,398	652,174
Total expenditures	757,617	818,875	121,398	697,477
<b>Excess of revenues over (under) expenditures</b>	(439,934)	(501,192)	196,286	697,478
<b>Other financing uses</b>				
Transfers out	(302,560)	(302,560)	(104,897)	197,663
<b>Net change in fund balances</b>	(742,494)	(803,752)	91,389	895,141
<b>Fund balances – beginning of year</b>	742,494	803,752	803,753	1
<b>Fund balances – end of year</b>	\$ -	\$ -	\$ 895,142	\$ 895,142

*See accompanying notes.*



**Notes to Budgetary Comparison Schedules**

Budgets are 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.

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**General Pension Plan**  
**September 30, 2017**

	2017	2016	2015	2014	2013
<b>Total pension liability</b>					
Service cost	\$ 386,138	\$ 340,525	\$ 347,579	\$ 352,477	\$ 326,368
Interest	1,807,530	1,707,988	1,684,998	1,657,695	1,638,624
Change in excess state money	-	-	-	-	-
Share plan allocation	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	408,495	(74,220)	24,797	-	-
Change of assumptions	257,491	1,236,245	-	-	-
Contributions-buy back	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,820)	(1,965,592)
Net change in total pension liability	1,145,730	1,472,688	269,288	470,352	(600)
Total pension liability-beginning	23,350,953	21,878,265	21,608,977	21,138,625	21,138,625
Total pension liability-ending (a)	\$ 24,496,683	\$ 23,350,953	\$ 21,878,265	\$ 21,608,977	\$ 21,138,025
<b>Plan fiduciary net position</b>					
Contributions					
Employer	\$ 739,093	\$ 679,864	\$ 686,545	\$ 774,136	\$ 790,325
State	-	-	-	-	-
Employee	192,427	175,818	169,514	172,782	177,921
Buy back	-	-	-	-	-
Net investment income	1,528,570	1,554,168	(410,102)	1,600,605	1,741,522
Benefit payments including refunds of employee contributions	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,821)	(1,965,591)
Administrative expense	(29,451)	(34,904)	(27,955)	(30,698)	(21,905)
Other	-	-	-	-	-
Net change in plan fiduciary net position	716,715	637,096	(1,370,084)	977,004	722,272
Plan fiduciary net position-beginning	17,418,063	16,780,967	18,151,051	17,174,047	16,451,775
Plan fiduciary net position-ending (b)	\$ 18,134,778	\$ 17,418,063	\$ 16,780,967	\$ 18,151,051	\$ 17,174,047
Net pension liability-ending (a)-(b)	\$ 6,361,905	\$ 5,932,890	\$ 5,097,298	\$ 3,457,926	\$ 3,963,978
Plan fiduciary net position as a percentage of the total pension liability	74.03%	74.59%	76.70%	84.00%	81.25%
Covered employee payroll	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,879,693
Net pension liability as a percentage of covered employee payroll	198.97%	202.47%	171.07%	120.08%	133.70%

**Note to Schedule**

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Officers Pension Plan**  
**September 30, 2017**

	2017	2016	2015	2014	2013
<b>Total pension liability</b>					
Service cost	\$ 213,253	\$ 213,832	\$ 278,204	\$ 285,022	\$ 263,909
Interest	868,015	851,901	812,851	776,568	733,062
Change in excess state money		-	-	-	-
Share plan allocation		-	-	-	-
Changes of benefit terms	-	(41,662)	(108,171)	-	-
Differences between expected and actual experience	609,467	(454,959)	50,553	-	-
Change of assumptions	165,502	321,310	-	-	-
Contributions-buy back	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(618,511)	(561,601)	(528,946)	(487,612)	(460,915)
Net change in total pension liability	1,237,726	328,821	504,491	573,978	536,056
Total pension liability-beginning	11,073,168	10,744,347	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 12,310,894	\$ 11,073,168	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
<b>Plan fiduciary net position</b>					
Contributions					
Employer	\$ 186,569	\$ 151,756	\$ 196,130	\$ 221,593	\$ 240,401
State	67,554	65,893	64,825	66,189	59,256
Employee	86,168	81,274	85,064	90,128	88,479
Buy back	-	-	-	-	-
Net investment income	1,137,327	904,015	(394,718)	901,280	1,042,891
Benefit payments including refunds of employee contributions	(618,511)	(561,601)	(528,946)	(487,612)	(460,916)
Administrative expense	(24,245)	(34,770)	(26,755)	(19,558)	(18,312)
Other	-	-	-	-	-
Net change in plan fiduciary net position	834,862	606,567	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	10,220,027	9,613,460	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 11,054,889	\$ 10,220,027	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
<b>Net pension liability-ending (a)-(b)</b>	\$ 1,256,005	\$ 853,141	\$ 1,130,887	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	89.80%	92.30%	89.47%	99.79%	97.72%
Covered employee payroll	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered employee payroll	87.46%	62.98%	78.90%	1.46%	14.92%

**Note to Schedule**

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.

**Schedule of Changes in Net Pension Liability and Related Ratios  
Firefighters Pension Plan  
September 30, 2017**

	2017	2016	2015	2014	2013
<b>Total pension liability</b>					
Service cost	\$ 185,742	\$ 172,607	\$ 177,733	\$ 168,142	\$ 155,687
Interest	726,035	718,377	707,171	676,786	648,419
Change in excess state money		-	-	-	-
Share plan allocation		-	-	-	-
Changes of benefit terms			(33,092)	-	-
Differences between expected and actual experience	109,800	(112,062)	73,309	-	-
Change of assumptions	134,956	381,136	-	-	-
Contributions-buy back		-	-	-	-
Benefit payments, including refunds of employee contributions	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,041)
Net change in total pension liability	366,888	57,419	434,625	386,018	339,065
Total pension liability-beginning	9,399,200	9,341,781	8,907,156	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 9,766,088	\$ 9,399,200	\$ 9,341,781	\$ 8,907,156	\$ 8,521,138
<b>Plan fiduciary net position</b>					
Contributions					
Employer	\$ 395,413	\$ 296,485	\$ 250,259	\$ 310,160	\$ 252,906
State	60,543	50,698	95,653	80,280	78,504
Employee	61,203	52,815	47,712	47,041	44,711
Buy back		-	-	-	-
Net investment income	749,063	619,284	(285,606)	649,062	757,642
Benefit payments including refunds of employee contributions	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,042)
Administrative expense	(22,815)	(31,660)	(22,760)	(14,901)	(15,407)
Other		-	-	-	-
Net change in plan fiduciary net position	453,762	(115,017)	(405,238)	612,732	653,314
Plan fiduciary net position-beginning	6,857,112	6,972,129	7,377,367	6,764,635	6,111,321
Plan fiduciary net position-ending (b)	\$ 7,310,874	\$ 6,857,112	\$ 6,972,129	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 2,455,214	\$ 2,542,088	\$ 2,369,652	\$ 1,529,789	\$ 1,756,503
Plan fiduciary net position as a percentage of the total pension liability	74.86%	72.95%	74.63%	82.83%	79.39%
Covered employee payroll	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered employee payroll	240.70%	288.79%	253.51%	195.12%	235.71%

**Note to Schedule**

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014

**Schedule of Employer Contributions  
General Pension Plan  
September 30, 2017**

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 716,210	\$ 679,829	\$ 686,530	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	<u>\$ 931,520</u>	<u>679,825</u>	<u>686,545</u>	<u>777,517</u>	<u>788,781</u>
Contribution deficiency (excess)	<u>\$ (215,310)</u>	<u>\$ 4</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered employee payroll	29.13%	23.20%	23.04%	27.00%	27.00%

**Note to Schedule**

*Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the contributions are reported.*

*Methods and assumption used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	27 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	5.5% per year until the assumed retirement age.
Interest rate:	7.80%
Payroll growth:	None, for purposes of amortizing the unfunded actuarial liability
Retirement age:	Earlier of: 1) age 55 with 7 years of credited service; or 2) 30 years of service, regardless of age.
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 25% of disablements and active members deaths are service related.
Mortality:	RP 2000 Combine Healthy (sex distinct)

Age	Percent Terminating during the year	Percent becoming disabled during the year
20	34.40%	0.07%
30	30.00%	0.11%
40	16.40%	0.19%
50	3.40%	0.51%

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.

**Schedule of Employer Contributions  
Police Officers Pension Plan  
September 30, 2017**

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 189,571	\$ 222,150	\$ 260,864	\$ 291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	<b>254,123</b>	222,154	260,955	291,414	302,303
<b>Contribution deficiency (excess)</b>	<b>\$ (64,552)</b>	<b>\$ (4)</b>	<b>\$ (91)</b>	<b>\$ -</b>	<b>\$ -</b>
Covered employee payroll	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Contributions as a percentage of covered employee payroll	<b>17.69%</b>	16.40%	18.21%	19.40%	20.50%

**Note to Schedule**

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the contributions are reported.

*Methods and assumption used to determine contribution rates:*

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	27 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	5.5% per year until the assumed retirement age.
Interest rate:	7.80%
Payroll growth:	Up to 3.0% annually (0.00% for 10/1/15 valuation).
Retirement age:	Earlier of: 1) age 50 with 7 years of credited service, 2) age 55 with 10 years of credited service, 3) age 52 with 25 years of service, or 4) 30 years of service, regardless of age.
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 25% of disablements and active members deaths are service related.
Mortality:	RP 2000 Combined Healthy- Sex Distinct

Age	Percent	
	Terminating during the year	Percent becoming disabled during the year
20	17.20%	0.07%
30	15.00%	0.11%
40	8.20%	0.19%
50	1.70%	0.51%

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.

**Schedule of Employer Contributions  
Firefighters Pension Plan  
September 30, 2017**

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 455,959	\$ 380,267	\$ 345,915	\$ 390,441	\$ 335,333
Contributions in relation to the actuarially determined contributions	<b>455,956</b>	380,264	345,912	390,441	335,333
Contribution deficiency (excess)	\$ 3	\$ 3	\$ 3	\$ -	\$ -
Covered employee payroll	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Contributions as a percentage of covered employee payroll	<b>44.70%</b>	43.20%	37.01%	49.80%	45.00%

**Note to Schedule**

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumption used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	27 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	5% per year until the assumed retirement age.
Interest rate:	7.80%
Payroll growth:	None
Retirement age:	Earlier of: 1) age 50 with 7 years of credited service, 2) age 55 with 10 years of credited service for those hire before January 1, 2016, or age 50 and 10 years of credited service for those hired on or after January 1, 2016, or 3) 25 years of service, regardless of age.

Termination rates: See following table.

Disability rates: See following table. It is assumed that 75% of disablements and active members deaths are service related.

Mortality: RP-2000 Combine Healthy Mortality Table-Sex Distinct.

Age	Percent	
	Terminating during the year	Percent becoming disabled during the year
20	6.00%	0.07%
30	5.00%	0.11%
40	2.60%	0.19%
50	0.80%	0.51%

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.

Schedules of Investment Returns  
Pension Plans  
September 30, 2017

	General Plan				
	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	8.99%	9.55%	-2.32%	9.51%	10.92%
	Police Officers' Plan				
	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	11.32%	9.54%	-3.91%	9.66%	12.34%
	Firefighters' Plan				
	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	11.32%	9.21%	3.92%	9.69%	12.50%

**Note to Schedule**

The schedule will present ten years comparative data in the future. GASB 67 was implemented in fiscal year 2014.



**Other Postemployment Benefits Plan  
Year ended September 30, 2017**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
10/1/2015	-	\$ 409,863	\$ 409,863	0.0%	\$ 5,126,405	8.0%
10/1/2014	-	564,082	564,082	0.0%	4,956,792	11.4%
10/1/2013	-	533,953	533,953	0.0%	4,956,792	10.8%

**Schedule of Employer Contributions**

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2017	\$ 53,591	46.5%
9/30/2016	56,446	52.1%
9/30/2015	59,637	40.4%

Notes:

- 1) See Note 10 to the financial statements for detailed information on the City's OPEB Plan.

## **Supplementary Information**

## **NON-MAJOR GOVERNMENTAL FUND**

### **SPECIAL REVENUE FUND**

A Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The City maintains the following non-major Special Revenue Fund:

Community Development Block Grant Fund- to account for grant revenues received and expended to assist low to moderate income individuals with housing rehabilitation.

### **MAJOR GOVERNMENTAL CAPITAL PROJECTS FUND**

A Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The City maintains the following Capital Projects Fund:

Better Place Plan Fund- is used to account for revenues received from a discretionary surtax imposed to finance certain capital projects.

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual – Community Development Block Grant Fund  
Year ended September 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Miscellaneous	\$ 33	\$ 33	\$ 20	\$ (13)
<b>Expenditures</b>				
Current:				
Reserve for contingencies	38,230	38,230	-	38,230
<b>Net change in fund balances</b>	(38,197)	(38,197)	20	38,217
<b>Fund balances – beginning of year</b>	38,197	38,197	38,182	(15)
<b>Fund balances – end of year</b>	\$ -	\$ -	\$ 38,202	\$ 38,202

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Better Place Plan Fund  
Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 810,000	\$ 810,000	\$ 866,313	\$ 56,313
Intergovernmental	2,554,529	2,554,529	530,829	(2,023,700)
Miscellaneous	-	-	3,646	3,646
<b>Total revenues</b>	<b>3,364,529</b>	<b>3,364,529</b>	<b>1,400,788</b>	<b>(1,963,741)</b>
<b>Expenditures</b>				
Current:				
General government	716,709	716,709	199,784	516,925
Physical environment	452,908	452,908	223,894	229,014
Culture and recreation	1,974,463	2,286,560	1,150,725	1,135,835
Reserve for contingencies	188,947	488,462	-	488,462
Debt service:				
Principal retirement	337,983	337,983	337,981	2
Interest and fiscal charges	33,570	33,570	33,570	-
<b>Total expenditures</b>	<b>3,704,580</b>	<b>4,316,192</b>	<b>1,945,954</b>	<b>2,370,238</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(340,051)</b>	<b>(951,663)</b>	<b>(545,166)</b>	<b>406,497</b>
<b>Other financing sources (uses)</b>				
Transfers in	315,034	833,498	523,464	(310,034)
Transfers out	(168,756)	(28,126)	(28,126)	-
<b>Total other financing sources (uses)</b>	<b>146,278</b>	<b>805,372</b>	<b>495,338</b>	<b>(310,034)</b>
<b>Net change in fund balances</b>	<b>(193,773)</b>	<b>(146,291)</b>	<b>(49,828)</b>	<b>96,463</b>
<b>Fund balances – beginning of year</b>	<b>193,773</b>	<b>146,291</b>	<b>215,330</b>	<b>69,039</b>
<b>Fund balances – end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 165,502</b>	<b>\$ 165,502</b>

**Statistical Section**  
(unaudited)

## Statistical Section

This part of the City of Palatka comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>62</b>
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>66</b>
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	<b>70</b>
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>75</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
<b>Operating Information</b>	<b>77</b>
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Table 1  
City of Palatka, Florida

Net Position by Component - Last Ten Fiscal Years  
Fiscal Years Ending September 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$10,614,552	\$11,281,907	\$11,915,772	\$12,545,081	\$13,191,795	\$13,138,987	\$10,735,671	\$12,679,116	\$12,532,966	\$13,804,049
Restricted	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403	\$1,264,580	\$1,312,154
Unrestricted	\$1,693,797	\$1,303,783	\$1,301,177	\$1,968,903	\$2,029,287	\$2,724,277	\$1,557,819	-\$1,856,659	-\$3,030,254	-\$2,490,897
<b>Total Governmental Activities Net Position</b>	<b>\$13,745,608</b>	<b>\$14,178,626</b>	<b>\$14,345,344</b>	<b>\$15,090,686</b>	<b>\$15,731,558</b>	<b>\$16,265,263</b>	<b>\$12,800,601</b>	<b>\$11,446,860</b>	<b>\$10,767,292</b>	<b>\$12,625,306</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$15,276,203	\$23,384,736	\$31,509,858	\$32,510,103	\$38,156,884	\$38,728,555	\$37,150,342	\$37,721,799	\$37,456,909	\$36,415,452
Restricted	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972	\$328,594	\$330,609	\$334,897	\$334,285	\$334,196
Unrestricted	\$8,827,626	\$7,441,249	\$969,128	\$486,050	-\$222,895	-\$863,846	\$1,180,303	-\$439,062	-\$875,644	-\$403,255
<b>Total Business-Type Activities Net Position</b>	<b>\$24,896,537</b>	<b>\$31,636,469</b>	<b>\$32,998,190</b>	<b>\$33,382,940</b>	<b>\$38,261,961</b>	<b>\$38,193,303</b>	<b>\$38,661,254</b>	<b>\$37,617,634</b>	<b>\$36,915,550</b>	<b>\$36,346,393</b>
<b>Primary Government</b>										
Net Investment in Capital Assets	\$25,890,755	\$34,666,643	\$43,425,630	\$45,055,184	\$51,348,679	\$51,867,542	\$47,886,013	\$50,400,915	\$49,989,875	\$50,219,501
Restricted	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448	\$730,593	\$837,720	\$959,300	\$1,598,865	\$1,646,350
Unrestricted	\$10,521,423	\$8,745,032	\$2,270,305	\$2,454,953	\$1,806,392	\$1,860,431	\$2,738,122	-\$2,295,721	-\$3,905,898	-\$2,894,152
<b>Total Primary Government Net Position</b>	<b>\$38,642,145</b>	<b>\$45,815,095</b>	<b>\$47,343,534</b>	<b>\$48,473,626</b>	<b>\$53,993,519</b>	<b>\$54,458,566</b>	<b>\$51,461,855</b>	<b>\$49,064,494</b>	<b>\$47,682,842</b>	<b>\$48,971,699</b>



Table 2  
City of Palatka, Florida  
Changes in Net Position - Last Ten Fiscal Years  
Fiscal Years Ending September 30  
Fiscal Years Ending September 30 ---

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General Government	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179	\$2,192,293	\$507,929	\$1,901,557	\$2,008,770	\$1,828,406
Public Safety	\$6,210,601	\$6,005,490	\$5,968,153	\$5,611,920	\$5,336,015	\$5,467,142	\$6,117,513	\$7,279,129	\$7,380,867	\$7,015,197
Physical Environment	\$295,824	-	-	-	-	-	\$415,967	\$408,379	\$91,593	\$233,000
Transportation	\$973,566	\$1,129,653	\$697,212	\$681,907	\$577,407	\$511,114	\$573,372	\$115,762	\$505,409	\$861,820
Economic Environment	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709	\$92,509	\$121,398
Human Services	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327	\$151,906	\$174,967	\$178,223	\$78,523	\$37,322
Culture and Recreation	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572	\$427,004	\$1,288,402	\$383,685	\$479,185	\$348,255
Interest on Long-Term Debt	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904	\$155,598	\$67,579	\$61,641	\$56,534	\$46,948
<b>Total Governmental Activities Expenses</b>	<b>\$9,585,412</b>	<b>\$10,002,275</b>	<b>\$9,885,034</b>	<b>\$9,439,276</b>	<b>\$8,862,700</b>	<b>\$9,090,038</b>	<b>\$9,425,885</b>	<b>\$10,475,085</b>	<b>\$10,693,390</b>	<b>\$10,492,346</b>
Business-type Activities:										
Airport	\$1,127,150	\$1,273,476	\$1,593,744	\$1,627,231	\$1,626,167	\$1,672,638	\$1,868,470	\$1,490,532	\$1,433,879	\$1,563,492
Water	\$4,342,447	\$4,550,364	\$4,978,295	\$4,750,830	\$4,784,639	\$4,688,134	\$4,826,439	\$4,897,142	\$4,820,628	\$5,064,916
Golf	\$1,014,105	\$908,883	\$982,862	\$1,017,307	\$1,005,000	\$997,958	\$977,653	\$975,398	\$990,203	\$434,136
Sanitation	\$1,473,689	\$1,393,713	\$1,347,455	\$1,359,544	\$1,379,559	\$1,397,879	\$1,387,863	\$1,498,411	\$1,687,785	\$1,812,266
<b>Total Business-type Activities Expenses</b>	<b>\$7,957,391</b>	<b>\$8,126,436</b>	<b>\$8,902,356</b>	<b>\$8,754,912</b>	<b>\$8,795,365</b>	<b>\$8,756,609</b>	<b>\$9,060,425</b>	<b>\$8,861,483</b>	<b>\$8,932,495</b>	<b>\$8,874,810</b>
<b>Total Primary Government Expenses</b>	<b>\$17,542,803</b>	<b>\$18,128,711</b>	<b>\$18,787,390</b>	<b>\$18,194,188</b>	<b>\$17,658,065</b>	<b>\$17,846,647</b>	<b>\$18,486,310</b>	<b>\$19,336,568</b>	<b>\$19,625,885</b>	<b>\$19,367,156</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185	\$114,051	\$115,895	\$107,744	\$108,498	\$113,410
Public Safety	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578	\$608,594	\$1,106,771	\$1,015,140	\$855,598	\$1,129,789
Other	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434	\$198,826	\$210,064	\$199,565	\$153,721	\$149,957
Operating Grants and Contributions	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019	\$981,676	\$847,158	\$794,957	\$886,922	\$884,023
Capital Grants and Contributions	\$1,090,723	\$1,288,072	\$2,016,675	\$1,299,627	\$1,677,074	\$736,090	\$1,774,920	\$2,362,571	\$1,041,768	\$1,820,801
<b>Total Governmental Activities Program Revenues</b>	<b>\$2,329,954</b>	<b>\$3,016,522</b>	<b>\$3,941,134</b>	<b>\$3,302,841</b>	<b>\$3,110,290</b>	<b>\$2,639,237</b>	<b>\$4,054,808</b>	<b>\$4,479,977</b>	<b>\$3,046,507</b>	<b>\$4,097,980</b>
Business-type Activities:										
Charges for Services :										
Airport	\$709,468	\$572,594	\$704,750	\$895,300	\$851,615	\$895,597	\$787,233	\$781,847	\$723,767	\$808,116
Water	\$3,616,813	\$3,628,361	\$3,780,615	\$3,878,206	\$3,976,734	\$4,122,596	\$4,443,050	\$4,350,056	\$4,843,922	\$5,006,669
Golf	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578	\$701,468	\$720,410	\$704,846	\$665,847	\$178,198
Sanitation	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053	\$1,535,189	\$1,633,906	\$1,641,581	\$1,652,675	\$1,719,726
Operating Grants and Contributions	-	-	-	-	-	-	\$26,500	-	-	-
Capital Grants and Contributions	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111	\$1,521,529	\$426,812	\$1,724,898	\$361,721	\$820,508
<b>Total Business-type Activities Program Revenues</b>	<b>\$12,881,813</b>	<b>\$14,703,865</b>	<b>\$9,042,261</b>	<b>\$9,165,866</b>	<b>\$13,579,096</b>	<b>\$8,776,379</b>	<b>\$8,037,911</b>	<b>\$9,203,228</b>	<b>\$8,247,932</b>	<b>\$8,533,217</b>
<b>Total Primary Government Program Revenues</b>	<b>\$15,211,767</b>	<b>\$17,720,387</b>	<b>\$12,983,395</b>	<b>\$12,468,707</b>	<b>\$16,689,381</b>	<b>\$11,415,616</b>	<b>\$12,092,719</b>	<b>\$13,683,205</b>	<b>\$11,294,439</b>	<b>\$12,631,197</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(\$7,255,458)	(\$6,985,753)	(\$5,943,900)	(\$6,136,435)	(\$5,752,410)	(\$6,450,801)	(\$5,371,077)	(\$5,995,108)	(\$7,646,883)	(\$6,394,366)
Business-type Activities	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726	\$19,770	(\$1,022,514)	\$341,745	(\$684,563)	(\$341,593)
<b>Total Primary Government Net Expense</b>	<b>(\$2,331,036)</b>	<b>(\$408,324)</b>	<b>(\$5,803,995)</b>	<b>(\$5,725,481)</b>	<b>(\$968,684)</b>	<b>(\$6,431,031)</b>	<b>(\$6,393,591)</b>	<b>(\$5,653,363)</b>	<b>(\$8,331,446)</b>	<b>(\$6,735,959)</b>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$3,942,201	\$3,836,383	\$3,774,261	\$3,743,535	\$3,497,854	\$3,432,971	\$3,465,626	\$3,501,720	\$2,751,117	\$2,573,515
Sales Tax and Other State Shared Revenue	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613	\$783,678	\$786,686	\$794,451	\$836,379	\$875,598
Special Assessment-Fire Protection	-	-	-	-	-	-	-	-	\$948,803	\$1,653,302
Franchise Fees	\$898,638	\$931,985	\$879,660	\$886,166	\$662,190	\$904,958	\$810,331	\$837,391	\$813,569	\$799,700
Other Taxes	\$2,114,626	\$1,632,411	\$1,409,048	\$1,189,645	\$1,035,332	\$1,053,895	\$1,124,693	\$1,141,195	\$1,154,169	\$1,389,860
Investment Earnings	\$81,319	\$55,790	\$5,689	\$1,384	\$181	\$220	\$2,530	\$1,829	\$1,850	\$2,668
Contribution from component unit	-	-	-	-	-	-	\$300,000	\$300,000	\$250,000	\$159,210
Miscellaneous	\$50,031	\$31,900	\$60,637	\$149,036	\$83,791	\$595,182	\$123,286	\$115,964	\$120,432	\$90,106
Loss on sale of land	-	-	-	-	-	-	(\$3,078,218)	-	-	-
Transfers	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321	\$213,602	(\$1,628,519)	(\$19,536)	\$90,996	(\$68,790)
<b>Total Governmental Activities</b>	<b>\$8,163,151</b>	<b>\$7,418,771</b>	<b>\$6,110,618</b>	<b>\$6,881,777</b>	<b>\$6,393,282</b>	<b>\$6,984,506</b>	<b>\$1,906,415</b>	<b>\$6,673,014</b>	<b>\$6,967,315</b>	<b>\$7,475,169</b>
Business-type Activities:										
Investment Earnings	\$421,634	\$56,140	\$188,945	\$446	\$450	\$255	\$190	\$209	\$1,117	\$144
Gain on Sale of Assets	-	\$22,174	-	-	-	-	-	-	-	-
Miscellaneous	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166	\$124,919	\$47,126	\$101,196	\$72,358	\$84,426
Transfers	(\$212,910)	(\$126,527)	\$803,896	(\$175,000)	(\$352,321)	(\$213,602)	\$1,628,519	\$19,536	(\$90,996)	\$68,790
<b>Total Business-type Activities</b>	<b>\$329,891</b>	<b>\$162,503</b>	<b>\$1,221,816</b>	<b>(\$26,204)</b>	<b>\$95,295</b>	<b>(\$88,428)</b>	<b>\$1,675,835</b>	<b>\$120,941</b>	<b>(\$17,521)</b>	<b>\$153,360</b>
<b>Total Primary Government</b>	<b>\$8,493,042</b>	<b>\$7,581,274</b>	<b>\$7,332,434</b>	<b>\$6,855,573</b>	<b>\$6,488,577</b>	<b>\$6,896,078</b>	<b>\$3,582,250</b>	<b>\$6,793,955</b>	<b>\$6,949,794</b>	<b>\$7,628,529</b>
<b>Changes in Net Position</b>										
Governmental Activities	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872	\$533,705	(\$3,464,662)	\$677,906	(\$679,568)	\$1,080,803
Business-type Activities	\$5,254,313	\$6,739,932	\$1,361,721	\$384,750	\$4,879,021	(\$68,658)	\$653,321	\$462,686	(\$702,084)	(\$188,233)
<b>Total Primary Government</b>	<b>\$6,162,006</b>	<b>\$7,172,950</b>	<b>\$1,528,439</b>	<b>\$1,130,092</b>	<b>\$5,519,893</b>	<b>\$465,047</b>	<b>(\$2,811,341)</b>	<b>\$1,140,592</b>	<b>(\$1,381,652)</b>	<b>\$892,570</b>

Table 3  
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years  
Fiscal Years Ending September 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Fund</b>										
Nonspendable	-	-	-	\$867,346	\$1,296,287	\$1,749,044	\$292,927	\$292,927	\$292,927	\$292,927
Restricted	-	-	-	\$511,570	\$483,518	\$826,352	\$195,513	\$218,278	\$207,315	\$213,309
Committed	-	-	-	\$17,246	\$106,948	\$22,656	\$33,128	\$49,206	\$45,761	\$55,416
Assigned	-	-	-	\$107,416	-	-	-	-	-	-
Unassigned	-	-	-	\$858,214	\$608,254	\$834,968	\$848,005	\$1,060,435	\$1,379,763	\$1,365,670
Reserved	-	-	\$414,758	-	-	-	-	-	-	-
Unreserved	\$2,006,861	\$1,682,108	\$1,262,722	-	-	-	-	-	-	-
<b>Total General Fund</b>	<b><u>\$2,006,861</u></b>	<b><u>\$1,682,108</u></b>	<b><u>\$1,677,480</u></b>	<b><u>\$2,361,792</u></b>	<b><u>\$2,495,007</u></b>	<b><u>\$3,433,020</u></b>	<b><u>\$1,369,573</u></b>	<b><u>\$1,620,846</u></b>	<b><u>\$1,925,766</u></b>	<b><u>\$1,927,322</u></b>
<b>All Other Governmental Funds</b>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403	\$1,057,265	\$1,098,845
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-\$188,428	-\$968,571	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	\$1,437,259	\$1,592,936	\$1,128,395	-	-	-	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b><u>\$1,437,259</u></b>	<b><u>\$1,592,936</u></b>	<b><u>\$1,128,395</u></b>	<b><u>\$576,702</u></b>	<b><u>\$510,476</u></b>	<b><u>\$401,999</u></b>	<b><u>\$318,683</u></b>	<b><u>-\$344,168</u></b>	<b><u>\$1,057,265</u></b>	<b><u>\$1,098,845</u></b>

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

Source: Audited financial statements

Table 4  
City of Palatka, Florida

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$8,090,897	\$7,445,473	\$7,232,476	\$6,342,763	\$5,871,626	\$5,844,953	\$6,027,416	\$6,141,460	\$5,456,735	\$5,580,458
Permits, fees and special assessments	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887	\$990,001	\$961,392	\$1,076,832	\$1,915,657	\$2,621,392
Intergovernmental	\$1,521,038	\$2,124,532	\$2,914,885	\$2,050,177	\$2,029,005	\$1,185,395	\$998,824	\$1,636,665	\$2,102,242	\$1,513,660
Charges for Services	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738	\$245,095	\$276,570	\$295,691	\$212,004	\$180,804
Fines and Forfeitures	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623	\$427,324	\$838,313	\$630,674	\$597,665	\$884,679
Miscellaneous	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412	\$719,469	\$635,493	\$1,210,711	\$591,814	\$437,286
<b>Total Revenues</b>	<b>\$10,300,484</b>	<b>\$10,358,872</b>	<b>\$10,855,648</b>	<b>\$10,021,385</b>	<b>\$9,195,291</b>	<b>\$9,412,237</b>	<b>\$9,738,008</b>	<b>\$10,992,033</b>	<b>\$10,876,117</b>	<b>\$11,218,279</b>
<b>Expenditures</b>										
General Government	\$3,900,803	\$1,442,668	\$1,608,841	\$1,973,380	\$2,330,934	\$1,651,710	\$1,184,004	\$1,251,002	\$1,243,328	\$1,485,611
Public Safety	\$6,127,251	\$5,875,853	\$5,952,155	\$5,572,424	\$5,192,326	\$5,713,322	\$6,634,859	\$6,402,949	\$6,141,403	\$6,163,129
Physical Environment	\$295,824	-	-	-	-	-	\$415,967	\$404,042	\$85,925	\$233,000
Transportation	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073	\$486,426	\$553,104	\$477,959	\$474,693	\$814,121
Economic Environment	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709	\$92,509	\$121,398
Human Services	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296	\$142,233	\$164,899	\$178,712	\$78,256	\$33,753
Culture and Recreation	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756	\$449,550	\$1,253,442	\$2,361,161	\$553,865	\$1,672,744
Debt Service										
Principal Retirement	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468	\$335,816	\$534,892	\$488,900	\$534,247	\$592,062
Interest and Fiscal Charges	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483	\$155,598	\$67,579	\$61,641	\$56,534	\$46,948
<b>Total Expenditures</b>	<b>\$13,040,042</b>	<b>\$10,654,475</b>	<b>\$10,520,921</b>	<b>\$10,063,766</b>	<b>\$9,506,632</b>	<b>\$9,119,636</b>	<b>\$11,088,902</b>	<b>\$11,773,075</b>	<b>\$9,260,760</b>	<b>\$11,162,766</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(\$2,739,558)</b>	<b>(\$295,603)</b>	<b>\$334,727</b>	<b>(\$42,381)</b>	<b>(\$311,341)</b>	<b>\$292,601</b>	<b>(\$1,350,894)</b>	<b>(\$781,042)</b>	<b>\$1,615,357</b>	<b>\$55,513</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds From Borrowing	\$3,243,802	-	-	-	-	-	-	-	-	-
Capital Leases	-	-	-	-	\$26,009	\$300,000	\$520,700	\$389,000	-	\$56,413
Transfers In	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468	\$685,099	\$1,308,196	\$482,992	\$782,517	\$1,344,802
Transfers Out	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)	(\$471,497)	(\$2,936,715)	(\$502,528)	(\$691,521)	(\$1,413,592)
Debt Issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	(\$1,866,667)	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	\$1,890,000	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$3,456,712</b>	<b>\$126,527</b>	<b>-\$803,896</b>	<b>\$175,000</b>	<b>\$378,330</b>	<b>\$536,935</b>	<b>(\$1,107,819)</b>	<b>\$369,464</b>	<b>\$90,996</b>	<b>(\$12,377)</b>
<b>Special items</b>										
Proceeds from sale of land	-	-	-	-	-	-	\$311,950	-	-	-
<b>Total Special items</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$311,950</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Change in Fund Balances</b>	<b>\$717,154</b>	<b>(\$169,076)</b>	<b>(\$469,169)</b>	<b>\$132,619</b>	<b>\$66,989</b>	<b>\$829,536</b>	<b>(\$2,146,763)</b>	<b>(\$411,578)</b>	<b>\$1,706,353</b>	<b>\$43,136</b>
<b>Acquisitions of Capital Assets</b>	<b>\$3,359,965</b>	<b>\$1,021,747</b>	<b>\$1,051,693</b>	<b>\$1,165,834</b>	<b>\$1,157,811</b>	<b>\$245,613</b>	<b>\$2,137,099</b>	<b>\$2,856,864</b>	<b>\$467,291</b>	<b>\$1,627,247</b>
<b>Debt Service as a Percentage of Non-Capital Expenditures</b>	<b>7.06%</b>	<b>6.78%</b>	<b>5.99%</b>	<b>5.68%</b>	<b>5.75%</b>	<b>5.54%</b>	<b>6.73%</b>	<b>6.17%</b>	<b>6.72%</b>	<b>6.70%</b>

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, 2017

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY *		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	
2007-08	\$353,141,525	\$701,211,013	\$70,909,071	\$96,205,495	\$424,050,596	\$797,416,508	8.6500	53.18%
2008-09	\$362,073,552	\$741,200,986	\$71,887,265	\$95,849,300	\$433,960,817	\$837,050,286	10.6500	51.84%
2009-10	\$349,743,213	\$743,823,588	\$65,330,966	\$95,725,559	\$415,074,179	\$839,549,147	8.6500	49.44%
2010-11	\$350,826,549	\$745,957,201	\$61,172,680	\$93,443,957	\$411,999,229	\$839,401,158	8.6500	49.08%
2011-12	\$331,832,689	\$691,859,577	\$57,098,415	\$89,429,756	\$388,931,104	\$781,289,333	8.6500	49.78%
2012-13	\$309,467,179	\$631,505,080	\$54,838,730	\$86,657,926	\$364,305,909	\$718,163,006	9.1749	50.73%
2013-14	\$312,960,196	\$638,829,722	\$54,787,757	\$89,543,661	\$367,747,953	\$728,373,383	9.1749	50.49%
2014-15	\$318,343,135	\$645,989,098	\$54,579,756	\$97,774,215	\$372,922,891	\$743,763,313	9.1749	50.14%
2015-16	\$332,051,212	\$657,991,860	\$51,457,342	\$96,823,302	\$383,508,554	\$754,815,162	6.9967	50.81%
2016-17	\$351,896,928	\$689,357,447	\$58,333,154	\$100,594,145	\$410,230,082	\$789,951,592	6.4000	51.93%

\* 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, 2017

<b>Fiscal Year</b>	<b><u>Total Tax Levy</u></b>	<b><u>Current Tax Collections</u></b>	<b>Percent of <u>Levy</u></b>	<b><u>Delinquent Tax Collections</u></b>	<b><u>Total Tax Collections</u></b>	<b><u>% of Total Collections to Levy</u></b>
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
2011	\$3,579,471	\$3,466,313	0.9684	\$6,903	\$3,473,216	0.9703
2012	\$3,364,254	\$3,261,185	0.9694	\$9,432	\$3,270,617	0.9722
2013	\$3,345,632	\$3,244,766	0.9699	\$12,660	\$3,257,426	0.9736
2014	\$3,323,508	\$3,262,179	0.9815	\$5,509	\$3,267,687	0.9832
2015	\$3,409,963	\$3,309,868	0.9706	\$8,707	\$3,318,575	0.9732
2016	\$2,757,997	\$2,545,988	0.9231	\$16,112	\$2,562,101	0.9290
2017	\$2,679,105	\$2,370,771	0.8849	\$16,305	\$2,387,076	0.8910

Source: Putnam County Tax Collector

Table 7  
City of Palatka

Property Tax Rates - Direct and Overlapping Governments  
Last Ten Fiscal Years

Fiscal Year	City of Palatka			Putnam County			Schools				
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total Schools	Other	Total
2008	8.5000	0.0000	8.5000	8.5765	0.0000	8.5765	7.494	0.000	7.494	0.4158	24.986
2009	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.705	0.000	7.705	0.4158	25.347
2010	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.813	0.000	7.813	0.4158	25.455
2011	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.457	0.000	7.457	0.4158	25.099
2012	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759
2015	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.204	0.000	7.204	0.3164	25.595
2016	6.9967	0.0000	6.9967	9.0914	0.0000	9.0914	6.924	0.000	6.924	0.3023	23.314
2017	6.4000	0.0000	6.4000	9.8892	0.0000	9.8892	6.354	0.000	6.354	0.2724	22.916

Source: Florida Department of Revenue (Millage and Taxes Levied Report), Putnam County School District, St. Johns River Water Management District

Table 8  
City of Palatka, Florida

Principal Taxpayers  
Current and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2017</u>			<u>Fiscal Year 2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>
Putnam Community Medical Center	\$14,965,783	1	3.65%	\$17,644,643	1	4.07%
Wal-Mart Inc.	\$12,592,910	2	3.07%	\$12,117,859	2	2.79%
9520 Bonita Beach Road LLC	\$12,581,810	3	3.07%	-	-	-
Florida Power & Light	\$9,847,838	4	2.40%	\$7,421,996	7	1.71%
Revenue Properties Town & Countr	\$9,790,572	5	2.39%	\$9,090,929	3	2.09%
Lowe's Home Centers	\$7,737,870	6	1.89%	\$7,625,257	5	1.76%
Home Depot	\$7,065,940	7	1.72%	\$7,579,671	6	1.75%
FWI 5 LLC	\$4,438,704	8	1.08%	\$4,677,086	9	1.08%
SHP Hospitality	\$4,421,690	9	1.08%	-	-	-
Palatka Mall LLC	\$3,950,110	10	0.96%	\$4,518,067	10	1.04%
Bellsouth Telecommunications	-	-	-	\$8,128,837	4	1.87%
Southern Medical Associates, Inc.	-	-	-	\$5,862,484	8	1.35%
<b>Total</b>	<b>\$87,393,227</b>		<b>21.30%</b>	<b>\$84,666,829</b>		<b>19.51%</b>

Source: Putnam County Property Appraiser

Table 9  
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years  
September 30, 2017

<b>Fiscal year</b>	<b>Tax Increment Bond</b>	<b>Road Improvement Bond</b>	<b>Total</b>	<b>Net GBD to Personal Income</b>	<b>Net GBD Per Capita</b>
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
2011	\$0	\$0	\$0	0.00%	\$0
2012	\$0	\$0	\$0	0.00%	\$0
2013	\$0	\$0	\$0	0.00%	\$0
2014	\$0	\$0	\$0	0.00%	\$0
2015	\$0	\$0	\$0	0.00%	\$0
2016	\$0	\$0	\$0	0.00%	\$0
2017	\$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, 2017

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  
Governmental Activities Debt  
September 30, 2017

Governmental Unit	Debt Outstanding	Percentag e Applicable	Estimated Share of Overlapping Debt
<b>Debt repaid with non-ad valorem taxes</b>			
Putnam County Board of County Commissioners			
Communications Improvements	\$312,722	15.46%	\$48,350
MSBU Special Assessments	\$138,836	15.46%	\$21,465
<b>Debt repaid with sales surtax revenue</b>			
Putnam County Board of County Commissioners			
Better Place Plan	\$570,000	0.00%	\$0
Better Place Plan	\$415,000	0.00%	\$0
<b>Debt repaid with 1/2 cent sales tax</b>			
Putnam County Board of County Commissioners			
USDA-Jail	\$8,884,000	0.00%	\$3
USDA-Jail	\$8,849,700	0.00%	\$3
<b>Subtotal, overlapping debt</b>			\$69,821
<b>City direct debt</b>			\$1,555,466
<b>Total direct and overlapping debt</b>			\$1,625,287

Source: Putnam County Board of County Commissioners

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Palatka. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

\* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

For debt repaid with non-ad valorem taxes, the percentage of overlapping debt applicable is estimated using the total personal income (per capita income x population) of the City divided by the total personal income of Putnam County

For debt repaid with sales surtax revenues, the percentage of overlapping debt applicable is estimated using the total amount of local infrastructure surtax revenues received by the City divided by the total amount of local infrastructure surtax revenues received by Putnam County

For debt repaid with 1/2 cent sales revenues, the percentage of overlapping debt applicable is estimated using the total amount of 1/2 cent sales tax revenues received by the City divided by the total amount of 1/2 cent sales tax revenues received by Putnam County

Table 12  
City of Palatka, Florida

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

<b>Governmental Activities-----</b>				<b>Business Type Activities-----</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income(1)</b>	<b>Outstanding Debt Per Capita(1)</b>
<b>Fiscal Year</b>	<b>Loans/Notes Payable</b>	<b>Revenue Bonds</b>	<b>Capital Leases</b>	<b>Loans/Notes Payable</b>	<b>Revenue Bonds</b>	<b>Capital Leases</b>			
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	9.28%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.72%	\$1,763
2011	\$3,056,396	-	-	\$7,761,469	\$7,346,458	-	\$18,164,323	6.43%	\$1,720
2012	\$2,728,652	-	\$23,285	\$7,138,784	\$7,213,044	\$20,260	\$17,124,025	6.34%	\$1,678
2013	\$2,424,226	-	\$315,228	\$6,734,477	\$7,074,630	\$177,382	\$16,725,943	6.19%	\$1,635
2014	\$1,957,098	-	\$768,164	\$6,257,284	\$7,105,000	\$397,875	\$16,485,421	5.79%	\$1,589
2015	\$1,636,778	-	\$988,584	\$5,760,423	\$6,950,000	\$624,217	\$15,960,002	5.38%	\$1,532
2016	\$1,307,202	-	\$783,913	\$5,258,825	\$6,790,000	\$527,933	\$14,667,873	4.77%	\$1,391
2017	\$696,221	-	\$586,245	\$4,750,125	\$6,620,000	\$802,487	\$13,455,078	4.24%	\$1,262

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					
	Loans/Notes Payable	Less	Net	Debt Service			Utility Gross Revenues	Less	Net	Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Operating Expenses	Available Revenue	Principal	Interest	Coverage
2008	\$711,499	\$751,145	(\$39,646)	\$13,551	\$1,257	-267.73%	\$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	-67.35%	\$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	-58.97%	\$3,886,540	\$3,024,702	\$861,838	\$18,876,104	\$951,673	4.35%
2011	\$919,491	\$855,822	\$63,669	\$133,333	\$91,056	28.37%	\$3,889,028	\$2,915,779	\$973,249	\$1,349,230	\$482,845	53.12%
2012	\$865,806	\$858,383	\$7,423	\$133,333	\$84,282	3.41%	\$4,018,770	\$2,991,037	\$1,027,733	\$372,266	\$443,637	125.96%
2013	\$907,406	\$856,688	\$50,718	\$1,526,668	\$81,774	3.15%	\$4,133,555	\$3,126,815	\$1,006,740	\$382,662	\$429,950	123.89%
2014	\$800,752	\$763,727	\$37,025	\$143,000	\$39,490	20.29%	\$4,445,938	\$3,153,100	\$1,292,838	\$393,193	\$421,220	158.74%
2015	\$815,512	\$759,361	\$56,151	\$136,000	\$35,211	32.80%	\$4,389,299	\$3,366,342	\$1,022,957	\$398,861	\$412,073	126.15%
2016	\$731,026	\$694,973	\$36,053	\$129,000	\$31,166	22.51%	\$4,854,320	\$3,263,396	\$1,590,924	\$410,598	\$402,179	195.74%
2017	\$811,406	\$804,190	\$7,216	\$127,000	\$27,290	4.68%	\$5,033,528	\$3,949,525	\$1,084,003	\$424,700	\$389,195	133.19%

Fiscal Year	Golf Revenue Bonds						Infrastructure Surtax Revenue Note			
	Golf Gross Revenues	Less	Net	Debt Service			Sales Surtax	Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Principal	Interest	Coverage
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-107.88%	\$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%
2011	\$613,217	\$845,986	(\$232,769)	\$79,366	\$102,778	-127.79%	\$676,948	\$266,667	\$138,400	167.12%
2012	\$593,718	\$838,545	(\$244,827)	\$141,804	\$97,560	-102.28%	\$683,697	\$266,667	\$124,560	174.76%
2013	\$702,153	\$829,833	(\$127,680)	\$1,400,989	\$96,895	-8.52%	\$699,302	\$2,133,334	\$133,651	30.85%
2014	\$724,954	\$846,859	(\$121,905)	\$96,000	\$56,372	-80.00%	\$733,349	\$411,000	\$43,096	161.50%
2015	\$717,547	\$856,783	(\$139,236)	\$117,000	\$51,999	-82.39%	\$773,912	\$262,000	\$33,217	262.15%
2016	\$680,937	\$880,507	(\$199,570)	\$122,000	\$46,984	-118.10%	\$833,084	\$269,000	\$27,013	281.43%
2017	\$223,655	\$329,668	(\$106,013)	\$127,000	\$41,756	-62.82%	\$866,313	\$275,000	\$20,157	293.51%

Source: Finance department, audited financial statements

Table 14  
City of Palatka, Florida

Demographic Statistics  
Last Ten Fiscal Years  
September 30, 2017

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income(million of dollars) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>School (4) Enrollment</b>	<b>Unemployment Rate (5)</b>
2008	11,264	\$297	\$25,651	4101	8.4%
2009	11,133	\$292	\$25,319	4768	12.1%
2010	10,926	\$302	\$26,233	4860	12.5%
2011	10,558	\$297	\$26,760	5642	11.9%
2012	10,203	\$291	\$26,481	5585	11.0%
2013	10,230	\$297	\$26,411	4888	8.9%
2014	10,377	\$285	\$27,439	4959	8.1%
2015	10,418	\$297	\$28,501	5096	7.0%
2016	10,548	\$305	\$29,182	5043	6.0%
2017	10,662	\$317	\$29,766	5460	5.3%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2007-2010, 2012-2016), 2010 Census (2011)
- (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 2007 - 2016 are based on per capita personal income data.  
Figures from 2017 are projected estimates based on trend analysis calculations.
- (4) Putnam County School District
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15  
City of Palatka, Florida

Principal Employers  
Current and Nine Years Ago

<b>Employer</b>	<b>Fiscal Year 2017</b>			<b>Fiscal Year 2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Putnam County School District	974	1	18.27%	870	1	15.45%
St. Johns River State College	503	2	9.44%	225	6	4.00%
Putnam Community Medical Center, LLC	458	3	8.59%	533	4	9.46%
St Johns River Water Management District	420	4	7.88%	686	2	12.18%
Walmart Supercenter	404	5	7.58%	523	5	9.29%
Putnam County Board of County Commissioners	308	6	5.78%	656	3	11.65%
Palatka Healthcare Center	225	7	4.22%	-		-
Putnam County Sheriff's Office	173	8	3.25%	-		-
City of Palatka	148	9	2.78%	181	7	3.21%
Publix Super Market	114	10	2.14%	120	9	2.13%
Lowes Home Center, Inc.	107	11	2.01%	121	8	2.15%
Home Depot USA, Inc.	96	12	1.80%	88	10	1.56%
<b>Total</b>	<b>3,930</b>		<b>73.72%</b>	<b>3,133</b>		<b>71.08%</b>

Note: Percentages were derived from 50% of population of the City of Palatka  
Source: Individual employers, Chamber of Commerce, Career Source of Northeast Florida

Table 16  
City of Palatka, Florida

Operating Indicators by Function/Program  
Last Ten Fiscal Years

<b>Function/Program</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<b>General Government:</b>										
Building permits issued	621	80	596	618	595	583	561	497	543	814
Building inspections conducted	1543	1499	1359	1360	1257	898	913	994	1,415	2,060
Code enforcements	311	701	200	165	184	214	150	88	12	140
Occupational license issued	1013	1258	1092	1220	1078	675	239	866	710	830
<b>Police:</b>										
Calls for service	31,933	31,264	34,559	29,847	32,709	30,616	30,595	29,946	23,586	19,490
Physical arrests	1,798	1,450	1,528	1,119	1,047	788	788	784	617	497
Citations	1,217	1,269	2,060	1,616	1,660	1,470	1,904	1,294	656	317
<b>Fire:</b>										
Emergency responses	2,590	2,610	2,412	2,687	2,498	2,173	2,142	2,128	2,967	3,125
Fires extinguished	457	538	98	10	41	125	374	398	58	63
<b>Refuse collection:</b>										
Customers	4,935	3,469	3,850	3,819	3,869	3,827	3,867	3,873	3,914	3,997
<b>Other public works:</b>										
Street resurfaced (miles)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Potholes repaired	98	100	100	110	58	63	65	40	16	128
<b>Parks and recreation:</b>										
Community center rentals	142	147	197	58	83	129	65	72	63	141
<b>Human Services:</b>										
Interments	133	103	146	122	107	117	79	111	97	99
<b>Water:</b>										
Water main breaks	16	10	7	16	7	26	64	107	269	292
Average daily consumption (thousands of gallons)	2,229	2,030	2,000	2,044	1,811	1,684	1,706	1,728	1,654	1,316
Peak daily consumption (thousands of gallons)	2,997	2,870	2,720	2,757	2,908	2,139	2,634	2,420	2,278	1,726
<b>Wastewater:</b>										
Average daily treatment (thousands of gallons)	2,500	2,500	1,940	1,490	2,040	1,540	1,700	1,500	1,330	1,429
<b>Airport:</b>										
Rentals-T Hangars	49	54	54	54	54	54	55	55	64	64
Building	1	1	1	1	1	2	2	2	2	1
Land leases	1	1	1	1	1	1	1	1	1	1
Commercial Hangars	3	3	3	3	3	3	3	3	3	3
Executive Hangars	2	2	3	3	3	3	3	3	4	4

Source: Departments of the city

Table 17  
City of Palatka, Florida

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

<b><u>Function/Program</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Police:										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol units	24	22	22	24	24	22	21	21	22	22
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Firefighters	20	23	23	23	23	23	23	23	23	22
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	60.00	60.00	60.00	71.80
Traffic signals	22	22	22	22	21	21	12	12	39	33
Parks and Recreation:										
Acreage	24.26	24.26	24.26	24.26	26.67	26.67	45.36	45.36	45.36	45.36
Playgrounds	10	10	10	10	10	10	5	5	7	10
Baseball/softball diamonds	5	5	5	5	5	5	4	4	3	4
Community Centers	1	1	1	1	1	1	2	2	2	2
Water:										
Water mains (miles)	106	106	108	108	108	108	108	108	112	108
Fire hydrants	565	570	578	578	578	578	581	581	543	560
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)	80	80	80	80	80	80	80	80	70	80
Storm sewers (miles)	60	60	60	60	60	60	61	61	61	61
Treatment capacity(millions of gals.)	1,095	1,095	1,278	1,278	1,278	1,278	6,000	6,000	6,000	6,000
Golf Courses:										
Acreage	99	99	99	99	99	99	124	124	124	124
Airports:										
Runways	3	3	3	3	3	3	2	2	2	2

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>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Government</b>										
General Administration	8	9	8	8	8	8	8	8	7	9
Attorney	1	1	1	1	1	0.5	0.5	0.5	0.5	0.5
Mainstreet	0	1	0	1	1	1	1	1	0	0
Information Technology	0	0	0	0	0	1	1	1	1	0
Facilities Maintenance	0	0	0	0	0	1	1	1	1	1
<b>Public Safety</b>										
Building & Zoning	6	4	5	4	4	4	4.5	4	4	3
Police Officers	39	37	36	34	35	34	36	36	33	34
Police Clerical	7	6	6	7	7	6.5	6.5	6.5	6.5	6
Code Enforcement	1	1	1	1	1	1	1	1.5	1.5	1.5
Firefighters	20	23	23	23	23	23.5	23.5	23.5	23.5	22.5
<b>Transportation</b>										
Streets	7	6	6	6	6	6	6	6	6	9.5
<b>Human Services</b>										
Cemeteries	5	4	3	2	2	2	2	3	0	0
Culture/Recreation	7	8	7	5	5	5	6	3.5	2.5	1
<b>Business Type Activities:</b>										
Airport	4	3	3	2	3	3	3	3	3	3.5
Water	37	33	33	31	32	32	30	33	30.5	28
Golf	9	8	0	0	0	0	0	0	0	0
Sanitation	19	16	14	14	13	17	14	17	17.5	16

Source: City of Palatka Personnel Department

## 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, 2017, and have issued our report thereon dated October 1, 2018. That report should be considered in conjunction with this management letter.

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. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings and Questioned Cost that accompanies this letter.

### ***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(8). 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, we noted as of September 30, 2017, the enterprise funds had approximately \$403,000 aggregate deficit in unrestricted net position, most of which is due to net pension liability associated with the implementation of the GASB 68 standard. At September 30, 2017 there are sufficient unassigned/unrestricted resources in other funds to cover the aggregate unassigned/unrestricted deficits. However, continued use of General Fund available resources

to subsidize enterprise operations strains the general operating reserves of the City, The City should continue to build reserves. We noted that the general operating reserves of the City for 2017 are approximately 90% of the recommended minimum level (two months coverage of the estimated following year's normal operating expenditures).

***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, 2017, 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, 2017.

***Other Matters***

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

The purpose of this management letter is solely to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose.

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.

*Carri Riggs & Ingram, L.L.C.*

Palatka, Florida  
October 1, 2018



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

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiencies described in the accompanying schedule of findings as items 2017-001 and 2017-003 through 2017-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings as item 2017-002 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **The City's Response to Finding**

The City's response to the findings identified in our audit is described in its accompanying letter of response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carri Riggs & Ingram, L.L.C.*

Palatka, Florida  
October 1, 2018



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

We have examined the City of Palatka, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

Palatka, Florida  
October 1, 2018

Schedule of Expenditures of Federal Awards  
Year ended September 30, 2017

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures	Expenditures to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>				
Passed through Florida Department of Economic Opportunity Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii	14.228	C04	\$ 304,303	\$ -
<b>U.S. Department of Justice</b>				
Passed through Office of Attorney General				
Crime Victim Assistance	16.575	VOCA-2016-Palatka Police Department-00905	26,767	-
Passed through Florida Department of Law Enforcement Edward Byrne Justice Memorial Assistance Grant Program	16.738	2017-JAGC-PUTN-5-F9-123	18,095	-
<b>U.S. Department of Transportation</b>				
FAA Airport Improvement Program	20.106	G0P04	29	-
FAA Airport Improvement Program	20.106	3-12-0061-026-2016	371,817	-
Program total			371,846	-
Passed through Florida Department of Transportation				
Highway Planning and Construction Cluster	20.205	41057219490	773	-
Highway Planning and Construction Cluster	20.205	41057229401	270,680	-
Program total			271,453	-
<b>U.S. Environmental Protection Agency</b>				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF- 00D32715	223,894	-
Total expenditures of federal awards			\$ 1,216,358	\$ -

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Account Policies

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized when they become a demand on current available financial resources. Expenditures on contracts dated before or on December 26, 2014 are recognized following the cost principles in OMB Circular A-133, and expenditures on all subsequent contracts are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The City has elected not to use the 10% de minimis indirect cost rate as outlined in the Uniform Guidance.

Note 4. Subrecipients

The City did not provide federal awards to subrecipients.

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

### **Report on Compliance for Each Major Federal Program**

We have audited City of Palatka, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, and the Uniform Guidance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.



### ***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as item 2017-008. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City of Palatka, Florida's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 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 will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Caru, Riggs & Ingram, L.L.C.*

Palatka, Florida  
October 1, 2018

Schedule of Findings and Questioned Costs

Part I – Summary of Auditor’s Results

1. The independent auditor’s report on the financial statements expressed unmodified opinions.
2. The audit reported material weaknesses and a significant deficiency in internal control over financial reporting.
3. The audit did not disclose any noncompliance considered material to the financial statements.
4. The audit did not report any significant deficiencies in internal control over compliance with requirements applicable to the major federal award programs.
5. The auditors’ report on compliance for each major federal award program expressed an unmodified opinion.
6. The audit disclosed a finding relative to a major federal award program.
7. The City’s major federal programs were:

<u>Federal Programs</u>	<u>Federal CFDA Number</u>
FAA Airport Improvement Program	20.106
Brownfields Assessment and Cleanup Cooperative Agreements	66.818

8. A threshold of \$750,000 was used to distinguish between Type A and Type B federal programs.
9. The City did not qualify as a low risk auditee as that term is defined by the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

**2017-001** (Reported in previous audit report as item 2016-001 and 2015-001.)  
**Criteria:** Financial statements must be presented in accordance with generally accepted accounting principles.

**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.

**Cause:** Certain unavailable revenues were recognized as revenue rather than deferred. Also, lease proceeds were recorded as revenue, rather than long-term liabilities in the proprietary funds. And accrued payroll was not accurately stated in the general ledger.

## Schedule of Findings and Questioned Costs

Personnel required assistance to prepare financial statements, including notes, in accordance with generally accepted accounting principles.

**Effect:** Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting practices.

**Recommendation:** The City should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process to ensure all material adjustments are included in the year-end close-out.

**Views of responsible officials:** See accompanying corrective action plan .

### 2017-002

(Reported in previous audit report as item 2016-003.)

**Criteria:** City procedures require time records to be evidenced with signatures to certify hours worked by the employee and approval by the supervisor.

**Condition:** Timesheets for two employees were not signed by the employees and two other timesheets were not approved by supervisors.

**Cause:** Established procedures are not consistently followed.

**Effect:** Records to evidence time are incomplete.

**Recommendation:** We recommend that the City follow the established internal control process that require signatures prior to the distribution process.

**Views of responsible officials:** See accompanying corrective action plan .

### 2017-003

**Criteria** – Bank reconciliations should be reviewed by someone other than the preparer and signed or initialed to evidence that review and approval.

**Condition** – The September and October 2017 bank reconciliations did not show evidence of review and approval of the reconciliations.

**Cause** – Personnel were not available to review due to management changes.

**Effect** – Issues in the reconciliations may not be detected timely.

**Recommendation** – We recommend that someone other than the preparer review the bank reconciliations to evidence review and approval.

**Views of responsible officials:** See accompanying corrective action plan .

## Schedule of Findings and Questioned Costs

### 2017-004

**Criteria:** City procedures require that someone other than the individual processing payroll should compare the payroll reports to the printed checks and direct deposit stubs. In addition, that independent review should be documented by initial or signature.

**Condition:** There was not always evidence of consistent independent review by someone outside the payroll process. For 5 pay periods, the payroll journal/check register was mark with checkmarks, indicating some form of review, however, there were no initials indicating who reviewed the report. For a separate pay period, the review was performed after the checks were released.

**Cause:** City procedures did not require documentation to evidence review.

**Effect:** Issues in payroll processing may not be detected timely.

**Recommendation:** Review of the payroll reports compared to the pay checks or direct deposit stubs should be performed and include evidence of review prior to distribution of the checks.

**Views of responsible officials:** See accompanying corrective action plan .

### 2017-005

**Criteria:** The capital asset system in ADG produces Error Summary for Depreciation Edit reports to identify any exceptions. This report should be reviewed to determine disposition of said exceptions.

**Condition:** Prior to fiscal year ending September 30, 2017, adjustments were not made to resolve the exceptions.

**Cause:** Procedures were not in place to adequately monitor the exception reports.

**Effect:** A material prior period restatement to correct depreciation was required as of October 1, 2016.

**Recommendation:** Implement control procedures to ensure review of the exception reports and determine proper disposition.

**Views of responsible officials:** See accompanying corrective action plan.

### 2017-006

**Criteria:** City of Palatka Code of Ordinances, Article II, Section 166(b) and 168 allow for the City to assign collection, accounting, and tracking of certain City functions to the Palatka Gas Authority, and for the Authority to transfer such collections monthly to the City, in addition to providing reports of such activities at such times and detail as

## Schedule of Findings and Questioned Costs

required by the City. In May 2017 the City exercised that assignment with regard to the City's utility billings and collections. Prior to that date, the City performed the billings and collections process in-house.

**Condition:** We did not see evidence that the City implemented controls to ensure the information provided to and received from the Authority was regularly reviewed by the City for accuracy and completeness. Also, for two selected billing transactions, the supporting documentation prior to May 2017 was not available to trace collection and to observe adjustment report for those selected items.

**Cause:** The City relied on the Authority to ensure the amounts billed are accurate and complete. Relevant to unavailable documentation prior to May 2017, the deposit information was in batch only, and adjustment reports were in storage.

**Effect:** Errors, if any, may not be detected timely.

**Recommendation:** We recommend that the City develop and implement review procedures over the utility billing and collections information provided to and obtained from the Authority. We also recommend that in the future, detail supporting documentation be retained for independent audit.

**Views of responsible officials:** See accompanying corrective action plan.

### 2017-007

**Criteria** – All manual journal entries to the accounting records should be reviewed and approved by someone other than the preparer.

**Condition** – We noted that at least three manual journal entries prepared by the previous finance director did not have evidence of independent review. Those entries were for \$38,462 to remove accounts payable, \$38,710 to adjust cash balance forward accounts and \$39,254 to correct expense accounts. In addition, we did not see evidence that the journal entry write-off of Golf inventory was approved, by personnel authorized to execute the Golf franchise agreement in Resolution 2016-12-12.

**Cause** – Procedures to document review of journal entries by other appropriate personnel were not followed.

**Effect** – Errors, if any, may not be detected timely.

**Recommendation** – We recommend that the City follow established controls over the journal entry process.

**Views of responsible officials:** See accompanying corrective action plan.

Schedule of Findings and Questioned Costs

SECTION III – FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

**2017-008 Federal Award Reporting Requirement  
Brownfields Assessment and Cleanup Cooperative Agreements- CFDA Number 66.818,  
Contract BF-00D32715, 2015, Environmental Protection Agency  
Questioned costs - none**

**Criteria:** The grant agreement for the Brownfields Assessment and Cleanup program, CFDA 66.818, requires quarterly reports to be completed and submitted to the EPA no later than 30 days after the end of the reporting period.

**Condition:** The quarterly report required to be submitted by August 1, 2017 was not submitted to the grantor until September 8, 2017.

**Cause:** Reporting requirements were not sufficiently monitored to prevent missing the reporting deadline.

**Effect:** Noncompliance with grant reporting requirements.

**Recommendation:** We recommend monitoring of the grant reports on a regular basis to ensure the quarterly report is submitted timely in accordance with grant requirements.

**Views of responsible officials:** See accompanying corrective action plan .

**Summary Schedule of Prior Audit Findings  
For the Year ended September 30, 2017**

The following were audit findings in the auditors' report for the year ended September 30, 2016

**2016-001** (Reported in previous audit report as item 2015-001.)

**Condition:** As part of the audit process, we proposed material adjustments to 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 practices.

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

**Followup:** This finding is repeated as item 2017-001.

**2016-002** (Reported in previous audit report as item 2015-003.)

**Condition:** Bank balances at September 30, 2016 were not completely reconciled to the general ledger.

**Recommendation:** Ensure that bank accounts are completely and timely reconciled each month.

**Followup:** This finding was corrected as of September 30, 2017.

**2016-003** (Reported in previous audit report as item 2015-003.)

**Condition:** Timesheets for some employees are not always signed by the employees and supervisors.

**Recommendation:** All timesheets should be signed by the employee to certify hours worked and by the supervisor to document approval.

**Followup:** This finding is repeated as item 2017-002.



**TERRILL HILL**  
MAYOR-COMMISSIONER

**MARY LAWSON BROWN**  
VICE MAYOR –  
COMMISSIONER

**RUFUS J. BOROM**  
COMMISSIONER

**JUSTIN R. CAMPBELL**  
COMMISSIONER

**TAMMIE M. WILLIAMS**  
COMMISSIONER



**BETSY JORDAN DRIGGERS**  
INTERIM CITY  
MANAGER/CLERK

**LOGAN B. BECKER**  
FINANCE DIRECTOR

**JASON SHAW**  
CHIEF OF POLICE

**KEITH 'JR' GRIMES**  
CHIEF FIRE DEPT.

**DONALD E. HOLMES**  
CITY ATTORNEY

Regular meeting 2<sup>nd</sup> and 4<sup>th</sup> Thursdays each month at 6:00 p.m.

October 1, 2018

The Honorable Sherill F. Norman  
Florida Auditor General  
P.O. Box 1735  
Tallahassee, FL 32302

Dear Mrs. Norman:

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, 2017.

2017-001     *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.

*Recommendation* – The City should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

*Resolution* – The City will consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process in order to resolve this condition in future years. This evaluate process will be completed by March 2019.

2017-002     *Condition* – Timesheets for two employees were not signed by the employees and two other timesheets were not approved by supervisors.

*Recommendation* – We recommend that the City follow the established internal control process the require signatures prior to the distribution process.

*Resolution* – The City has adjusted the payroll process so that pay will reverted from direct deposit to a payroll checks and these will not be distributed to employees who have not reviewed and verified their timesheets by signing them.

- 2017-003      *Condition* – The September and October 2017 bank reconciliations did not show evidence of review and approval of reconciliations.
- Recommendation* – We recommend that someone other than the preparer review the bank reconciliations to evidence review and approval.
- Resolution* – Accounting Supervisor or Finance Director will review the bank reconciliations and evidence approval by signing each bank reconciliation beginning with those of October 2018.
- 2017-004      *Condition* – There was not always evidence of consistent independent review by someone outside the payroll process.
- Recommendation* – Review of the payroll reports compared to the pay checks or direct deposit stubs should be performed and include evidence of review prior to distribution of the checks.
- Resolution* – The check register which lists both checks and direct deposits stubs will be compared against the payroll journal by the Finance Director or designee prior to the distribution of the checks. The payroll journal and the check register will be signed by the Finance Director or designee to evidence the review. This revised process will be implemented October 2018.
- 2017-005      *Condition* – The capital asset system in ADG produces Error Summary for Depreciation Edit reports to identify any exceptions. Prior to fiscal year ending September 30, 2017, adjustments were not made to resolve the exceptions.
- Recommendation* – Implement control procedures to ensure review of the exception reports and determine proper disposition.
- Resolution* –The Finance Director will sign the Error Summary report issued from the capital asset system in ADG to identify adjustment to be made and evidence the review. Any adjustments necessary will also be signed by the Finance Director as evidence of the adjustments made. This will be implemented with the fiscal 2017-2018 depreciation process.
- 2017-006      *Condition* – We did not see evidence that the City implemented controls to ensure the information provided to and received from the Authority was regularly reviewed by the City for accuracy and completeness. Also, for two selected billing transactions, the supporting documentation prior to May 2017 was not available to trace collection and to observe adjustment report for those selected items.

*Recommendation* – We recommend that the City develop and implement review procedures over the utility billing and collections information provided to and obtained from the Authority. We also recommend that in the future, detail supporting documentation be retained for independent audit.

*Resolution* – The Finance Director along with the Director of Public Works will develop and implement review procedures over the utility billing and collections information provided to and obtained from the Gas Authority. This review procedure will begin by January 2019 and it will include detailed supporting documentation to be retained for independent audit.

2017-007 *Condition* – We noted that at least three manual journal entries prepared by the previous finance director did not have evidence of independent review. In addition, we did not see evidence that the journal entry write-off of Golf inventory was approved, by personnel authorized to execute the Golf franchise agreement in Resolution 2016-12-12.

*Recommendation* – We recommend that the City follow established controls over the journal entry process.

*Resolution* – The Finance Department will immediately begin to follow established controls over the journal entry process when preparing manual journal entries.

2017-008 *Condition* – The quarterly report required to be submitted by August 1, 2017 was not submitted to the grantor until September 8, 2017.

*Recommendation* – We recommend monitoring of the grant reports on a regular basis to ensure the quarterly report is submitted timely in accordance with grant requirements.

*Resolution* – The Finance Director will begin immediately to have quarterly meetings with the grants administrator to review grant report submissions to ensure more timely submittals.

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

Sincerely,



Logan B. Becker  
Finance Director