

City of Palatka, Florida

Comprehensive Annual Financial Report

For the Year Ended September 30, 2016

**PREPARED BY:
MATTHEW D. REYNOLDS
FINANCE DIRECTOR**

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September 30, 2016**

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TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE M. WILLIAMS
COMMISSIONER



CITY of Palatka
FLORIDA

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

TERRY K. SUGGS
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

JASON L. SHAW, SR.
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

May 31, 2017

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, 2016.

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 xvi.

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 10,548 residents by providing a full range of municipal services including General Administration, Public Safety, Planning and Zoning and Community Enrichment and Development. In addition, the City operates a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility systems. The Palatka Downtown Redevelopment Agency, and the Palatka Gas Authority are considered component units of the City, and the City is financially accountable for them.

**THE REPORTING ENTITY
(Concluded)**

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

ECONOMIC CONDITION

Palatka's population is 10,548 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2016. 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 2016-17, the City proposed a General Fund operating budget that was .84% more than the previous year increasing from \$8.947 million to \$9.022 million. The City is currently in year two (2) of implementing a fire service special assessment that resulted in revenues of \$948,803 in FY2016. The millage rate was lowered for the second consecutive year from 6.9967 to 6.4000. 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 decreased from \$250,000 in FY2015-16 to \$158,152 in FY2016-17 to reflect the restructuring of the annual transfers from the enterprise funds to mirror the same formula used for franchise fees, 5.9% of gross revenues. Capital expenditures of approximately \$140,000 were included in the FY2016-17 budget; however they were smaller in nature and spread across various departments such as Information Technology, Police, and Cemetery. Operating budgets were scrutinized again as in past years, however the City was able to give a 5% cost of living increase to all of its employees.

Taxable value decreased by 0.06%; however with the inclusion of the special assessment for fire protection services on the annual tax bill, the estimated collection rate was increased from the prior year allowing the millage rate to be lowered to 6.4000 mills. 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, 2016, the General Fund total fund balance increased by approximately \$305,000 mainly due to a significant decrease in public safety expenditures combined with an increase in total revenues.

Approximately fifteen percent (15%) of the General Fund total fund balance is non-spendable due to advances to other funds (Airport Fund), therefore the City will not have this portion available for use in the immediate future. Restricted and committed fund balances comprise an additional thirteen percent (13%) of the total fund balance. The remaining unassigned fund balance is 16.18% of the total general fund expenditures, which is an approximate 33% increase from last fiscal year (12.13%). This amount is close to the minimum balance recommended by the GFOA of approximately 16.67% or two months worth of operating expenditures. The net position of the water, sanitation and airport funds decreased by approximately \$344,000,

ECONOMIC CONDITION (Concluded)

\$181,000 and \$283,000 respectively, while the net position of the golf course fund increased by approximately \$106,000.

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 January 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. The City is hopeful that the operations at the course will become self-sufficient in the near future.

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.

Reduction in Uniform Crime Rate (UCR) – The impact of the reorganization, schedule changes, and PACT will allow for the officers to work more effectively and efficiently within the field. Goal is to maximize our relationship with the community to enhance police services.

Reaccreditation of Police Department –In January of 2015 the Police Department lost its law enforcement accreditation due to lack of training and outdated policies. In order to become reaccredited the department is required to overhaul its policies and procedures, make changes to some common practices and provide detailed plan to implement annual in-service training.

**MAJOR INITIATIVES
(Continued)**

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.

The City continues to actively support our development partners in the construction of new hotel and in the revitalization of historic buildings along the riverfront which will be a high quality mixed use development when completed. The 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.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately four point two million dollars (\$4.2 million) of improvements to the Riverfront Park Downtown Area. The City is in the process of expending an additional one point five million dollars (\$1.5 million) on improvements to the road way, storm drainage, parking facilities, landscaping, playground, restroom and shower facilities, and appurtenant facilities. The playground along with restroom and shower facilities are currently under construction. Construction of the roadway, storm drainage and parking facilities is scheduled to begin by the summer of 2017. 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 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.

**MAJOR INITIATIVES
(Continued)**

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 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.

The City partnered with an Engineering Consultant to geo-locate all Water and Sewer assets for use in a geographic asset management database. By implementing a Geographic Information System (GIS) asset management system the City can better determine areas in need of pipe 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 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.

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 has already received five hundred thousand (\$500,000) from the St. Johns River Water Management District for water main improvements. 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.

MAJOR INITIATIVES (Concluded)

FUTURE PROJECTS (continued)

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.

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

FINANCIAL POLICIES (Concluded)

BUDGETARY CONTROL (continued)

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, 2015. This was the twenty-fourth 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,



Terry K. Suggs
City Manager



Matthew D. Reynolds
Finance Director

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GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2015 is presented on the following page.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Palatka
Florida**

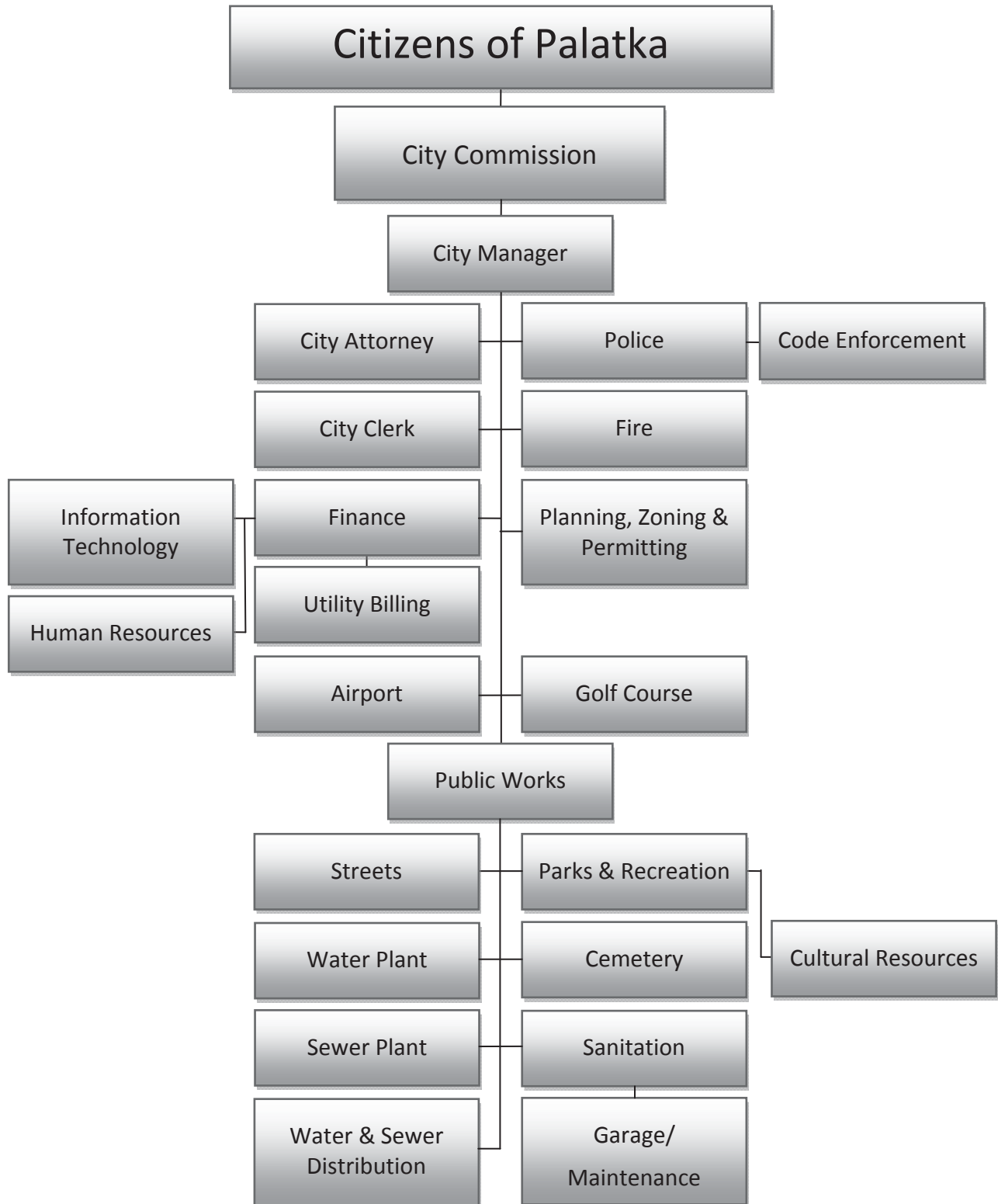
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Palatka

Organizational Chart



**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
James Norwood, Jr.
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 Shaw
William M. Lambert

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 Heartz
Jonathan Griffith
Ed Chandler
Shawn Ladd
Melvin Register
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, 2016, 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, 2016, 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," 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 May 31, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Palatka, Florida
May 31, 2017

**City of Palatka
Management's Discussion and Analysis
September 30, 2016**

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, 2016. 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 \$47,682,842. The total unrestricted net position of the City ended the fiscal year at \$(3,905,898).
- The City's total net position decreased by \$1,381,652 (2.82%). Due to a substantial decrease in capital grants and contributions, Governmental net position decreased by \$679,568 (5.94%) and the Enterprise funds net position decreased by \$702,084 (1.87%).
- The total net position of each Enterprise fund was: Water \$17,241,205, Sanitation \$518,905, Golf \$770,314 and Airport \$18,385,126.
- As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$2,983,031, an increase of \$1,706,353 (133.66%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,379,763 or 16.18% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$803,753. Better Place Plan fund balance was \$215,330.
- Net position of the General and Police Officers' Pension Trust Funds increased by \$637,096 and \$606,567 respectively due to appreciation in the fair value of investments. The net position of the Firefighters' Pension Trust Fund decreased by \$115,017 due to large increase in benefit payments including refunds of employee contributions.

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 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 well as the independent Gas Authority.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the funds listed above, all of which are considered to be major funds of the City.

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 11 & 12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 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 \$47,682,842 at the close of the most recent fiscal year. There were deferred inflows of \$973,959 and deferred outflows of \$2,303,231 which were both pension related due to the implementation of GASB 68.

The majority of the City's net position (104.84%) 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, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,585,499	\$ 3,068,817	\$ 3,203,997	\$ 3,444,925	\$ 6,789,496	\$ 6,513,742
Capital assets	\$ 14,624,081	\$ 15,304,478	\$ 50,033,667	\$ 51,056,439	\$ 64,657,748	\$ 66,360,917
Total assets	\$ 18,209,580	\$ 18,373,295	\$ 53,237,664	\$ 54,501,364	\$ 71,447,244	\$ 72,874,659
Deferred outflows of resources						
Pension related	\$ 1,670,583	\$ 2,217,713	\$ 632,648	\$ 747,654	\$ 2,303,231	\$ 2,965,367
Total outflows	\$ 1,670,583	\$ 2,217,713	\$ 632,648	\$ 747,654	\$ 2,303,231	\$ 2,965,367
Long-term liabilities						
Outstanding	\$ 7,869,607	\$ 8,259,221	\$ 16,021,468	\$ 16,334,762	\$ 23,891,075	\$ 24,593,983
Other liabilities	\$ 445,315	\$ 681,693	\$ 757,284	\$ 1,220,083	\$ 1,202,599	\$ 1,901,776
Total liabilities	\$ 8,314,922	\$ 8,940,914	\$ 16,778,752	\$ 17,554,845	\$ 25,093,674	\$ 26,495,759
Deferred inflows of resources						
Pension related	\$ 797,949	\$ 203,234	\$ 176,010	\$ 76,539	\$ 973,959	\$ 279,773
Total inflows	\$ 797,949	\$ 203,234	\$ 176,010	\$ 76,539	\$ 973,959	\$ 279,773
Net position:						
Net investment in capital assets	\$ 12,532,966	\$ 12,679,116	\$ 37,456,909	\$ 37,721,799	\$ 49,989,875	\$ 50,400,915
Restricted	\$ 1,264,580	\$ 624,403	\$ 334,285	\$ 334,897	\$ 1,598,865	\$ 959,300
Unrestricted	\$ (3,030,254)	\$ (1,856,659)	\$ (875,644)	\$ (439,062)	\$ (3,905,898)	\$ (2,295,721)
Total net position	\$ 10,767,292	\$ 11,446,860	\$ 36,915,550	\$ 37,617,634	\$ 47,682,842	\$ 49,064,494

An additional portion of the City's net position \$1,598,865 (3.35%) 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 \$3,905,898.

Change in Net Position

The City's total net position decreased \$1,381,652 over the previous year, with a decrease of \$679,568 resulting from governmental activities and a decrease of \$702,084 from business activities.

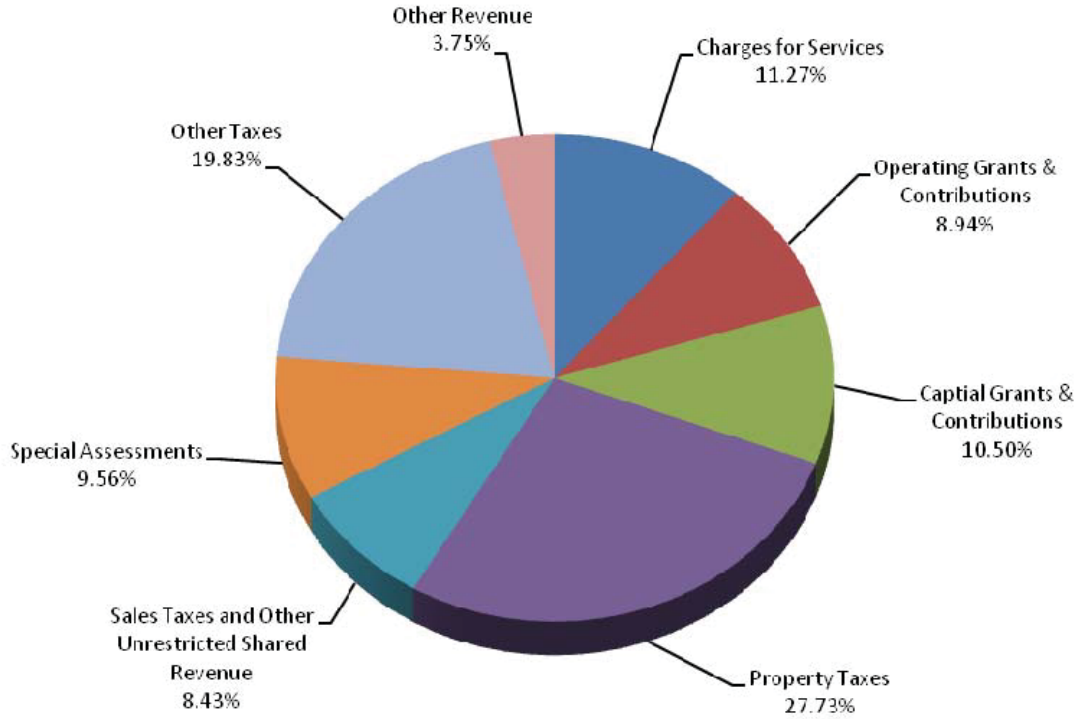
City of Palatka
Changes in Net Position
For the year ended September 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$1,117,817	\$1,322,449	\$7,886,211	\$7,478,330	\$9,004,028	\$8,800,779
Operating Grants & Contributions	\$886,922	\$794,957			\$886,922	\$794,957
Capital Grants & Contributions	\$1,041,768	\$2,362,571	\$361,721	\$1,724,898	\$1,403,489	\$4,087,469
General Revenues:						
Property Taxes	\$2,751,117	\$3,501,720			\$2,751,117	\$3,501,720
Sales Taxes and Other Unrestricted						
Shared Revenues	\$836,379	\$794,451			\$836,379	\$794,451
Special Assessments	\$948,803	\$0			\$948,803	\$0
Other Taxes	\$1,967,738	\$1,978,586			\$1,967,738	\$1,978,586
Other Revenue	\$372,282	\$417,793	\$73,475	\$101,405	\$445,757	\$519,198
Total Revenues	\$9,922,826	\$11,172,527	\$8,321,407	\$9,304,633	\$18,244,233	\$20,477,160
Expenses:						
General Government	\$2,008,770	\$1,901,557			\$2,008,770	\$1,901,557
Public Safety	\$7,380,867	\$7,279,129			\$7,380,867	\$7,279,129
Physical Environment	\$91,593	\$408,379			\$91,593	\$408,379
Transportation	\$505,409	\$115,762			\$505,409	\$115,762
Economic Environment	\$92,509	\$146,709			\$92,509	\$146,709
Human Services	\$78,523	\$178,223			\$78,523	\$178,223
Culture/Recreation	\$479,185	\$383,685			\$479,185	\$383,685
Interest on Long-Term Debt	\$56,534	\$61,641			\$56,534	\$61,641
Water			\$4,820,628	\$4,897,142	\$4,820,628	\$4,897,142
Sanitation			\$1,687,785	\$1,498,411	\$1,687,785	\$1,498,411
Golf Course			\$990,203	\$975,398	\$990,203	\$975,398
Airport			\$1,433,879	\$1,490,532	\$1,433,879	\$1,490,532
Total Expenses	\$10,693,390	\$10,475,085	\$8,932,495	\$8,861,483	\$19,625,885	\$19,336,568
Increase/(Decrease) in Net Position before Transfers	(\$770,564)	\$697,442	(\$611,088)	\$443,150	(\$1,381,652)	\$1,140,592
Transfers	\$90,996	(\$19,536)	(\$90,996)	\$19,536	\$0	\$0
Increase/(Decrease) in Net Position	(\$679,568)	\$677,906	(\$702,084)	\$462,686	(\$1,381,652)	\$1,140,592
Net Position previously reported	\$11,446,860	\$12,800,601	\$37,617,634	\$38,661,254	\$49,064,494	\$51,461,855
Restatement	\$0	(\$2,031,647)	\$0	(\$1,506,306)	\$0	(\$3,537,953)
Net Position-Beginning of Year, as restated	\$11,446,860	\$10,768,954	\$37,617,634	\$37,154,948	\$49,064,494	\$47,923,902
Net Position-End of Year	\$10,767,292	\$11,446,860	\$36,915,550	\$37,617,634	\$47,682,842	\$49,064,494

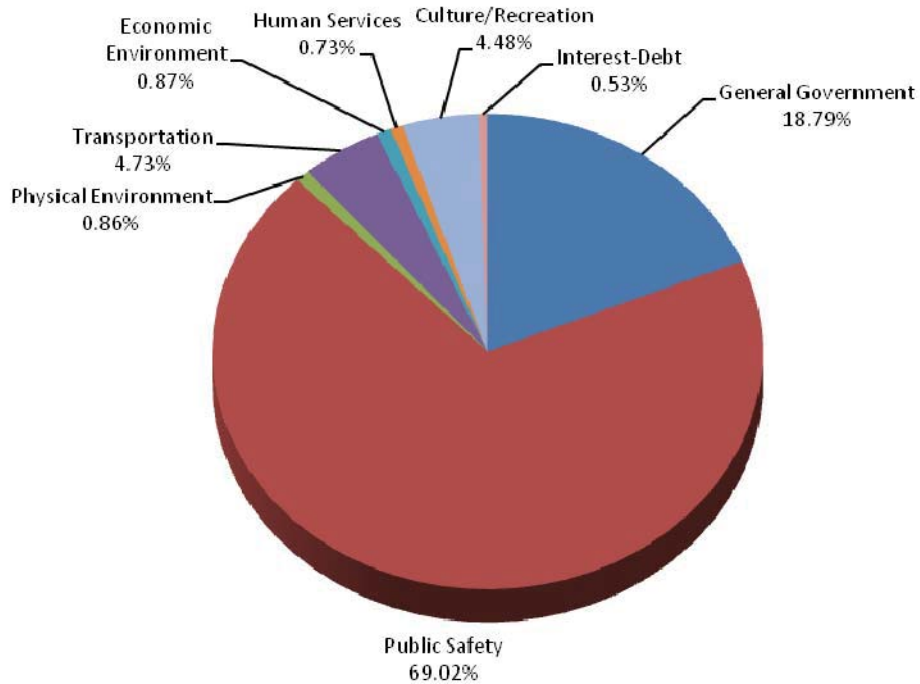
Governmental Activities

Governmental activities decreased the City's net position by \$679,568, thereby accounting for 49.19% of the total decrease in the net position of the City. A key element of this decrease was the substantial decrease in capital grants and contributions.

Revenue by Source - Governmental Activity



Expenses - Governmental Activities



Business-type Activities

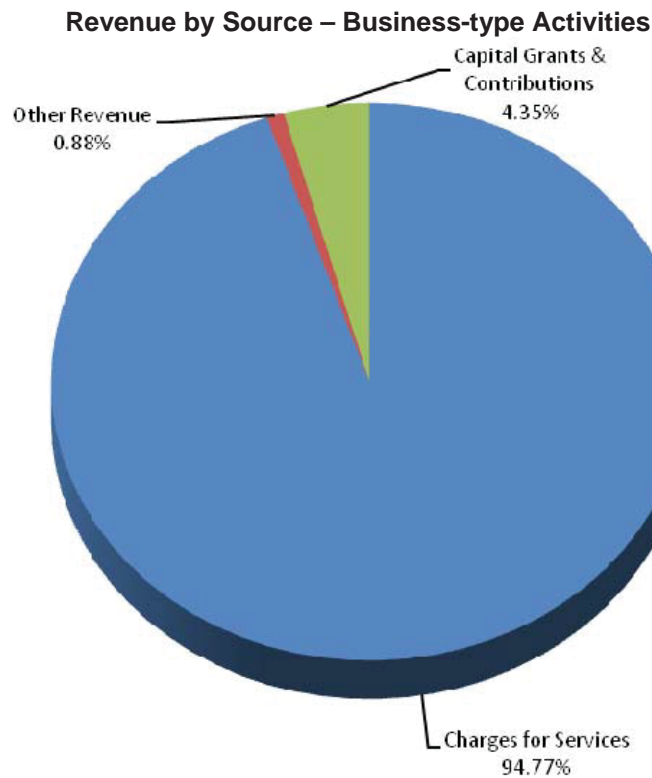
Business-type activities decreased the City's net position by \$702,084, accounting for 50.81% of the total decrease in the City's net position. Key elements in this decrease are as follows:

The Water fund had an operating income of \$435,871 in addition to nonoperating expenses of \$399,101 resulting in an income of \$36,770 before capital contributions and transfers. After capital contributions and transfers, the net position decreased by \$344,365. The net position at the end of the fiscal year in the Water fund totaled \$17,241,205.

The Sanitation fund net position decreased by \$180,983 due to operating expenses of the fund increasing substantially from the prior year. The net position at the end of the fiscal year in the Sanitation fund totaled \$518,905.

The Golf Course fund net position increased by \$106,125 due to transfers from the General Fund and Better Place Fund. The net position at the end of the fiscal year in the Golf Course fund was \$770,314.

The Airport fund received capital contributions of \$361,721 for various capital projects throughout the fiscal year. These funds were used for projects that included drainage rehabilitation, north apron expansion, hangar construction and obstruction removal. The operating loss for the Airport which includes depreciation totaled \$671,687. This loss combined with a total nonoperating expense of \$31,166 were partially offset by the capital contributions, however the net position of the fund still decreased by \$282,861. The net position at the end of the fiscal year in the Airport fund totaled \$18,385,126.



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 \$2,983,031, an increase of \$1,706,353 (133.66%) in comparison to the prior year. This total includes a nonspendable fund balance of \$292,927, a restricted fund balance of \$1,264,580, a committed fund balance of \$45,761 and an unassigned fund balance of \$1,379,763 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 \$1,925,766, an increase of \$304,920 (18.81%) from the prior year. This increase was due to a decrease in public safety expenditures combined with an increase in total revenues.

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 decreased by \$706,713 from the prior year due to a substantial decrease in the ad valorem tax rate.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.9967 mills, a decrease from 9.1749 mills, and generated \$2,751,117 which was a decrease of \$750,603 from the prior year. The City also implemented a special assessment for fire protection services that generated \$948,803 in revenue.

Total revenues for the General Fund increased by \$422,937 from the prior year.

The General Fund had a decrease of \$215,453 in expenditures due to a substantial decrease in public safety expenditures which was partially offset by increases in human services and culture and recreation.

Unassigned fund balance in the General Fund increased by \$319,328 (30.11%) from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$803,753, an increase of \$217,513 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 \$215,330, an increase of \$1,183,901 from the prior year. This increase was due to reimbursements from grant projects that took place in the prior fiscal year being received and available within the current fiscal year.

Other Governmental Funds fund balance was \$38,182, an increase of \$19 (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, 2016, total proprietary fund net position amounted to \$36,915,550.

Water Revenue Fund

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Operating revenue increased by \$465,021 or 10.59% from the prior year while operating expenses decreased by a total of \$66,620. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to a negative \$182,081.

Sanitation Fund

There was an increase in operating revenue of \$6,945 or .42% from the prior year. Expenses increased by \$185,138. Unrestricted net position for the sanitation fund dropped to a negative \$231,810.

Golf Course Fund

Operating revenues decreased by \$36,610 or 5.10% from the prior year. Operating expenses increased by \$19,820 or 2.15%, exceeding operating revenues by \$262,282. Unrestricted net position increased by \$10,852 to remain at a negative unrestricted net position balance of \$59,543 for the year.

Airport Fund

Operating revenue decreased by only \$61,086. Unrestricted net position decreased by \$70,813 from the prior year. This resulted in a continued negative unrestricted net position balance of \$402,210 at fiscal year end.

Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities above.

General Fund Budgetary Highlights

The general fund budget was not amended during the fiscal year.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$403,115 more than budgeted.

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

- General government actual expenditures were \$223,634 less than final budget primarily due to multiple budgeted positions remaining vacant.
- Public safety actual expenditures were \$259,677 more than final budget primarily due to the purchase of two trucks for the fire department and legal fees in addition to other professional service fees related to the implementation of the special assessment for fire protection services.
- Additionally, \$1,337,345 reserved for contingencies was unspent.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2016

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land and Improvements	\$3,358,501	\$3,329,027	\$4,756,159	\$4,753,659	\$8,114,660	\$8,082,686
Buildings and Improvements	\$3,571,227	\$3,801,018	\$17,120,650	\$16,340,499	\$20,691,877	\$20,141,517
Infrastructure	\$4,765,725	\$5,220,636	\$0	\$0	\$4,765,725	\$5,220,636
Equipment	\$1,801,663	\$1,969,648	\$2,590,868	\$2,361,184	\$4,392,531	\$4,330,832
Intangibles	\$125,232	\$150,721	\$0	\$0	\$125,232	\$150,721
Water/Sewer Distribution System	\$0	\$0	\$5,078,042	\$5,294,377	\$5,078,042	\$5,294,377
Plant Assets and Equipment	\$0	\$0	\$20,427,948	\$21,078,712	\$20,427,948	\$21,078,712
Construction in Progress	\$1,001,733	\$833,428	\$60,000	\$1,228,008	\$1,061,733	\$2,061,436
	\$14,624,081	\$15,304,478	\$50,033,667	\$51,056,439	\$64,657,748	\$66,360,917

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, 2016, the governmental capital assets of the City amounted to \$14,624,081, net of depreciation. This was a decrease of \$680,397 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, 2016, (net of accumulated depreciation) amounts to \$64,657,748. 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 \$1,703,169.

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. The capital asset expenditures of approximately \$1.5 million were for the following:

- Construction of T-Hangars at the Airport.
- Apron expansion and drainage improvements at the Airport.
- Obstruction removal at the Airport.
- Purchase of two new fire department vehicles.
- Leasing of two new sanitation trucks.

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, 2016, the City had \$2,091,115 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$6,790,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$183,428 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,118,397 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$1,014,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$355,000 Airport Hangar Revenue notes and a \$588,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes and \$527,933 in capital leases payable from the net revenues of the Golf Course Fund and the Sanitation Fund.

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

At the end of the current fiscal year, the City had total debt outstanding of \$14,804,904. Of this amount, \$359,202 comprises debt backed by the full faith and credit of the City, \$1,311,846 capital leases, \$137,031 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	
	2016	2015	2016	2015	2016	2015
Revenue Bonds	\$ 948,000	\$ 1,217,000	\$ 6,790,000	\$ 6,950,000	\$ 7,738,000	\$ 8,167,000
Notes Payable	\$ 359,202	\$ 419,778	\$ 5,258,825	\$ 5,760,423	\$ 5,618,027	\$ 6,180,201
Capital Lease Obligations	\$ 783,913	\$ 988,584	\$ 527,933	\$ 624,217	\$ 1,311,846	\$ 1,612,801
Water/Sewer Agreements	\$ -	\$ -	\$ 137,031	\$ 137,031	\$ 137,031	\$ 137,031
Total	\$ 2,091,115	\$ 2,625,362	\$ 12,713,789	\$ 13,471,671	\$ 14,804,904	\$ 16,097,033

The City's total long-term debt decreased \$1,292,129 from the prior year, while the long-term liability for compensated absences increased by \$3,000.

Governmental Activities:

- The City made the following principal payments during the year: revenue bonds - \$275,000; notes payable - \$54,576; and capital lease - \$204,671.
- Governmental obligations for compensated absences decreased by 5.57% or \$22,000.
- Net OPEB obligations increased by \$16,972 (11.32%) to arrive at a total obligation of \$166,930.
- Net pension liability increased by \$149,661 (2.94%) to arrive at a total obligation of \$5,238,562.

Business-type activities:

- The following principal payments were made during the year: revenue bonds - \$160,000, notes payable - \$501,598; and capital lease - \$96,284.
- Compensated absences increased by 12.42% or \$25,000.
- Net OPEB obligations increased by \$9,186 (11.62%) to arrive at a total obligation of \$88,239.
- Net pension liability increased by \$410,402 (15.89%) to arrive at a total obligation of \$2,993,159.

The City's bond rating was upgraded from 'A-' to 'A+' by Fitch Ratings, Inc.. There are no limitations placed on the amount of debt the City may issue by either the City's charter, code of ordinances or Florida State Statutes.

Additional information on the City's long-term liabilities can be found in Note 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 2016-17 budget, City staff proposed a balanced General Fund budget without the use of reserves to balance the budget. The City Commission further decreased the City's millage rate from 6.9967 to 6.4000 due to the inclusion of the annual special assessment for fire protection services being included in the annual tax bill which was estimated to result in a greater collection rate than the previous fiscal year.

Water and sewer rates were increased by 4.9% 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.

As of February 1, 2017, the City entered into a franchise lease agreement for the operations of the Palatka Municipal Golf Club. City staff believes that this agreement will ultimately result in a positive effect upon the continued transfers that the General Fund has consistently made each fiscal year in order to balance the Golf Fund budget.

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. Construction of eight additional T-Hangars has been completed with 100% grant funding via Florida Department of Transportation which will assist in bringing in additional revenues to the Airport fund.

Request for Information

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

Statement of Net Position
September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Palatka Gas Authority
Assets				
Cash and equivalents	\$ 2,939,256	\$ 1,959,287	\$ 4,898,543	\$ 463,890
Investments	-	-	-	621,773
Accounts receivable	8,844	663,155	671,999	136,571
Internal balances	292,927	(292,927)	-	-
Due from other governments	197,861	113,138	310,999	-
Prepaid expense	-	-	-	20,296
Inventory	-	199,072	199,072	79,399
Restricted cash and equivalents	146,611	87,211	233,822	-
Restricted investments	-	475,061	475,061	-
Capital assets:				
Non-depreciable	4,360,234	4,816,159	9,176,393	211,543
Depreciable, net	10,263,847	45,217,508	55,481,355	5,486,590
Total assets	18,209,580	53,237,664	71,447,244	7,020,062
Deferred outflows of resources				
Pension related	1,670,583	632,648	2,303,231	225,841
Liabilities				
Accounts payable and accrued liabilities	436,442	121,799	558,241	93,410
Deposits	6,473	626,420	632,893	290,571
Unearned revenue	2,400	9,065	11,465	-
Noncurrent liabilities:				
Due within one year	679,388	856,002	1,535,390	22,796
Due in more than one year	7,190,219	15,165,466	22,355,685	1,109,934
Total liabilities	8,314,922	16,778,752	25,093,674	1,516,711
Deferred inflows of resources				
Pension related	797,949	176,010	973,959	64,006
Net position				
Net investment in capital assets	12,532,966	37,456,909	49,989,875	5,698,133
Restricted for:				
Special needs recreation	5,000	-	5,000	-
Law enforcement	70,426	-	70,426	-
Fire safety education	22,408	-	22,408	-
Fire protection	5,841	-	5,841	-
Cemetery improvements	103,640	-	103,640	-
Capital projects	215,330	-	215,330	-
Downtown redevelopment	803,753	-	803,753	-
Housing and community development	38,182	-	38,182	-
Capital projects	-	8,095	8,095	-
Bond reserve/debt sinking	-	326,190	326,190	-
Unrestricted	(3,030,254)	(875,644)	(3,905,898)	(32,947)
Total net position	\$ 10,767,292	\$ 36,915,550	\$ 47,682,842	\$ 5,665,186

See accompanying notes.

City of Palatka, Florida

Statement of Activities
Year ended September 30, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position			Component Unit Palatka Gas Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total	
						Governmental Activities	Business-type Activities		
Primary government									
Governmental activities:									
General government	\$ 2,008,770	\$ 108,498	\$ -	\$ -	\$ (1,900,272)	\$ -	\$ (1,900,272)	\$ -	
Public safety	7,380,867	855,598	254,808	-	(6,270,461)	-	(6,270,461)	-	
Physical environment	91,593	-	-	92,579	986	-	986	-	
Transportation	505,409	51,821	614,284	-	160,696	-	160,696	-	
Economic environment	92,509	-	-	833,084	740,575	-	740,575	-	
Human services	78,523	71,751	-	-	(6,772)	-	(6,772)	-	
Culture and recreation	479,185	30,149	17,830	116,105	(315,101)	-	(315,101)	-	
Interest on long-term debt	56,534	-	-	-	(56,534)	-	(56,534)	-	
Total governmental activities	10,693,390	1,117,817	886,922	1,041,768	(7,646,883)	-	(7,646,883)	-	
Business-type activities:									
Water	4,820,628	4,843,922	-	-	-	23,294	23,294	-	
Sanitation	1,687,785	1,652,675	-	-	-	(35,110)	(35,110)	-	
Golf course	990,203	665,847	-	-	-	(324,356)	(324,356)	-	
Airport	1,433,879	723,767	-	361,721	-	(348,391)	(348,391)	-	
Total business-type activities	8,932,495	7,886,211	-	361,721	-	(684,563)	(684,563)	-	
Total primary government	\$ 19,625,885	\$ 9,004,028	\$ 886,922	\$ 1,403,489	(7,646,883)	(684,563)	(8,331,446)	-	
Component unit									
Palatka gas authority	\$ 2,385,954	\$ 2,397,479	\$ -	\$ -	-	-	-	-	11,525
General revenues									
Property taxes					2,751,117			2,751,117	
Sales tax and intergovernmental unrestricted shared revenues					836,379			836,379	
Special assessment-fire					948,803			948,803	
Franchise taxes					813,569			813,569	
Utility taxes					1,083,068			1,083,068	
Communications service tax					71,101			71,101	
Investment earnings					1,850	1,117	2,967	2,587	
Contribution from component unit					250,000			250,000	
Miscellaneous					120,432	72,358	192,790	8,331	
Transfers					90,996	(90,996)	-	-	
Total general revenues and transfers					6,967,315	(17,521)	6,949,794	10,918	
Change in net position					(679,568)	(702,084)	(1,381,652)	22,443	
Net position - beginning of year					11,446,860	37,617,634	49,064,494	5,642,743	
Net position - end of year					\$ 10,767,292	\$ 36,915,550	\$ 47,682,842	\$ 5,665,186	

See accompanying notes.

**Balance Sheet
Governmental Funds
September 30, 2016**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and equivalents	\$ 2,051,066	\$ 804,114	192,505	\$ 38,182	\$ 3,085,867
Accounts receivable	8,844	-	-	-	8,844
Due from other governments	7,470	-	190,391	-	197,861
Advances to other funds	292,927	-	-	-	292,927
Total assets	\$ 2,360,307	\$ 804,114	\$ 382,896	\$ 38,182	\$ 3,585,499
Liabilities					
Accounts payable and accrued liabilities	\$ 425,668	\$ 361	\$ 10,413	\$ -	\$ 436,442
Unearned revenue	2,400	-	-	-	2,400
Deposits	6,473	-	-	-	6,473
Total liabilities	434,541	361	10,413	-	445,315
Deferred inflow of resources					
Unavailable revenue	-	-	157,153	-	157,153
Fund balances					
Nonspendable	292,927	-	-	-	292,927
Restricted	207,315	803,753	215,330	38,182	1,264,580
Committed	45,761	-	-	-	45,761
Unassigned	1,379,763	-	-	-	1,379,763
Total fund balances	1,925,766	803,753	215,330	38,182	2,983,031
Total liabilities, deferred inflows of resources and fund balances	\$ 2,360,307	\$ 804,114	\$ 382,896	\$ 38,182	\$ 3,585,499

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2016**

Fund balances – total governmental funds	\$	2,983,031
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the governmental funds.		
Capital assets – net		14,624,081
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(1,307,202)
Capital leases		(783,913)
Compensated absences		(373,000)
Net OPEB obligation		(166,930)
Net Pension liability		(5,238,562)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.		
Unavailable revenue		157,153
Deferred outflows and inflows associated with pensions are not reported in the governmental funds.		
Deferred outflows		1,670,583
Deferred inflows		(797,949)
Net position of governmental activities	\$	10,767,292

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2016**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Taxes	\$ 4,288,873	\$ 334,778	\$ 833,084	\$ -	\$ 5,456,735
Permits, fees and special assessments	1,915,657	-	-	-	1,915,657
Intergovernmental	999,112	-	1,103,130	-	2,102,242
Charges for services	212,004	-	-	-	212,004
Fines and forfeitures	597,665	-	-	-	597,665
Miscellaneous	531,473	1,500	58,822	19	591,814
Total revenues	8,544,784	336,278	1,995,036	19	10,876,117
Expenditures					
Current:					
General government	1,185,275	-	58,053	-	1,243,328
Public safety	6,141,403	-	-	-	6,141,403
Physical environment	-	-	85,925	-	85,925
Transportation	474,693	-	-	-	474,693
Economic environment	-	92,509	-	-	92,509
Human services	78,256	-	-	-	78,256
Culture and recreation	427,601	-	126,264	-	553,865
Debt service:					
Principal retirement	204,671	-	329,576	-	534,247
Interest and fiscal charges	14,201	-	42,333	-	56,534
Total expenditures	8,526,100	92,509	642,151	-	9,260,760
Excess of revenues over (under) expenditures	18,684	243,769	1,352,885	19	1,615,357
Other financing sources (uses)					
Transfers in	782,517	-	-	-	782,517
Transfers out	(496,281)	(26,256)	(168,984)	-	(691,521)
Total other financing sources (uses)	286,236	(26,256)	(168,984)	-	90,996
Net change in fund balances	304,920	217,513	1,183,901	19	1,706,353
Fund balances – beginning of year	1,620,846	586,240	(968,571)	38,163	1,276,678
Fund balances – end of year	\$ 1,925,766	\$ 803,753	\$ 215,330	\$ 38,182	\$ 2,983,031

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, 2016**

Net change in fund balances – total governmental funds \$ 1,706,353

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	467,291
Current year depreciation expense	(1,147,688)

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

Principal retirement	534,247
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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	22,000
Net OPEB obligation	(16,972)

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

Change in unavailable revenue	(953,293)
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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	(149,661)
Deferred outflows	(547,130)
Deferred inflows	(594,715)

Change in net position of governmental activities **\$ (679,568)**

See accompanying notes.

Statement of Net Position
Proprietary Funds
September 30, 2016

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 1,755,994	\$ 201,793	\$ 600	\$ 900	\$ 1,959,287
Restricted cash and equivalents	51,989	-	14,106	13,021	79,116
Accounts receivable	489,371	159,656	10,465	3,663	663,155
Due from other governments	53,138	-	-	60,000	113,138
Inventory	148,172	-	31,022	19,878	199,072
Total current assets	2,498,664	361,449	56,193	97,462	3,013,768
Noncurrent assets					
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	27,181,005	1,214,130	1,908,360	19,730,172	50,033,667
Total noncurrent assets	27,684,666	1,295,100	1,908,360	19,730,172	50,618,298
Total assets	30,183,330	1,656,549	1,964,553	19,827,634	53,632,066
Deferred outflow of resources					
Pension related	471,336	124,835	-	36,477	632,648
Current liabilities					
Accounts payable and accrued liabilities	60,170	42,840	5,181	13,608	121,799
Deposits	599,510	-	-	26,910	626,420
Unearned revenue	-	-	9,065	-	9,065
Current portion of long-term liabilities	466,568	93,679	166,452	129,303	856,002
Total current liabilities	1,126,248	136,519	180,698	169,821	1,613,286
Noncurrent liabilities					
Net OPEB obligation	58,797	24,642	-	4,800	88,239
Net pension liability	2,183,181	636,565	-	173,413	2,993,159
Advances from other funds	-	-	101,475	292,927	394,402
Other long-term liabilities	9,920,548	423,693	912,066	827,761	12,084,068
Total noncurrent liabilities	12,162,526	1,084,900	1,013,541	1,298,901	15,559,868
Total liabilities	13,288,774	1,221,419	1,194,239	1,468,722	17,173,154
Deferred inflow of resources					
Pension related	124,687	41,060	-	10,263	176,010
Net position					
Net investment in capital assets	17,089,180	750,715	829,842	18,787,172	37,456,909
Restricted for capital projects	8,095	-	-	-	8,095
Restricted for bond reserve/debt sinking	326,011	-	15	164	326,190
Unrestricted	(182,081)	(231,810)	(59,543)	(402,210)	(875,644)
Total net position	\$ 17,241,205	\$ 518,905	\$ 770,314	\$ 18,385,126	\$ 36,915,550

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2016

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 4,843,922	\$ 1,652,675	\$ 665,847	\$ 723,767	\$ 7,886,211
Other operating revenues	10,398	2,473	15,090	7,259	35,220
Total operating revenues	4,854,320	1,655,148	680,937	731,026	7,921,431
Operating expenses					
Personal services	2,181,924	815,511	-	178,940	3,176,375
Operating expenses	1,081,472	755,692	880,507	516,033	3,233,704
Depreciation	1,155,053	108,280	62,712	707,740	2,033,785
Total operating expenses	4,418,449	1,679,483	943,219	1,402,713	8,443,864
Operating income (loss)	435,871	(24,335)	(262,282)	(671,687)	(522,433)
Nonoperating revenues (expenses)					
Investment earnings	1,117	-	-	-	1,117
Interest expense	(402,179)	(8,302)	(46,984)	(31,166)	(488,631)
Sale of surplus property	1,961	35,097	80	-	37,138
Total nonoperating revenues (expenses)	(399,101)	26,795	(46,904)	(31,166)	(450,376)
Income (loss) before capital contributions and transfers	36,770	2,460	(309,186)	(702,853)	(972,809)
Capital contributions	-	-	-	361,721	361,721
Transfers in	125,000	-	430,309	109,956	665,265
Transfers out	(506,135)	(183,443)	(14,998)	(51,685)	(756,261)
Change in net position	(344,365)	(180,983)	106,125	(282,861)	(702,084)
Net position – beginning of year	17,585,570	699,888	664,189	18,667,987	37,617,634
Net position – end of year	\$ 17,241,205	\$ 518,905	\$ 770,314	\$ 18,385,126	\$ 36,915,550

See accompanying notes.

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2016

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 4,881,118	\$ 2,080,913	\$ 675,864	\$ 1,642,454	\$ 9,280,349
Payments to suppliers	(1,139,716)	(751,818)	(885,125)	(1,395,359)	(4,172,018)
Payments to employees	(1,746,084)	(652,684)	-	(142,062)	(2,540,830)
Net cash provided (used) by operating activities	1,995,318	676,411	(209,261)	105,033	2,567,501
Noncapital financing activities					
Transfers in	125,000	-	430,309	109,956	665,265
Transfers out	(506,135)	(183,443)	(14,998)	(51,685)	(756,261)
Net cash provided (used) by noncapital financing activities	(381,135)	(183,443)	415,311	58,271	(90,996)
Capital and related financing activities					
Capital contributions	-	-	-	361,721	361,721
Acquisitions of capital assets	(224,483)	(418,986)	-	(367,544)	(1,011,013)
Sale of surplus property	1,961	35,097	80	-	37,138
Principal paid on debt	(410,598)	(57,957)	(160,327)	(129,000)	(757,882)
Interest paid on debt	(402,179)	(8,302)	(46,984)	(31,166)	(488,631)
Net cash used by capital and related financing activities	(1,035,299)	(450,148)	(207,231)	(165,989)	(1,858,667)
Investing activities					
Interest received	1,117	-	-	-	1,117
Sale of investments	514	-	-	-	514
Net cash provided by investing activities	1,631	-	-	-	1,631
Change in cash and equivalents	580,515	42,820	(1,181)	(2,685)	619,469
Cash and equivalents – beginning of year	1,235,563	158,973	15,887	16,606	1,129,951
Cash and equivalents – end of year	\$ 1,816,078	\$ 201,793	\$ 14,706	\$ 13,921	\$ 2,046,498

See accompanying notes.

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2016

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ 435,871	\$ (24,335)	\$ (262,282)	\$ (671,687)	\$ (522,433)
Depreciation	1,155,053	108,280	62,712	707,740	2,033,785
Change in:					
Accounts receivable	(49,860)	244	1,860	(2,468)	(50,224)
Due from other funds	-	425,521	-	-	425,521
Due from other governments	-	-	-	909,572	909,572
Inventory	(7,200)	-	1,104	6,631	535
Deferred outflows	79,020	29,236	-	6,750	115,006
Accounts payable and accrued liabilities	(68,006)	(1,418)	(5,722)	(461,701)	(536,847)
Due to other funds	-	-	-	(425,521)	(425,521)
Compensated absences	17,535	6,463	-	1,002	25,000
Net OPEB obligation	5,916	2,803	-	467	9,186
Unearned revenue	-	-	(6,933)	-	(6,933)
Customer deposits	76,658	-	-	4,323	80,981
Net pension liability	281,985	104,330	-	24,087	410,402
Deferred inflows	68,346	25,287	-	5,838	99,471
Net cash provided (used) by operating activities	\$ 1,995,318	\$ 676,411	\$ (209,261)	\$ 105,033	\$ 2,567,501

(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2016

Assets

Investments:

Money market and other cash equivalents	\$ 981,968
Government bonds and notes	1,202,561
Corporate bonds and notes	9,867,669
Mutual funds - equities	21,804,439
Mutual funds (REIT)	481,490

Total investments	34,338,127
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Accounts receivable	175,563
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Total assets	34,513,690
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Liabilities	18,488
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Net position

Restricted for pension benefits	\$ 34,495,202
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See accompanying notes.

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2016**

Additions

Contributions		
Employer	\$	1,165,652
Member		309,904
State on behalf, through general fund		116,591
<hr/>		
Total contributions		1,592,147
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Investment income		
Net appreciation(depreciation) in fair value of investments		1,999,990
Interest		124,366
Dividends		1,099,033
<hr/>		
		3,223,389
Less investment management fee		145,922
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Net investment income		3,077,467
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Total additions		4,669,614
<hr/>		
Deductions		
Member benefits		3,394,290
Withdrawals		45,059
Administrative expense		101,619
<hr/>		
Total deductions		3,540,968
<hr/>		
Change in net position		1,128,646
<hr/>		
Net position restricted for pension benefits, beginning of year		33,366,556
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Net position restricted for pension benefits, end of year	\$	34,495,202
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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 2015-2016 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 \$98,000 allowance. Accounts receivable of the Gas Authority are net of a \$136,571 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 2016.

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, 2016, 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.

Notes to Financial Statements

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	\$ 4,898,543	\$ 463,890
Investments	-	621,773
Restricted cash and equivalents	233,822	-
Restricted investments	475,061	-
Statement of fiduciary net position:		
Investments	34,338,127	-
Total deposits and investments	\$ 39,945,553	\$ 1,085,663

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	\$ 5,132,365	\$ 1,085,663
Investments - other than pension	475,061	-
Investments - pension	34,338,127	-
Total deposits and investments	\$ 39,945,553	\$ 1,085,663

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.

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City’s investments at September 30, 2016 are summarized in the following table:

		Maturities		
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 981,968	\$ 981,968	\$ -	\$ -
Government bonds and notes	1,202,561	340,631	202,830	659,100
Corporate bonds and notes	9,867,669	8,166,368	1,630,744	70,557
Mutual funds (equities)	7,127,447	7,127,447	-	-
Mutual funds (REIT)	481,490	481,490	-	-
Mutual funds (ETF Equities)	9,764,714	9,764,714	-	-
Mutual funds (taxable-equity)	4,557,874	4,557,874	-	-
Mutual funds (taxable)	354,404	354,404	-	-
Total pension investments	34,338,127	31,774,896	1,833,574	729,657
Other investments:				
Government bonds and notes	475,061	-	-	-
Total	\$ 34,813,188	\$ 31,774,896	\$ 1,833,574	\$ 729,657

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

Corporate Bonds and Notes		Government Bonds and Notes	
AAA	4%	AAA	53%
AA1	6%	-	-
AA2	8%	-	-
AA3	17%	-	-
A1	10%	-	-
A2	20%	-	-
A3	25%	-	-
BAA1	8%	-	-
BAA2	2%	-	-
Not rated	-	Not rated	47%
	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.

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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 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, 2016:

- 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.

Notes to Financial Statements

NOTE 3 – FAIR VALUE MEASUREMENT (CONTINUED)

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)
Investments				
Government bonds and notes:				
U.S. Treasury bonds and notes	\$ 638,330	\$ 638,330	\$ -	\$ -
U.S. Agencies	564,231	-	564,231	-
Corporate bonds and notes	9,867,669	9,867,669	-	-
Mutual funds (equities)	7,127,447	7,127,447	-	-
Mutual funds (REIT)	481,490	481,490	-	-
Mutual funds (ETF equities)	9,764,714	9,764,714	-	-
Mutual funds (taxable-equity)	4,557,874	4,557,874	-	-
Mutual funds (taxable)	354,404	354,404	-	-
Total pension investments	33,356,159	32,791,928	564,231	-
Other investments:				
Government bond and notes	475,061	475,061	-	-
Total investments	\$ 33,831,220	\$ 33,266,989	\$ 564,231	\$ -

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2016, 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

Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

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	\$ 2,051,066	\$ 292,927	\$ 2,343,993
Major capital projects funds:			
Major enterprise fund:			
Water	1,816,078	20,505	1,836,583
Sanitation	201,793	80,970	282,763
Golf course	14,706	(101,475)	(86,769)
Airport	13,921	(292,927)	(279,006)
Total	\$ 4,290,069	\$ -	\$ 4,290,069

Interfund transfers for the year ended September 30, 2016 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 782,517	\$ 496,281
Downtown redevelopment agency fund		26,256
Better place plan fund	-	168,984
Major enterprise funds:		
Water	125,000	506,135
Sanitation	-	183,443
Golf course	430,309	14,998
Airport	109,956	51,685
Total	\$ 1,447,782	\$ 1,447,782

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, 2016, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 3,329,027	\$ 29,474	\$ -	\$ 3,358,501
Construction in progress	833,428	168,305	-	1,001,733
Total capital assets not being depreciated	4,162,455	197,779	-	4,360,234
Capital assets being depreciated:				
Buildings and improvements	7,751,116	44,126	-	7,795,242
Infrastructure	12,774,690	-	-	12,774,690
Furniture and equipment	4,332,556	225,386	18,385	4,539,557
Intangibles	265,908	-	-	265,908
Total capital assets being depreciated	25,124,270	269,512	18,385	25,375,397
Less accumulated depreciation for:				
Buildings and improvements	3,950,098	273,917	-	4,224,015
Infrastructure	7,554,054	454,911	-	8,008,965
Furniture and equipment	2,362,908	393,371	18,385	2,737,894
Intangibles	115,187	25,489	-	140,676
Total accumulated depreciation	13,982,247	1,147,688	18,385	15,111,550
Total capital assets being depreciated, net	8,216,617	(878,176)	-	7,338,441
Governmental activities capital assets, net	\$ 15,304,478	\$ (680,397)	\$ -	\$ 14,624,081

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 4,753,659	\$ 2,500	\$ -	\$ 4,756,159
Construction in progress	1,228,008	60,000	1,228,008	60,000
Total capital assets not being depreciated	5,981,667	62,500	1,228,008	4,816,159
Capital assets being depreciated:				
Buildings and improvements	23,177,401	1,528,051	-	24,705,452
Furniture and equipment	4,292,030	466,329	122,833	4,635,526
Water and sewer distribution system	9,827,457	-	-	9,827,457
Plant assets and equipment	34,580,100	182,141	-	34,762,241
Total capital assets being depreciated	71,876,988	2,176,521	122,833	73,930,676
Less accumulated depreciation for:				
Building and improvements	6,836,902	747,900	-	7,584,802
Furniture and equipment	1,930,846	236,645	122,833	2,044,658
Water and sewer distribution system	4,533,080	216,335	-	4,749,415
Plant assets and equipment	13,501,388	832,905	-	14,334,293
Total accumulated depreciation	26,802,216	2,033,785	122,833	28,713,168
Total capital assets being depreciated, net	45,074,772	142,736	-	45,217,508
Business-type activities capital assets, net	\$ 51,056,439	\$ 205,236	\$ 1,228,008	\$ 50,033,667

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	\$ 668,630
Public safety	394,280
Transportation	14,779
Human services	7,765
Culture and recreation	62,234
Total depreciation expense - governmental activities	\$ 1,147,688

Business-type activities:	
Water and sewer	\$ 1,155,053
Sanitation	108,280
Golf course	62,712
Airport	707,740
Total depreciation expense - business-type activities	\$ 2,033,785

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2016 follows:

	Balance October 1, 2015	Increases	Decreases	Balance September 30, 2016
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	849,641	6,051	1,915	853,777
Plant assets and equipment	6,148,066	287,772	4,324	6,431,514
Total capital assets being depreciated	8,418,629	293,823	6,239	8,706,213
Less accumulated depreciation for:				
Buildings and improvements	286,856	35,888	-	322,744
Furniture and equipment	503,951	74,490	1,832	576,609
Plant assets and equipment	2,169,728	154,949	4,407	2,320,270
Total accumulated depreciation	2,960,535	265,327	6,239	3,219,623
Total capital assets being depreciated, net	5,458,094	28,496	-	6,200,188
Gas Authority capital assets, net	\$ 5,669,637	\$ 28,496	\$ -	\$ 5,698,133

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. \$ 359,202

\$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 \$991,698. During the current year, the City recognized infrastructure surtax revenues of \$833,084 and made \$296,013 principal and interest payments. 948,000

Total \$ 1,307,202

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 \$11,401,881. During the current year, the City recognized pledged revenues of \$1,576,931, and made \$474,003 principal and interest payments. \$ 6,790,000

\$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 \$188,377. During the current year, the City recognized net revenues of \$1,118,834, and made \$53,822 principal and interest payments. 183,428

\$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 \$3,692,907. During the current year, the City recognized net revenues of \$1,118,834, and paid principal and interest payments in the amount of \$284,953. 3,118,397

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

<p>\$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 \$405,475. During the current year, the City had recognized net revenues of \$36,053 and made \$65,738 principal and interest payments.</p>	<p>355,000</p>
<p>\$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 \$644,937. During the current year, the City had recognized net revenues of \$36,053 and made \$94,428 principal and interest payments.</p>	<p>588,000</p>
<p>\$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 \$199,490 and made \$168,984 principal and interest payments.</p>	<p><u>1,014,000</u></p>
<p>Total</p>	<p><u><u>\$ 12,048,825</u></u></p>

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 337,983	\$ 33,570	\$ 680,530	\$ 452,615
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
2022-2026	18,783	182	2,931,803	1,473,195
2027-2031	-	-	2,178,338	1,039,370
2032-2036	-	-	1,715,000	671,928
2037-2041	-	-	1,685,000	246,745
Totals	\$ 1,307,202	\$ 82,406	\$ 12,048,825	\$ 5,467,669

Governmental Activities

	Balance October 1,			Balance September 30,		Due Within One Year
	2015	Additions	Deductions	2016		
Revenue bonds and notes	\$ 1,636,778	\$ -	\$ 329,576	\$ 1,307,202	\$ 337,983	
Capital leases	988,584	-	204,671	783,913	248,405	
Compensated absences	395,000	255,000	277,000	373,000	93,000	
Net OPEB obligation	149,958	16,972	-	166,930	-	
Net pension liability	5,088,901	427,407	277,746	5,238,562	-	
Total	\$ 8,259,221	\$ 699,379	\$ 1,088,993	\$ 7,869,607	\$ 679,388	

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 and a 389,000, 2.04% capital lease for police vehicles due in semi installments of approximately \$45,000. All three 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.

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Additionally, the City has a \$257,100, 1.62% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000 and a \$289,257, 2.04% capital lease for a sanitation truck in semi-annual payments of approximately \$23,000. Both 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:

Year Ending September 30,	Governmental Activities	Business-type Activities
2017	263,011	124,782
2018	257,662	118,844
2019	199,474	88,467
2020	90,926	88,526
2021	-	88,555
2022-2026	-	47,734
Less: amount representing interest	(27,160)	(28,975)
Present value of net minimum lease payments	\$ 783,913	\$ 527,933

Business-type Activities

	Balance October 1,			Balance September 30,		Due Within One Year
	2015	Additions	Deductions	2016		
Florida Municipal Loan Council revenue						
bonds series 2010A	\$ 6,950,000	\$ -	\$ 160,000	\$ 6,790,000	\$ 170,000	
Drinking water state revolving fund loan	3,318,143	-	199,746	3,118,397	204,994	
Water reuse loan	234,280	-	50,852	183,428	51,536	
Golf revenue note series 2013A	1,136,000	-	122,000	1,014,000	127,000	
Airport revenue note series 2013B	406,000	-	51,000	355,000	50,000	
Airport revenue note series 2013C	666,000	-	78,000	588,000	77,000	
Total revenue bonds and notes	12,710,423	-	661,598	12,048,825	680,530	
Capital lease	624,217	-	96,284	527,933	119,653	
County water/sewer agreement	125,738	-	-	125,738	-	
SJRWMD water/sewer agreement	11,293	-	-	11,293	-	
Compensated absences	201,281	112,781	87,781	226,281	55,819	
Net OPEB obligation	79,053	9,186	-	88,239	-	
Net pension liability	2,582,757	410,402	-	2,993,159	-	
Total	\$ 16,334,762	\$ 532,369	\$ 845,663	\$ 16,021,468	\$ 856,002	

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
Restricted assets:	
Cash and equivalents	\$ 87,211
Investments	475,061
Total	562,272
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	59,307
Interest	168,680
Total	227,987
Restricted net position	\$ 334,285

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

Capital projects	\$ 8,095
Bond reserve/debt sinking	326,190
Total	\$ 334,285

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:					
Special needs recreation	5,000	-	-	-	5,000
Law enforcement	70,426	-	-	-	70,426
Fire safety education	22,408	-	-	-	22,408
Fire protection	5,841	-	-	-	5,841
Cemetery improvements	103,640	-	-	-	103,640
Capital projects	-	-	215,330	-	215,330
Downtown redevelopment	-	803,753	-	-	803,753
Housing and community development	-	-	-	38,182	38,182
Total restricted	207,315	803,753	215,330	38,182	1,264,580
Committed for:					
Law enforcement	8,525	-	-	-	8,525
Tree mitigation	5,665	-	-	-	5,665
Demolition and lot cleanup	31,571	-	-	-	31,571
Total committed	45,761	-	-	-	45,761
Unassigned	1,379,763	-	-	-	1,379,763
Total fund balances	\$ 1,925,766	\$ 803,753	\$ 215,330	\$ 38,182	\$ 2,983,031

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, 2016 the City recognized \$65,893 and \$50,698 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, 2016 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	110	23	14	147
Inactive plan members entitled to but				
not yet receiving benefits	12	10	1	23
Active plan members	79	28	19	126
Total	201	61	34	296

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, 2016, 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, 2016 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was 9.55%, 9.54%, and 9.21%, 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, 2016 was \$491,288, \$125,251 and \$323,822, respectively, for general, police officer and firefighters.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2016, 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, 2016 were as follows:

	City of Palatka- General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 19,035,697	\$ 4,315,256	\$ 23,350,953
Plan fiduciary net position	(14,199,205)	(3,218,858)	(17,418,063)
Net pension liability	\$ 4,836,492	\$ 1,096,398	\$ 5,932,890

Plan fiduciary net position as a percentage of the total pension liability	74.59%	74.59%	74.59%
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	Police Officers	Firefighters
Total pension liability	\$ 11,073,168	\$ 9,399,200
Plan fiduciary net position	(10,220,027)	(6,857,112)
Net pension liability	\$ 853,141	\$ 2,542,088

Plan fiduciary net position as a percentage of the total pension liability	92.30%	72.95%
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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, 2015, updated to September 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers	Firefighters
Investment rate of return	7.9%	7.9%	7.9%
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 2016 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
Domestic equity	27%	8.00%	32%	8.00%
International equity	15%	3.00%	15%	3.00%
Bonds	34%	4.40%	25%	4.40%
High yields bonds	5%	6.00%	5%	6.00%
Convertibles	8%	6.40%	8%	6.40%
REITS	5%	7.00%	5%	7.00%
MLPs	5%	10.40%	5%	10.40%
Cash	1%	1.10%	5%	1.10%
Total	100%		100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.90% 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)

	Total Plan			Increase (Decrease)			Palatka Gas Authority		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	City of Palatka			Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
				Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability			
Balance - beginning of year	\$ 21,878,265	\$ 16,780,967	\$ 5,097,298	\$ 17,902,952	\$ 13,731,833	\$ 4,171,119	\$ 3,975,313	\$ 3,049,134	\$ 926,179
Changes for the year:									
Service cost	340,525	-	340,525	277,596	-	277,596	62,929	-	62,929
Interest	1,707,988	-	1,707,988	1,376,550	-	1,376,550	331,438	-	331,438
Difference between expected and actual experience	(74,220)	-	(74,220)	(60,504)	-	(60,504)	(13,716)	-	(13,716)
Changes of assumptions	1,236,205		1,236,205	1,007,747		1,007,747	228,458	-	228,458
Contributions-employer	-	679,825	(679,825)	-	554,186	(554,186)	-	125,639	(125,639)
Contributions-employees	-	175,818	(175,818)	-	143,327	(143,327)	-	32,491	(32,491)
Net investment income	-	1,554,167	(1,554,167)	-	1,266,957	(1,266,957)	-	287,210	(287,210)
Benefit payments, including refunds of employee contributions	(1,737,810)	(1,737,810)	-	(1,468,644)	(1,468,644)	-	(269,166)	(269,166)	-
Administrative expense	-	(34,904)	34,904	-	(28,454)	28,454	-	(6,450)	6,450
Net changes	1,472,688	637,096	835,592	1,132,745	467,372	665,373	339,943	169,724	170,219
Balance - end of year	\$ 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

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
Balance - beginning of year	\$ 10,744,347	\$ 9,613,460	\$ 1,130,887
Changes for the year:			
Service cost	213,832	-	213,832
Interest	851,901	-	851,901
Difference between expected and actual experience	(454,959)	-	(454,959)
Change of assumptions	321,310		321,310
Changes of benefit terms	(37,253)	-	(37,253)
Contributions-employer	-	156,261	(156,261)
Contribution-State	-	65,893	(65,893)
Contributions-employees	-	81,271	(81,271)
Net investment income	-	904,015	(904,015)
Benefit payments, including refunds of employee contributions	(566,010)	(566,010)	-
Administrative expense	-	(34,863)	34,863
Net changes	328,821	606,567	(277,746)
Balance - end of year	\$ 11,073,168	\$ 10,220,027	\$ 853,141

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
Balance -beginning of year	\$ 9,341,781	\$ 6,972,129	\$ 2,369,652
Changed for the year:			
Service cost	172,607	-	172,607
Interest	718,377	-	718,377
Difference between expected and actual experience	(112,062)	-	(112,062)
Changes of benefit terms	414,026	-	414,026
Contributions-employer	-	329,566	(329,566)
Contribution-State	-	50,698	(50,698)
Contributions-employees	-	52,815	(52,815)
Net investment income	-	619,285	(619,285)
Benefit payments, including refunds of employee contributions	(1,135,529)	(1,135,529)	-
Administrative expense	-	(31,852)	31,852
Net changes	57,419	(115,017)	172,436
Balance end of year	\$ 9,399,200	\$ 6,857,112	\$ 2,542,088

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 7.90%, 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 (6.90%) or 1 percentage point higher (8.90%) than the current rate:

Net Pension Liability	1% Decrease 6.90%	Current Discount Rate		1% Increase 8.90%
		7.90%	7.90%	
General	\$ 8,373,569	\$ 5,932,890	\$ 3,880,658	
Police officers'	2,196,357	853,141	(259,137)	
Firefighters'	3,654,155	2,542,088	1,623,111	

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, 2016 the City recognized pension expense of \$1,013,097, \$373,181, and \$530,106 relating to the General, Police and Firefighters’ plans respectively. At September 30, 2016 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	\$ 8,266	\$ 49,480	\$ 16,851	\$ 303,306	\$ 52,365	\$ 93,385
Changes of assumptions	824,164	-	214,206	-	317,614	-
Net difference between projected and actual earnings on pension plan investments	794,867	-	545,624	-	408,019	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	-
Employer contributions subsequent to the measurement date	-	-	-	-	-	-
Total	\$ 1,627,297	\$ 49,480	\$ 776,681	\$ 303,306	\$ 777,998	\$ 93,385

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'
2017	\$ 660,338	\$ 153,834	\$ 190,005
2018	652,072	136,982	190,006
2019	315,082	211,718	211,875
2020	(49,675)	(29,159)	37,408
2021	-	-	55,319
Thereafter	-	-	-
Total	\$ 1,577,817	\$ 473,375	\$ 684,613

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
Assets				
Investments:				
Money market and other cash equivalents	\$ 21,142	\$ 588,351	\$ 372,475	\$ 981,968
Government bonds and notes	-	740,543	462,018	1,202,561
Corporate bonds and notes	5,593,212	2,556,326	1,718,131	9,867,669
Mutual funds - equities	11,723,206	6,031,551	4,049,682	21,804,439
Mutual funds (REIT)	-	292,856	188,634	481,490
Total investments	17,337,560	10,209,627	6,790,940	34,338,127
Receivables	82,778	22,972	69,813	175,563
Total assets	17,420,338	10,232,599	6,860,753	34,513,690
Liabilities	2,275	12,572	3,641	18,488
Net position:				
Restricted for pension benefits	\$ 17,418,063	\$ 10,220,027	\$ 6,857,112	\$ 34,495,202

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	\$ 679,825	\$ 156,261	\$ 329,566	\$ 1,165,652
Member	175,818	81,271	52,815	309,904
State on behalf, through general fund	-	65,893	50,698	116,591
Total contributions	855,643	303,425	433,079	1,592,147
Investment income:				
Net appreciation in fair value of investments	848,001	685,684	466,305	1,999,990
Interest	-	74,063	50,303	124,366
Dividends	753,296	201,038	144,699	1,099,033
	1,601,297	960,785	661,307	3,223,389
Less investment management fee	47,130	56,770	42,022	145,922
Net investment income	1,554,167	904,015	619,285	3,077,467
Total additions	2,409,810	1,207,440	1,052,364	4,669,614
Deductions:				
Member benefits	1,722,469	551,984	1,119,837	3,394,290
Withdrawals	15,341	14,026	15,692	45,059
Administrative expense	34,904	34,863	31,852	101,619
Total deductions	1,772,714	600,873	1,167,381	3,540,968
Change in net position	637,096	606,567	(115,017)	1,128,646
Net position restricted for				
pension benefits, beginning of year	16,780,967	9,613,460	6,972,129	33,366,556
Net position restricted for				
pension benefits, end of year	\$ 17,418,063	\$ 10,220,027	\$ 6,857,112	\$ 34,495,202

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, 2016, participants consisted of:

Active employees	142
Retirees participants	17
Covered spouses	3
Total	162

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 01, 2015 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2016. The City’s annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 56,446
Interest on net OPEB obligation	9,160
Adjustments to ARC	(10,021)
Annual OPEB cost (expense)	55,585
Contributions made	(29,427)
Increase in net OPEB obligation	26,158
Net OPEB obligation - beginning of year	229,011
Net OPEB obligation - end of year	\$ 255,169

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, 2016	\$ 55,585	\$ 29,427	52.9%	\$ 255,169
September 30, 2015	59,040	24,066	40.8%	229,011
September 30, 2014	61,357	28,548	46.4%	194,037

Funded Status

The funded status of the OPEB Plan as of September 30, 2016 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	8.00% in fiscal year 2016, then 8.75% in fiscal year 2017; 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, 2016 were \$41,029. Future lease payments are as follows:

	Business-type Activities
2017	41,677
2018	42,325
2019	42,973
2020	3,613
Total	\$ 130,588

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 2017. The statements address:

- Certain pension issues;
- Other postemployment benefit (OPEB) plans;
- Tax abatement disclosures; and
- Blending certain component units.

The City is currently evaluating the effects that these statements will have on its 2017 financial statements.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,244,537	\$ 4,244,537	\$ 4,288,873	\$ 44,336
Permits, fees & special assessments	1,677,971	1,677,971	1,915,657	237,686
Intergovernmental	904,490	904,490	999,112	94,622
Charges for services	183,141	183,141	212,004	28,863
Fines and forfeitures	625,070	625,070	597,665	(27,405)
Miscellaneous	506,460	506,460	531,473	25,013
Total revenues	8,141,669	8,141,669	8,544,784	403,115
Expenditures				
Current:				
General government	1,408,909	1,408,909	1,185,275	223,634
Public safety	5,881,726	5,881,726	6,141,403	(259,677)
Transportation	442,443	442,443	474,693	(32,250)
Human services	54,245	54,245	78,256	(24,011)
Culture and recreation	474,940	474,940	427,601	47,339
Reserve for contingencies	1,337,345	1,337,345	-	1,337,345
Debt service:				
Principal retirement	204,671	204,671	204,671	-
Interest and fiscal charges	15,000	15,000	14,201	799
Total expenditures	9,819,279	9,819,279	8,526,100	1,293,179
Excess of revenues over (under) expenditures	(1,677,610)	(1,677,610)	18,684	1,696,294
Other financing sources (uses)				
Transfers in	786,564	786,564	782,517	(4,047)
Transfers out	(379,526)	(379,526)	(496,281)	(116,755)
Total other financing sources (uses)	407,038	407,038	286,236	(120,802)
Net change in fund balances	(1,270,572)	(1,270,572)	304,920	1,575,492
Fund balances – beginning of year	1,270,572	1,270,572	1,620,846	350,274
Fund balances – end of year	\$ -	\$ -	\$ 1,925,766	\$ 1,925,766

See accompanying notes.

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund
Year ended September 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 329,812	\$ 329,812	\$ 334,778	\$ 4,966
Miscellaneous	-	-	1,500	1,500
Total revenues	329,812	329,812	336,278	6,466
Expenditures				
Economic environment	811,748	811,748	92,509	719,239
Total expenditures	811,748	811,748	92,509	719,239
Excess of revenues over (under) expenditures	(481,936)	(481,936)	243,769	725,705
Other financing uses				
Transfers out	(55,310)	(55,310)	(26,256)	29,054
Net change in fund balances	(537,246)	(537,246)	217,513	754,759
Fund balances – beginning of year	537,246	537,246	586,240	48,994
Fund balances – end of year	\$ -	\$ -	\$ 803,753	\$ 803,753

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, 2016**

	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 340,525	\$ 347,579	\$ 352,477	\$ 326,368
Interest	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	(74,220)	24,797	-	-
Change of assumptions	1,236,245	-	-	-
Contributions-buy back	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,737,850)	(1,788,086)	(1,539,820)	(1,965,592)
Net change in total pension liability	1,472,688	269,288	470,352	(600)
Total pension liability-beginning	21,878,265	21,608,977	21,138,625	21,138,625
Total pension liability-ending (a)	\$ 23,350,953	\$ 21,878,265	\$ 21,608,977	\$ 21,138,025
Plan fiduciary net position				
Contributions				
Employer	\$ 679,864	\$ 686,545	\$ 774,136	\$ 790,325
State	-	-	-	-
Employee	175,818	169,514	172,782	177,921
Buy back	-	-	-	-
Net investment income	1,554,168	(410,102)	1,600,605	1,741,522
Benefit payments including refunds of employee contributions	(1,737,850)	(1,788,086)	(1,539,821)	(1,965,591)
Administrative expense	(34,904)	(27,955)	(30,698)	(21,905)
Other	-	-	-	-
Net change in plan fiduciary net position	637,096	(1,370,084)	977,004	722,272
Plan fiduciary net position-beginning	16,780,967	18,151,051	17,174,047	16,451,775
Plan fiduciary net position-ending (b)	\$ 17,418,063	\$ 16,780,967	\$ 18,151,051	\$ 17,174,047
Net pension liability-ending (a)-(b)	\$ 5,932,890	\$ 5,097,298	\$ 3,457,926	\$ 3,963,978
Plan fiduciary net position as a percentage of the total pension liability	74.59%	76.70%	84.00%	81.25%
Covered employee payroll	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,879,693
Net pension liability as a percentage of covered employee payroll	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, 2016

	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 213,832	\$ 278,204	\$ 285,022	\$ 263,909
Interest	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	(454,959)	50,553	-	-
Change of assumptions	321,310	-	-	-
Contributions-buy back	-	-	-	-
Benefit payments, including refunds of employee contributions	(561,601)	(528,946)	(487,612)	(460,915)
Net change in total pension liability	328,821	504,491	573,978	536,056
Total pension liability-beginning	10,744,347	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 11,073,168	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
Plan fiduciary net position				
Contributions				
Employer	\$ 151,756	\$ 196,130	\$ 221,593	\$ 240,401
State	65,893	64,825	66,189	59,256
Employee	81,274	85,064	90,128	88,479
Buy back	-	-	-	-
Net investment income	904,015	(394,718)	901,280	1,042,891
Benefit payments including refunds of employee contributions	(561,601)	(528,946)	(487,612)	(460,916)
Administrative expense	(34,770)	(26,755)	(19,558)	(18,312)
Other	-	-	-	-
Net change in plan fiduciary net position	606,567	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	9,613,460	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 10,220,027	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 853,141	\$ 1,130,887	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	92.30%	89.47%	99.79%	97.72%
Covered employee payroll	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered employee payroll	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, 2016**

	2016	2015	2014	2013
Total pension liability				
Service cost	\$ 172,607	\$ 177,733	\$ 168,142	\$ 155,687
Interest	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	(112,062)	73,309	-	-
Change of assumptions	381,136	-	-	-
Contributions-buy back	-	-	-	-
Benefit payments, including refunds of employee contributions	(1,102,639)	(490,496)	(458,910)	(465,041)
Net change in total pension liability	57,419	434,625	386,018	339,065
Total pension liability-beginning	9,341,781	8,907,156	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 9,399,200	\$ 9,341,781	\$ 8,907,156	\$ 8,521,138
Plan fiduciary net position				
Contributions				
Employer	\$ 296,485	\$ 250,259	\$ 310,160	\$ 252,906
State	50,698	95,653	80,280	78,504
Employee	52,815	47,712	47,041	44,711
Buy back	-	-	-	-
Net investment income	619,284	(285,606)	649,062	757,642
Benefit payments including refunds of employee contributions	(1,102,639)	(490,496)	(458,910)	(465,042)
Administrative expense	(31,660)	(22,760)	(14,901)	(15,407)
Other	-	-	-	-
Net change in plan fiduciary net position	(115,017)	(405,238)	612,732	653,314
Plan fiduciary net position-beginning	6,972,129	7,377,367	6,764,635	6,111,321
Plan fiduciary net position-ending (b)	\$ 6,857,112	\$ 6,972,129	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 2,542,088	\$ 2,369,652	\$ 1,529,789	\$ 1,756,503
Plan fiduciary net position as a percentage of the total pension liability	72.95%	74.63%	82.83%	79.39%
Covered employee payroll	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered employee payroll	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, 2016

	2016	2015	2014	2013
Actuarially determined contribution	\$ 679,829	\$ 686,530	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	679,825	686,545	777,517	788,781
Contribution deficiency (excess)	\$ 4	\$ (15)	\$ -	\$ -
Covered employee payroll	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered employee payroll	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:	28 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	Service based
Interest rate:	7.90%
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:	Tables for non-special risk employees

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, 2016**

	2016	2015	2014	2013
Actuarially determined contribution	\$ 222,150	\$ 260,864	\$ 291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	222,154	260,955	291,414	302,303
Contribution deficiency (excess)	\$ (4)	\$ (91)	\$ -	\$ -
Covered employee payroll	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Contributions as a percentage of covered employee payroll	11.54%	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:	28 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	Service based
Interest rate:	7.90%
Payroll growth:	Up to 3.0% annually (2.2% for 10/1/14 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.
Mortality:	Tables for Special risk employees

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, 2016**

	2016		2015		2014		2013
Actuarially determined contribution	\$ 380,267	\$	345,915	\$	390,441	\$	335,333
Contributions in relation to the actuarially determined contributions	380,264		345,912		390,441		335,333
Contribution deficiency (excess)	\$ 3	\$	3	\$	-	\$	-
Covered employee payroll	\$ 880,247	\$	934,724	\$	784,020	\$	745,184
Contributions as a percentage of covered employee payroll	37.44%		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:	28 years (as of 10/01/2015)
Actuarial asset method:	4 year average
Inflation:	2.70%
Salary increases:	Service based
Interest rate:	7.90%
Payroll growth:	Up to 3.0% annually (0.92% for the 10/1/14 valuation).
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:	Tables for Special risk employees

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.

City of Palatka, Florida

Schedules of Investment Returns
Pension Plans
September 30, 2016

	General Plan			
	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	9.55%	-2.32%	9.51%	10.92%
<hr/>				
	Police Officers' Plan			
	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	9.54%	-3.91%	9.66%	12.34%
<hr/>				
	Firefighters' Plan			
	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	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, 2016**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued 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
9/30/2016	\$ 55,585	52.9%
9/30/2015	59,040	40.8%
9/30/2014	61,357	46.4%

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, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ 33	\$ 33	\$ 19	\$ (14)
Expenditures				
Current:				
Reserve for contingencies	38,197	38,197	-	38,197
Net change in fund balances	(38,164)	(38,164)	19	38,183
Fund balances – beginning of year	38,164	38,164	38,163	(1)
Fund balances – end of year	\$ -	\$ -	\$ 38,182	\$ 38,182

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Better Place Plan Fund
Year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 740,000	\$ 740,000	\$ 833,084	\$ 93,084
Intergovernmental	2,630,510	2,630,510	1,103,130	(1,527,380)
Miscellaneous	-	-	58,822	58,822
Total revenues	3,370,510	3,370,510	1,995,036	(1,375,474)
Expenditures				
Current:				
General government	59,722	59,722	58,053	1,669
Physical environment	728,669	728,669	85,925	642,744
Culture and recreation	1,810,993	1,810,993	126,264	1,684,729
Reserve for contingencies	169,655	169,655	-	169,655
Debt service:				
Principal retirement	329,576	329,576	329,576	-
Interest and fiscal charges	42,334	42,334	42,333	1
Total expenditures	3,140,949	3,140,949	642,151	2,498,798
Excess of revenues over (under) expenditures	229,561	229,561	1,352,885	1,123,324
Other financing sources (uses)				
Transfers in	25,000	25,000	-	(25,000)
Transfers out	(168,984)	(168,984)	(168,984)	-
Total other financing sources (uses)	(143,984)	(143,984)	(168,984)	(25,000)
Net change in fund balances	85,577	85,577	1,183,901	1,098,324
Fund balances – beginning of year	(85,577)	(85,577)	(968,571)	(882,994)
Fund balances – end of year	\$ -	\$ -	\$ 215,330	\$ 215,330

Statistical Section
(unaudited)

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	62
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	66
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity	70
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	75
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	77
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 -----									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$10,466,693	\$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
Restricted	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403	\$1,264,580
Unrestricted	\$1,328,481	\$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
Total Governmental Activities Net Position	\$12,837,915	\$13,745,608	\$14,178,626	\$14,345,344	\$15,090,686	\$15,731,558	\$16,265,263	\$12,800,601	\$11,446,860	\$10,767,292
Business-Type Activities										
Net Investment in Capital Assets	\$18,066,125	\$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
Restricted	\$773,851	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972	\$328,594	\$330,609	\$334,897	\$334,285
Unrestricted	\$802,248	\$8,827,626	\$7,441,249	\$969,128	\$486,050	-\$222,895	-\$863,846	\$1,180,303	-\$439,062	-\$875,644
Total Business-Type Activities Net Position	\$19,642,224	\$24,896,537	\$31,636,469	\$32,998,190	\$33,382,940	\$38,261,961	\$38,193,303	\$38,661,254	\$37,617,634	\$36,915,550
Primary Government										
Net Investment in Capital Assets	\$28,532,818	\$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
Restricted	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448	\$730,593	\$837,720	\$959,300	\$1,598,865
Unrestricted	\$2,130,729	\$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
Total Primary Government Net Position	\$32,480,139	\$38,642,145	\$45,815,095	\$47,343,534	\$48,473,626	\$53,993,519	\$54,458,566	\$51,461,855	\$49,064,494	\$47,682,842

Table 2
City of Palatka, Florida

Changes in Net Position - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$677,251	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179	\$2,192,293	\$507,929	\$1,901,557	\$2,008,770
Public Safety	\$6,203,873	\$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
Physical Environment	\$481,343	\$295,824	-	-	-	-	-	\$415,967	\$408,379	\$91,593
Transportation	\$1,282,350	\$973,566	\$1,129,663	\$697,212	\$681,907	\$577,407	\$511,114	\$573,372	\$115,762	\$505,409
Economic Environment	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709	\$92,509
Human Services	\$227,525	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327	\$151,906	\$174,967	\$178,223	\$78,523
Culture and Recreation	\$561,238	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572	\$427,004	\$1,288,402	\$383,685	\$479,185
Interest on Long-Term Debt	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904	\$155,598	\$67,579	\$61,641	\$56,534
Total Governmental Activities Expenses	\$9,573,034	\$9,585,412	\$10,002,275	\$9,885,034	\$9,439,276	\$8,862,700	\$9,090,038	\$9,425,885	\$10,475,085	\$10,693,390
Business-type Activities:										
Airport	\$974,382	\$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
Water	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295	\$4,550,830	\$4,784,639	\$4,688,134	\$4,826,439	\$4,897,142	\$4,820,628
Golf	\$1,004,007	\$1,014,105	\$908,883	\$982,862	\$1,017,307	\$1,005,000	\$997,958	\$975,398	\$975,398	\$990,203
Sanitation	\$1,430,766	\$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
Total Business-type Activities Expenses	\$7,218,931	\$7,957,391	\$8,126,436	\$8,902,356	\$8,754,912	\$8,795,365	\$8,756,609	\$9,060,425	\$8,861,483	\$8,932,495
Total Primary Government Expenses	\$16,791,965	\$17,542,803	\$18,128,711	\$18,787,390	\$18,194,188	\$17,658,065	\$17,846,647	\$18,486,310	\$19,336,568	\$19,625,885
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$100,431	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185	\$114,051	\$115,895	\$107,744	\$108,498
Public Safety	\$234,747	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578	\$608,594	\$1,106,771	\$1,015,140	\$855,598
Other	\$198,985	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434	\$198,826	\$210,064	\$199,565	\$153,721
Operating Grants and Contributions	\$912,670	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019	\$981,676	\$847,158	\$794,957	\$886,922
Capital Grants and Contributions	\$1,463,953	\$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
Total Governmental Activities Program Revenues	\$2,910,786	\$2,329,954	\$3,016,522	\$3,941,134	\$3,302,841	\$3,110,290	\$2,639,237	\$4,054,808	\$4,479,977	\$3,046,507
Business-type Activities:										
Charges for Services:										
Airport	\$506,385	\$709,468	\$572,594	\$704,750	\$895,300	\$851,615	\$895,597	\$787,233	\$781,847	\$723,767
Water	\$3,459,388	\$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
Golf	\$751,903	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578	\$701,488	\$720,410	\$704,846	\$665,847
Sanitation	\$1,518,191	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053	\$1,535,169	\$1,633,906	\$1,641,581	\$1,652,675
Other	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Operating Grants and Contributions	\$2,451,956	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111	\$1,521,529	\$26,500	\$1,724,898	\$361,721
Capital Grants and Contributions	\$8,694,853	\$12,881,813	\$14,703,865	\$9,042,261	\$9,165,866	\$13,579,091	\$8,776,379	\$8,037,911	\$9,203,228	\$8,247,932
Total Business-type Activities Program Revenues	\$11,605,639	\$15,211,767	\$17,720,387	\$12,983,395	\$12,468,707	\$16,689,381	\$11,415,616	\$12,092,719	\$13,683,205	\$11,294,439
Net (Expense)/Revenue	(\$6,662,248)	(\$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)
Governmental Activities	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726	\$19,770	\$1,022,514	\$341,745	(\$684,563)
Business-type Activities	(\$5,186,326)	(\$2,331,036)	(\$408,324)	(\$5,803,995)	(\$5,725,481)	(\$988,684)	(\$6,431,031)	(\$6,393,591)	(\$5,653,363)	(\$6,331,446)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$3,805,051	\$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
Sales Tax and Other State Shared Revenue	\$894,912	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613	\$783,678	\$786,686	\$794,451	\$836,379
Special Assessment-Fire Protection	-	-	-	-	-	-	-	-	-	\$948,803
Franchise Fees	\$915,447	\$898,638	\$931,985	\$879,660	\$886,166	\$662,130	\$904,958	\$810,331	\$837,391	\$813,569
Other Taxes	\$1,743,359	\$2,114,628	\$1,632,411	\$1,409,048	\$1,189,645	\$1,036,332	\$1,053,895	\$1,124,693	\$1,141,195	\$1,154,169
Investment Earnings	\$62,975	\$81,319	\$55,790	\$5,689	\$1,384	\$181	\$220	\$2,530	\$1,850	\$1,850
Contribution from component unit	-	-	-	-	-	-	-	\$300,000	\$300,000	\$250,000
Miscellaneous	\$85,774	\$50,031	\$31,900	\$60,637	\$149,036	\$83,791	\$595,182	\$123,286	\$115,964	\$120,432
Loss on sale of land	\$142,873	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321	\$213,602	(\$3,078,218)	(\$19,536)	\$90,996
Transfers	\$7,650,391	\$8,163,151	\$7,418,771	\$6,110,618	\$6,881,777	\$6,393,282	\$6,984,506	\$1,906,415	\$6,673,014	\$6,967,315
Total Governmental Activities										
Business-type Activities:										
Investment Earnings	\$17,786	\$421,634	\$56,140	\$188,945	\$446	\$450	\$255	\$190	\$209	\$1,117
Gain on Sale of Assets	-	-	\$22,174	-	-	-	-	-	-	-
Miscellaneous	\$455,747	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166	\$124,919	\$47,126	\$101,196	\$72,358
Transfers	\$330,660	\$329,891	\$162,503	\$1,221,816	(\$175,000)	(\$352,321)	(\$213,602)	\$1,628,519	\$19,536	(\$90,996)
Total Business-type Activities	\$7,981,051	\$8,483,042	\$7,581,274	\$7,332,434	\$6,855,573	\$6,488,577	\$6,896,078	\$3,582,250	\$6,793,955	\$6,949,794
Changes in Net Position										
Governmental Activities	\$988,143	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872	\$533,705	(\$3,464,662)	\$677,906	(\$679,568)
Business-type Activities	\$1,806,582	\$5,294,313	\$6,739,932	\$1,361,721	\$384,750	\$8,879,021	(\$68,656)	\$653,321	\$462,686	(\$702,084)
Total Primary Government	\$2,794,725	\$6,162,006	\$7,172,950	\$1,528,439	\$1,130,092	\$5,519,893	\$465,047	(\$2,811,341)	\$1,140,592	(\$1,381,652)

Table 3
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	<u>2007</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>
Fiscal Years Ending September 30 ----										
General Fund										
Nonspendable	-	-	-	-	\$867,346	\$1,296,287	\$1,749,044	\$292,927	\$292,927	\$292,927
Restricted	-	-	-	-	\$511,570	\$483,518	\$826,352	\$195,513	\$218,278	\$207,315
Committed	-	-	-	-	\$17,246	\$106,948	\$22,656	\$33,128	\$49,206	\$45,761
Assigned	-	-	-	-	\$107,416	-	-	-	-	-
Unassigned	-	-	-	-	\$858,214	\$608,254	\$834,968	\$848,005	\$1,060,435	\$1,379,763
Reserved	\$1,269,605	-	-	\$414,758	-	-	-	-	-	-
Unreserved	\$414,620	\$2,006,861	\$1,682,108	\$1,262,722	-	-	-	-	-	-
Total General Fund	\$1,684,225	\$2,006,861	\$1,682,108	\$1,677,480	\$2,361,792	\$2,495,007	\$3,433,020	\$1,369,573	\$1,620,846	\$1,925,766
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403	\$1,057,265
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-\$188,428	-\$968,571	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	-	-	-	-	-	-
Total All Other Governmental Funds	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999	\$318,683	-\$344,168	\$1,057,265

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$7,681,577	\$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
Permits, fees and special assessments	\$199,194	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887	\$990,001	\$961,392	\$1,076,832	\$1,915,657
Intergovernmental	\$2,052,538	\$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
Charges for Services	\$196,549	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738	\$245,095	\$276,570	\$295,691	\$212,004
Fines and Forfeitures	\$75,607	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623	\$427,324	\$838,313	\$630,674	\$597,665
Miscellaneous	\$227,782	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412	\$719,469	\$635,493	\$1,210,711	\$591,814
Total Revenues	\$10,433,247	\$10,300,484	\$10,358,872	\$10,855,648	\$10,021,385	\$9,195,291	\$9,412,237	\$9,738,008	\$10,992,033	\$10,876,117
Expenditures										
General Government	\$1,022,291	\$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
Public Safety	\$7,546,297	\$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
Physical Environment	\$481,343	\$295,824	-	-	-	-	-	\$415,967	\$404,042	\$85,925
Transportation	\$1,393,241	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073	\$486,426	\$553,104	\$477,959	\$474,693
Economic Environment	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709	\$92,509
Human Services	\$257,208	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296	\$142,233	\$164,899	\$178,712	\$78,256
Culture and Recreation	\$708,890	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756	\$449,550	\$1,253,442	\$2,361,161	\$553,865
Debt Service										
Principal Retirement	\$146,794	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468	\$335,816	\$534,892	\$488,900	\$534,247
Interest and Fiscal Charges	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483	\$155,598	\$67,579	\$61,641	\$56,534
Total Expenditures	\$11,695,518	\$13,040,042	\$10,654,475	\$10,520,921	\$10,063,766	\$9,506,632	\$9,119,636	\$11,088,902	\$11,773,075	\$9,260,760
Excess of Revenues Over (Under) Expenditures	(\$1,262,271)	(\$2,739,558)	(\$295,603)	\$334,727	(\$42,381)	(\$311,341)	\$292,601	(\$1,350,894)	(\$781,042)	\$1,615,357
Other Financing Sources (Uses)										
Proceeds From Borrowing	\$1,379,225	\$3,243,802	-	-	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	\$26,009	\$300,000	\$520,700	\$389,000	-
Transfers In	\$247,957	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468	\$685,099	\$1,308,196	\$482,992	\$782,517
Transfers Out	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)	(\$471,497)	(\$2,936,715)	(\$502,528)	(\$691,521)
Debt Issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	(\$1,866,667)	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-	\$1,890,000	-	-	-
Total Other Financing Sources (Uses)	\$1,540,472	\$3,456,712	\$126,527	-\$803,896	\$175,000	\$378,330	\$536,935	(\$1,107,819)	\$369,464	\$90,996
Special items										
Proceeds from sale of land	-	-	-	-	-	-	-	\$311,950	-	-
Total Special items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$311,950	\$0	\$0
Net Change in Fund Balances	\$278,201	\$717,154	(\$169,076)	(\$469,169)	\$132,619	\$66,989	\$829,536	(\$2,146,763)	(\$411,578)	\$1,706,353
Acquisitions of Capital Assets	\$2,459,657	\$3,359,965	\$1,021,747	\$1,051,693	\$1,165,834	\$1,157,811	\$245,613	\$2,137,099	\$2,856,864	\$467,291
Debt Service as a Percentage of Non-Capital Expenditures	1.99%	7.06%	6.78%	5.99%	5.68%	5.75%	5.54%	6.73%	6.17%	6.72%

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, 2016

Fiscal Year	REAL PROPERTY			PERSONAL PROPERTY *			TOTALS			Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Total Direct Tax Rate		
2006-07	\$320,669,058	\$619,824,299	\$69,748,674	\$95,461,683	\$390,417,732	\$715,285,982	8.6500	54.58%		
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	8.5000	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%		

* 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, 2016

Fiscal Year	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	Percent of <u>Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Collections to Levy</u>
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768
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	\$2,679,105	\$2,545,988	0.9503	\$16,112	\$2,562,101	0.9563

Source: Putnam County Tax Collector

Table 7
City of Palatka

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
September 30, 2016

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
2007	8.5000	0.0000	8.5000	9.2000	0.0000	9.2000	7.774	0.500	8.274	0.4620	26.436
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

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 2016</u>			<u>Fiscal Year 2007</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	\$15,699,606	1	4.31%	\$17,426,703	1	4.11%
Wal-Mart Inc.	\$12,900,622	2	3.54%	\$13,302,600	2	3.14%
9520 Bonita Beach Road LLC	\$12,670,269	3	3.48%	-	-	-
Revenue Properties Town & Country	\$9,648,735	4	2.65%	\$6,901,153	7	1.63%
Florida Power & Light	\$8,548,119	5	2.35%	\$7,907,370	5	1.86%
Lowe's Home Centers	\$6,693,490	6	1.84%	\$8,250,272	3	1.95%
Home Depot	\$6,618,026	7	1.82%	\$8,144,593	4	1.92%
Bellsouth Telecommunications	\$4,942,060	8	1.36%	\$7,822,805	6	1.84%
FWI 5 LLC	\$4,374,276	9	1.20%	\$4,735,191	9	1.12%
Palatka Mall LLC	\$4,304,573	10	1.18%	\$4,647,902	10	1.10%
Southern Medical Associates, Inc.	-	-	-	\$5,949,089	8	1.40%
Total	\$86,399,776		23.72%	\$85,087,678		20.07%

Source: Putnam County Property Appraiser

Table 9
 City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years
 September 30, 2016

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9
2009	\$0	\$37,498	\$37,498	0.01%	\$3
2010	\$0	\$0	\$0	0.00%	\$0
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

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, 2016

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, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Putnam County School District			
SBE 2005-A Refunding	\$15,000	11.34%	\$1,701
SBE 2005-B	\$70,000	11.34%	\$7,936
SBE 2008-A	\$515,000	11.34%	\$58,385
SBE 2009-A Refunding	\$55,000	11.34%	\$6,235
SBE 2014-A Refunding	\$271,000	11.34%	\$30,723
Debt repaid with non-ad valorem taxes			
Putnam County Board of County Commissioners			
Communications Improvemer	\$418,217	14.87%	\$62,201
MSBU Special Assessments	\$316,473	14.87%	\$47,069
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
Better Place Plan	\$1,675,000	14.96%	\$250,516
Better Place Plan	\$815,000	14.96%	\$121,893
Debt repaid with 1/2 cent sales tax			
Putnam County Board of County Commissioners			
USDA-Jail	\$9,000,000	12.81%	\$1,152,483
USDA-Jail	\$8,965,300	12.81%	\$1,148,039
<i>Subtotal, overlapping debt</i>			\$586,658
City direct debt			<u>\$2,091,115</u>
Total direct and overlapping debt			<u><u>\$2,677,773</u></u>

Source: Putnam County School Board, 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

Fiscal Year	Governmental Activities-----			Business Type Activities-----			Total Primary Government	Percentage of Personal Income(1)	Outstanding Debt Per Capita(1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases			
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	9.28%	\$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	4.80%	\$1,391

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						
	Airport Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Utility Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest				Coverage	Principal	Interest	Coverage
2007	\$506,385	\$637,292	(\$130,907)	\$14,375	\$1,899	-804.39%	\$3,801,745	\$2,806,060	\$995,685	\$320,093	\$301,834	160.10%
2008	\$711,499	\$751,145	(\$39,646)	\$13,551	\$1,257	-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%

Fiscal Year	Golf Revenue Bonds					Infrastructure Surtax Revenue Note						
	Golf Gross Revenues	Less Operating Expenses	Net Available Revenue	Debt Service		Sales Surtax	Less Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest				Coverage	Principal	Interest	Coverage
2007	\$782,670	\$934,609	(\$151,939)	\$54,622	\$10,493	-233.34%	\$0	\$0	\$0	\$0	n/a	n/a
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-107.88%	\$802,482	\$0	\$0	\$0	n/a	n/a
2009	\$726,513	\$722,239	\$4,274	\$28,125	\$111,586	3.06%	\$732,946	\$266,667	\$166,080	\$266,667	\$169,37%	169.37%
2010	\$624,462	\$800,372	(\$175,910)	\$62,033	\$107,431	-103.80%	\$715,264	\$266,667	\$152,240	\$266,667	\$170.75%	170.75%
2011	\$613,217	\$845,986	(\$232,769)	\$79,366	\$102,778	-127.79%	\$676,948	\$266,667	\$138,400	\$266,667	\$167.12%	167.12%
2012	\$593,718	\$838,545	(\$244,827)	\$141,804	\$97,560	-102.28%	\$683,697	\$266,667	\$124,560	\$266,667	\$174.76%	174.76%
2013	\$702,153	\$829,833	(\$127,680)	\$1,400,989	\$96,895	-8.52%	\$699,302	\$2,133,334	\$133,651	\$2,133,334	\$30.85%	30.85%
2014	\$724,954	\$846,859	(\$121,905)	\$96,000	\$56,372	-80.00%	\$733,349	\$411,000	\$43,096	\$411,000	\$161.50%	161.50%
2015	\$717,547	\$856,783	(\$139,236)	\$117,000	\$51,999	-82.39%	\$773,912	\$262,000	\$33,217	\$262,000	\$262.15%	262.15%
2016	\$680,937	\$880,507	(\$199,570)	\$122,000	\$46,984	-118.10%	\$833,084	\$269,000	\$27,013	\$269,000	\$281.43%	281.43%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2016

Fiscal Year	Population (1)	Personal Income(million of dollars) (2)	Per Capita Personal Income (3)	School (4) Enrollment	Unemployment Rate (5)
2007	11,470	\$291	\$24,633	5555	4.8%
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	\$28,944	5043	6.0%

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 - 2015 are based on per capita personal income data.
Figures from 2016 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

<u>Employer</u>	<u>Fiscal Year 2016</u>			<u>Fiscal Year 2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Putnam County School District	974	1	18.47%	870	1	18.96%
St. Johns River State College	503	3	9.54%	225	6	4.90%
Putnam Community Medical Center, LLC	458	2	8.68%	533	4	11.62%
St Johns River Water Management District	374	4	7.09%	686	2	14.95%
Walmart Supercenter	374	5	7.09%	523	5	11.40%
Putnam County Board of County Commissioners	308	6	5.84%	656	3	14.30%
Palatka Healthcare Center	213	8	4.04%	-	-	-
Putnam County Sheriff's Office	173	7	3.28%	-	-	-
City of Palatka	148	9	2.81%	194	7	4.23%
Publix Super Market	124	10	2.35%	120	9	2.62%
Lowes Home Centers, Inc.	-	-	-	123	8	2.68%
Home Depot USA, Inc.	-	-	-	101	10	2.20%
Total	3,649		69.19%	2,937		87.86%

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

<u>Function/Program</u>	<u>2007</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>
General Government:										
Building permits issued	804	621	80	596	618	595	583	561	497	543
Building inspections conducted	1987	1543	1499	1359	1360	1257	898	913	994	1415
Code enforcements	547	311	701	200	165	184	214	150	88	12
Occupational license issued	1072	1013	1258	1092	1220	1078	675	239	866	710
Police:										
Calls for service	32,350	31,933	31,264	34,559	29,847	32,709	30,616	30,595	29,946	23,586
Physical arrests	2,003	1,798	1,450	1,528	1,119	1,047	788	788	784	617
Citations	2,299	1,217	1,269	2,060	1,616	1,660	1,470	1,904	1,294	656
Fire:										
Emergency responses	2,063	2,590	2,610	2,412	2,687	2,498	2,173	2,142	2,128	2,967
Fires extinguished	721	457	538	98	10	41	125	374	398	58
Refuse collection:										
Customers	5,027	4,935	3,469	3,850	3,819	3,869	3,827	3,867	3,873	3,914
Other public works:										
Street resurfaced (miles)	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Potholes repaired	100	98	100	100	110	58	63	65	40	16
Parks and recreation:										
Community center rentals	68	142	147	197	58	83	129	65	72	63
Human Services:										
Interments	145	133	103	146	122	107	117	79	111	97
Water:										
Water main breaks	30	16	10	7	16	7	26	64	107	269
Average daily consumption (thousands of gallons)	1,735	2,229	2,030	2,000	2,044	1,811	1,684	1,706	1,728	1,654
Peak daily consumption (thousands of gallons)	2,300	2,997	2,870	2,720	2,757	2,908	2,139	2,634	2,420	2,278
Wastewater:										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	1,940	1,490	2,040	1,540	1,700	1,500	1,330
Airport:										
Rentals-T Hangars	49	49	54	54	54	54	54	55	55	55
Building	2	1	1	1	1	1	2	2	2	2
Land leases	2	1	1	1	1	1	1	1	1	1

Source: Departments of the city

Table 17
City of Palatka, Florida

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2007</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>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	26	24	22	22	24	24	22	21	21	22
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	20	20	23	23	23	23	23	23	23	23
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	6	6
Other public works:										
Streets(miles)	71.18	71.18	71.18	71.18	71.18	71.18	71.18	60.00	60.00	60.00
Traffic signals	22	22	22	22	22	21	21	12	12	39
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	26.67	26.67	45.36	45.36	45.36
Playgrounds	10	10	10	10	10	10	10	5	5	7
Baseball/softball diamonds	5	5	5	5	5	5	5	4	4	3
Community Centers	1	1	1	1	1	1	1	2	2	2
Water:										
Water mains (miles)	106	106	106	108	108	108	108	108	108	112
Fire hydrants	455	565	570	578	578	578	578	581	581	543
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	80	70
Storm sewers (miles)	60	60	60	60	60	60	60	61	61	61
Treatment capacity(millions of gals.)	912	1095	1095	1278	1278	1278	1278	6,000	6,000	6,000
Golf Courses:										
Acreage	99	99	99	99	99	99	99	124	124	124
Airports:										
Runways	3	3	3	3	3	3	3	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>2007</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>
General Government										
General Administration	8	8	9	8	8	8	8	8	8	7
Attorney	1	1	1	1	1	1	0.5	0.5	0.5	0.5
Mainstreet	0	0	1	0	1	1	1	1	1	0
Information Technology	0	0	0	0	0	0	1	1	1	1
Facilities Maintenance	0	0	0	0	0	0	1	1	1	1
Public Safety										
Building & Zoning	7	6	4	5	4	4	4	4.5	4	4
Police Officers	39	39	37	36	34	35	34	36	36	33
Police Clerical	7	7	6	6	7	7	6.5	6.5	6.5	6.5
Code Enforcement	1	1	1	1	1	1	1	1	1.5	1.5
Firefighters	20	20	23	23	23	23	23.5	23.5	23.5	23.5
Transportation										
Streets	9	7	6	6	6	6	6	6	6	6
Human Services										
Cemeteries	5	5	4	3	2	2	2	2	3	0
Culture/Recreation	7	7	8	7	5	5	5	6	3.5	2.5
Business Type Activities:										
Airport	4	4	3	3	2	3	3	3	3	3
Water	37	37	33	33	31	32	32	30	33	30.5
Golf	10	9	8	0	0	0	0	0	0	0
Sanitation	19	19	16	14	14	13	17	14	17	17.5

Source: City of Palatka Personnel Department

Compliance Section

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 31, 2017. 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. There are no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

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, 2016, the enterprise funds had approximately \$876,000 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, 2016 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 2016 are approximately 97% of the recommended minimum level (two months coverage of the estimated following year's normal operating expenditures). Over the last few years the City has improved from 57.6% in 2014, to 72.8% in 2015, then 97.1% in 2016 of minimum recommended coverage.

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, 2016, 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, 2016.

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
May 31, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2017.

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 2016-001 and 2016-002 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 2016-003 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*.

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.

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

Palatka, Florida
May 31, 2017



INDEPENDENT ACCOUNTANT'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, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance 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, 2016.

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
May 31, 2017

Schedule of Findings

- 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.
- 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.
- 2016-003** **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.

TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE M. WILLIAMS
COMMISSIONER



CITY of *Palatka*
FLORIDA

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

TERRY K. SUGGS
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

JASON L. SHAW, SR.
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

May 31, 2017

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, 2016.

2016-001 *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.

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.

2016-002 *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.

Resolution – The City reconciles all debits and credits listed on each bank statement to the accounting system every month. All debits and credits shown on each bank statement are accounted for, however we believe there is an issue with the reporting system of our accounting software causing the account balances to not reconcile. This issue began when the City started using new accounting software thus we believe the issue is solely due to the accounting software, not the

City's bank reconciliation process. The City will assess the purchase of another accounting system in order to resolve this issue.

2016-003 *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.

Resolution – The City has adjusted the payroll process so that payroll will not be processed for departments or employees who have not reviewed and verified their timesheets by signing them.

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

Sincerely,

A handwritten signature in blue ink that reads "Matthew D. Reynolds". The signature is fluid and cursive, with a long horizontal flourish at the end.

Matthew D. Reynolds
Finance Director