

City of Palatka, Florida

Comprehensive Annual Financial Report

For the Year Ended September 30, 2015

PREPARED BY:

**MATTHEW D. REYNOLDS
FINANCE DIRECTOR**

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September 30, 2015**

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TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

JAMES NORWOOD, JR.
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

June 29, 2016

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, 2015.

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 and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal should be read in conjunction with Management's Discussion and Analysis, which can be found beginning on page xv.

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 10,418 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 10,418 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2015. 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 2015-16, the City proposed a General Fund operating budget that was 4.52% less than the previous year decreasing from \$10.682 million to \$10.199 million. The City moved forward with implementing a fire service special assessment that resulted in estimated revenues of \$788,000, however the millage rate was lowered from 9.1749 to 6.9967 resulting in a decrease of \$720,000 in revenues. Other revenue sources such as fuel taxes, utility taxes, franchise fees, state shared revenues and sales taxes increased from the prior year, however the estimated revenues from the City's red light camera program once again decreased substantially from \$775,000 in FY2014-2015 to approximately \$508,000 in FY2015-2016. Other categories such as telecommunication taxes, permits and fees, charges for services and fines and forfeits declined from the prior year. A transfer from the Palatka Gas Authority was requested in the amount of \$250,000, which was slightly lower than the \$300,000 transfer from the prior year. Capital expenditures of approximately \$100,000 were included in the budget; however they were smaller in nature and spread across various departments such as Facilities Maintenance, Information Technology, Police, Cemetery and Parks and Recreation. Operating budgets were scrutinized again as in past years and several positions which were vacated by attrition or retirement were not filled.

Taxable value increased by 2.26% which provided for a rollback rate of 8.9723; however with the implementation of the fire service special assessment the millage rate was lowered to 6.9967 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.

The General Fund total fund balance increased by approximately \$251,000 mainly due to a significant decrease in expenditures within the police department. The actual expenditures of the police department were well below the budgeted amount due to turnover as well as several patrol officer positions remaining vacant for the year.

Approximately eighteen percent (18%) 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 seventeen percent (17%) of the total fund balance. The remaining unassigned fund balance is 12.13% of the total general fund expenditures, which is an approximate 25% increase from last fiscal year (9.61%). This amount is still well below the minimum balance

ECONOMIC CONDITION (Concluded)

recommended by the GFOA of approximately 16.67% or two months worth of operating expenditures. The net position of the sanitation, golf course and airport funds increased by approximately \$58,000, \$303,000 and \$864,000 respectively, while the net position of the water fund decreased by approximately \$762,000.

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. Attempts to minimize these losses have been made over the past several fiscal years, however the annual deficit continues to occur each year before any General Fund subsidies take place. While the physical condition of the course has continued to improve in FY15-16, the revenues decreased slightly and expenditures increased slightly resulting in a slightly larger operational loss of approximately \$5,000 when compared to the previous year. The City is hopeful that the operations at the course will become self-sufficient in the near future.

MAJOR INITIATIVES

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 new hotel and mixed use development is expected to add over five million dollars (\$5,000,000) to the City's total taxable value and up to fifty new jobs. Construction of the hotel and demolition of the interior of the historic buildings is currently underway. The hotel is expected to be completed in the summer of 2016 and restoration of the historic buildings has an estimated completion date of the fall of 2016.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately three point five million dollars of improvements to the Riverfront Park Downtown Area. The City is in the process of expending an additional one million dollars on improvements to the road way, storm drainage, parking facilities, landscaping, playground, restroom and shower facilities, and appurtenant facilities. The City is projected to expend an additional one point five million dollars on improvements on the Riverfront within the next few years on docking, fuel farm, storm water and other infrastructure needs. 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. 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.

**MAJOR INITIATIVES
(Concluded)**

CURRENT PROJECTS (continued)

Over the past three years the City has formed a partnership with the Georgia Pacific Corporation in order to assist the company in fulfilling its permit requirements with the Florida Department of Environmental Protection. Georgia Pacific elected to construct an environmental center near the riverfront to educate students, residents, and guests about the importance of wetlands and the river to our ecosystem and community. The newly titled St. Johns River Center is a tremendous resource for the community which will provide education, tourism, entertainment, and eco-tourism opportunities for guests of all ages. The cost to construct the center was approximately eight hundred thousand dollars and was financed completely by Georgia Pacific with the City assuming the operational costs now that it has been completed. Construction of the center was completed in July of 2015.

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, build new T-Hangars and corporate hangars to satisfy the demand for these amenities. These improvements have enhanced the City's ability to sustain the airport and provide for further development and economic opportunities there. The City plans to address on and off airport obstructions over the next two years with assistance from the FAA and FDOT. These improvements are intended to mitigate existing safety concerns and to prepare the airport for possible runway expansion in the future.

FUTURE PROJECTS

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

The City has evaluated parts of the City's Waste Water Treatment process that produces bio-solids which currently are sent to the County's landfill for disposal. The City is seeking funding 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 is currently soliciting private party proposals to treat and market the City's bio-solids with the hopes of having Public Private Partnership Agreement and construction plans in place by the fall of 2016.

FUTURE PROJECTS (continued)

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 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. 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 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 monthly 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, 2014. This was the twenty-third 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, 2014 is presented on the following page.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Palatka
Florida**

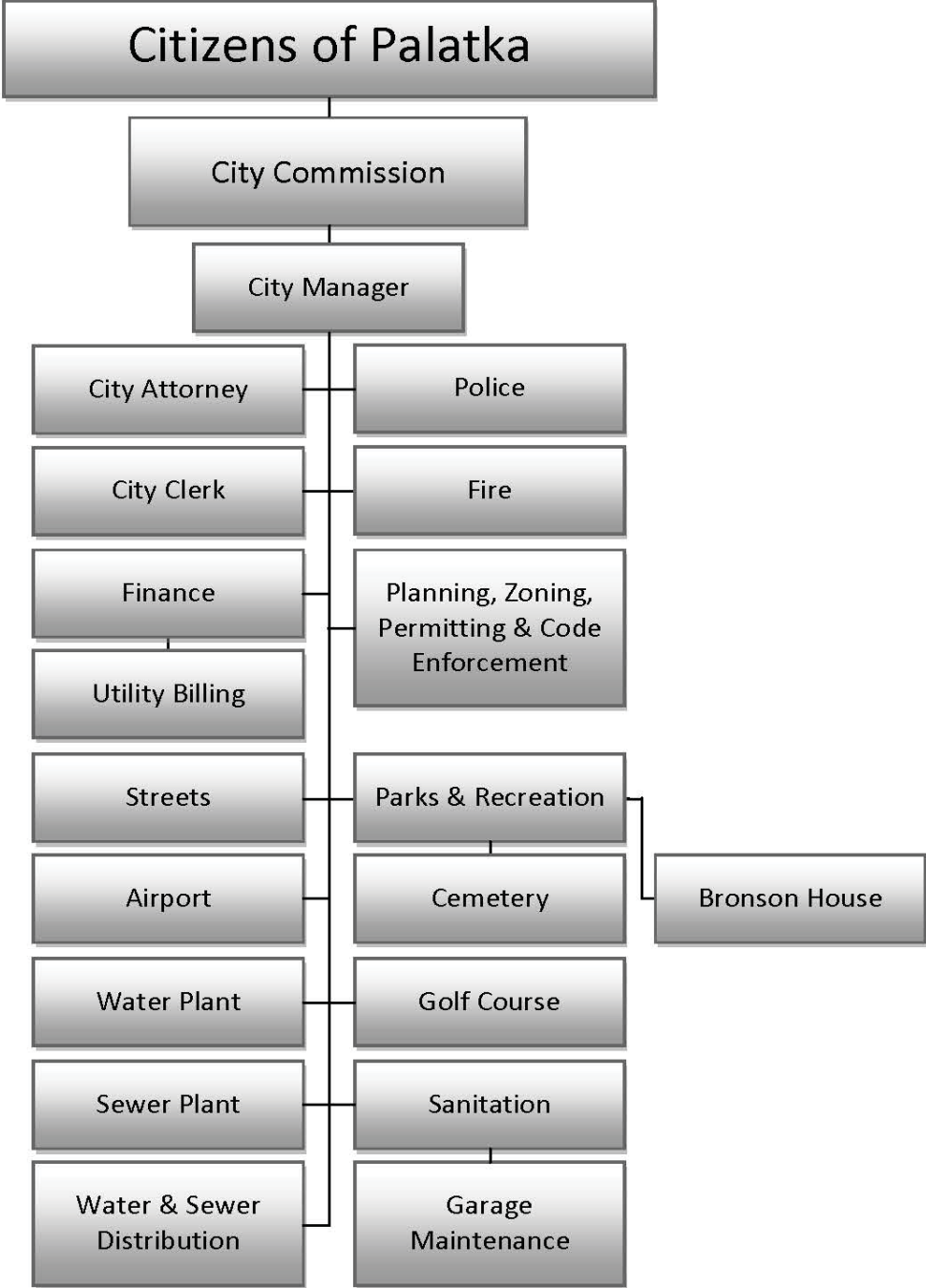
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

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
Interim Police Chief
Fire Chief

Terry Suggs
Betsy Jordan Driggers
Matthew D. Reynolds
Donald E. Holmes
James Griffith
William M. Lambert

DEPARTMENT SUPERINTENDENTS

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

John Youell
Thad Crowe
Andy Hartz
Ed Chandler
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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the City implemented the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, information listed in the table of contents as "supplementary information," including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 June 29, 2016 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
June 29, 2016

**City of Palatka
Management's Discussion and Analysis
September 30, 2015**

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, 2015. 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 \$49,064,494. The total unrestricted net position of the City ended the fiscal year at \$(2,295,721).
- The City's total net position decreased by \$2,397,361 (4.66%), including restatement of beginning net position. Due to the inclusion of pension liabilities from the implementation of GASB Statement 68, governmental net position decreased by \$1,353,741 (10.42%) and the Enterprise funds net position decreased by \$1,043,620 (2.70%), compared to prior year net position.
- The total net position of each Enterprise fund was: Water \$17,585,570, Sanitation \$699,888, Golf \$664,189 and Airport \$18,667,987.
- As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$1,276,678, a decrease of \$411,578 (24.38%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,060,435 or 12.13% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$586,240. Better Place Plan fund balance was a negative \$968,571.
- Net position of the General, Police Officers' and Firefighters' Pension Trust Funds decreased by \$1,370,084, \$604,400 and \$405,238, respectively. These decreases were the result of depreciation in the fair value of investments in each fund.

Overview of Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City of Palatka's assets and liabilities, with the difference between the two reported as net position. The City has no deferred outflows or deferred inflows 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 exceeded liabilities by \$49,064,494 at the close of the most recent fiscal year. There were deferred inflows of \$279,733 and deferred outflows of \$2,965,367 which were both pension related due to the implementation of GASB 68.

The majority of the City's net position (102.72%) 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, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 3,068,817	\$ 3,045,239	\$ 3,444,925	\$ 2,915,739	\$ 6,513,742	\$ 5,960,978
Capital assets	\$ 15,304,478	\$ 13,460,933	\$ 51,056,439	\$ 50,910,500	\$ 66,360,917	\$ 64,371,433
Total assets	\$ 18,373,295	\$ 16,506,172	\$ 54,501,364	\$ 53,826,239	\$ 72,874,659	\$ 70,332,411
Deferred outflows of resources						
Pension related	\$ 2,217,713	\$ -	\$ 747,654	\$ -	\$ 2,965,367	\$ -
Total outflows	\$ 2,217,713	\$ -	\$ 747,654	\$ -	\$ 2,965,367	\$ -
Long-term liabilities						
Outstanding	\$ 8,259,221	\$ 3,278,540	\$ 16,334,762	\$ 14,548,180	\$ 24,593,983	\$ 17,826,720
Other liabilities	\$ 681,693	\$ 427,031	\$ 1,220,083	\$ 616,805	\$ 1,901,776	\$ 1,043,836
Total liabilities	\$ 8,940,914	\$ 3,705,571	\$ 17,554,845	\$ 15,164,985	\$ 26,495,759	\$ 18,870,556
Deferred inflows of resources						
Pension related	\$ 203,234	\$ -	\$ 76,539	\$ -	\$ 279,773	\$ -
Total inflows	\$ 203,234	\$ -	\$ 76,539	\$ -	\$ 279,773	\$ -
Net position:						
Net investment in capital assets	\$ 12,679,116	\$ 10,735,671	\$ 37,721,799	\$ 37,150,342	\$ 50,400,915	\$ 47,886,013
Restricted	\$ 624,403	\$ 507,111	\$ 334,897	\$ 330,609	\$ 959,300	\$ 837,720
Unrestricted	\$ (1,856,659)	\$ 1,557,819	\$ (439,062)	\$ 1,180,303	\$ (2,295,721)	\$ 2,738,122
Total net position	\$ 11,446,860	\$ 12,800,601	\$ 37,617,634	\$ 38,661,254	\$ 49,064,494	\$ 51,461,855

An additional portion of the City's net position \$959,300 (1.96%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a negative amount of \$2,295,721. At the end of the current fiscal year, the unrestricted net position dropped into a negative state primarily due to the inclusion of pension liabilities as required by GASB Statement 68.

Change in Net Position

The City's total net position decreased \$2,397,361 over the previous year, including restatement, with a decrease of \$1,353,741 resulting from governmental activities and an increase of \$1,043,620 from business activities.

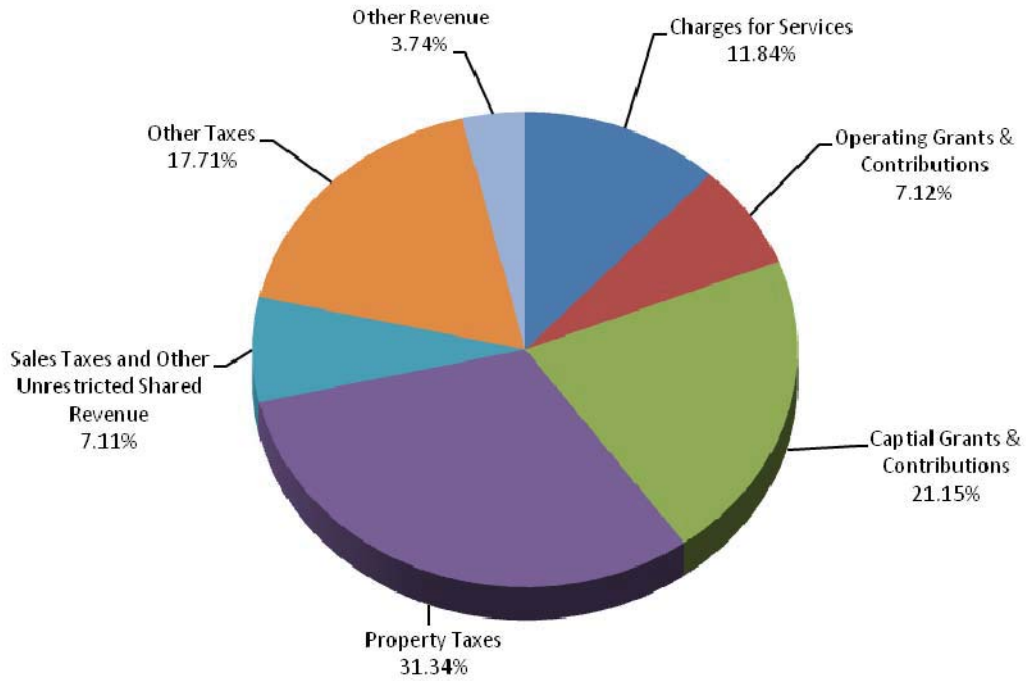
City of Palatka
Changes in Net Position
For the year ended September 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$1,322,449	\$1,432,730	\$7,478,330	\$7,584,599	\$8,800,779	\$9,017,329
Operating Grants & Contributions	\$794,957	\$847,158		\$26,500	\$794,957	\$873,658
Capital Grants & Contributions	\$2,362,571	\$1,774,920	\$1,724,898	\$426,812	\$4,087,469	\$2,201,732
General Revenues:						
Property Taxes	\$3,501,720	\$3,465,626			\$3,501,720	\$3,465,626
Sales Taxes and Other Unrestricted Shared Revenues	\$794,451	\$786,686			\$794,451	\$786,686
Other Taxes	\$1,978,586	\$1,935,024			\$1,978,586	\$1,935,024
Other Revenue	\$417,793	\$425,816	\$101,405	\$47,316	\$519,198	\$473,132
Total Revenues	\$11,172,527	\$10,667,960	\$9,304,633	\$8,085,227	\$20,477,160	\$18,753,187
Expenses:						
General Government	\$1,901,557	\$507,929			\$1,901,557	\$507,929
Public Safety	\$7,279,129	\$6,117,513			\$7,279,129	\$6,117,513
Physical Environment	\$408,379	\$415,967			\$408,379	\$415,967
Transportation	\$115,762	\$573,372			\$115,762	\$573,372
Economic Environment	\$146,709	\$280,156			\$146,709	\$280,156
Human Services	\$178,223	\$174,967			\$178,223	\$174,967
Culture/Recreation	\$383,685	\$1,288,402			\$383,685	\$1,288,402
Interest on Long-Term Debt	\$61,641	\$67,579			\$61,641	\$67,579
Water			\$4,897,142	\$4,826,439	\$4,897,142	\$4,826,439
Sanitation			\$1,498,411	\$1,387,863	\$1,498,411	\$1,387,863
Golf Course			\$975,398	\$977,653	\$975,398	\$977,653
Airport			\$1,490,532	\$1,868,470	\$1,490,532	\$1,868,470
Total Expenses	\$10,475,085	\$9,425,885	\$8,861,483	\$9,060,425	\$19,336,568	\$18,486,310
Increase/(Decrease) in Net Position before Transfers	\$697,442	\$1,242,075	\$443,150	(\$975,198)	\$1,140,592	\$266,877
Loss on sale of land		(\$3,078,218)			\$0	(\$3,078,218)
Transfers	(\$19,536)	(\$1,628,519)	\$19,536	\$1,628,519	\$0	\$0
Increase/(Decrease) in Net Position	\$677,906	(\$3,464,662)	\$462,686	\$653,321	\$1,140,592	(\$2,811,341)
Net Position previously reported	\$12,800,601	\$16,265,263	\$38,661,254	\$38,007,933	\$51,461,855	\$54,273,196
Restatement	(\$2,031,647)	\$0	(\$1,506,306)	\$0	(\$3,537,953)	\$0
Net Position-Beginning of Year, as restated	\$10,768,954	\$16,265,263	\$37,154,948	\$38,007,933	\$47,923,902	\$54,273,196
Net Position-End of Year	\$11,446,860	\$12,800,601	\$37,617,634	\$38,661,254	\$49,064,494	\$51,461,855

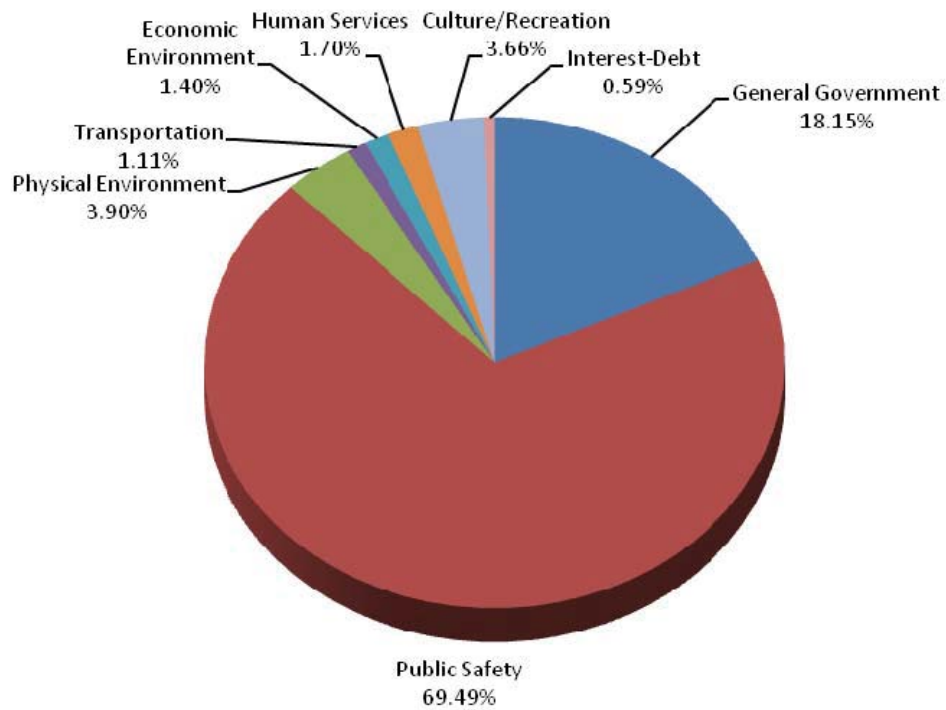
Governmental Activities

Governmental activities decreased the City's net position by \$1,353,741, including restatement, thereby accounting for 56.47% of the total decrease in the net position of the City. A key element of this decrease was the substantial increase in long-term liabilities related to the City's three pension funds due to the implementation of GASB Statement 68.

Revenue by Source - Governmental Activity



Expenses - Governmental Activities



Business-type Activities

Business-type activities decreased the City's net position by \$1,043,620, including restatement, accounting for 43.53% of the total decrease in the City's net position. Key elements in this increase are as follows:

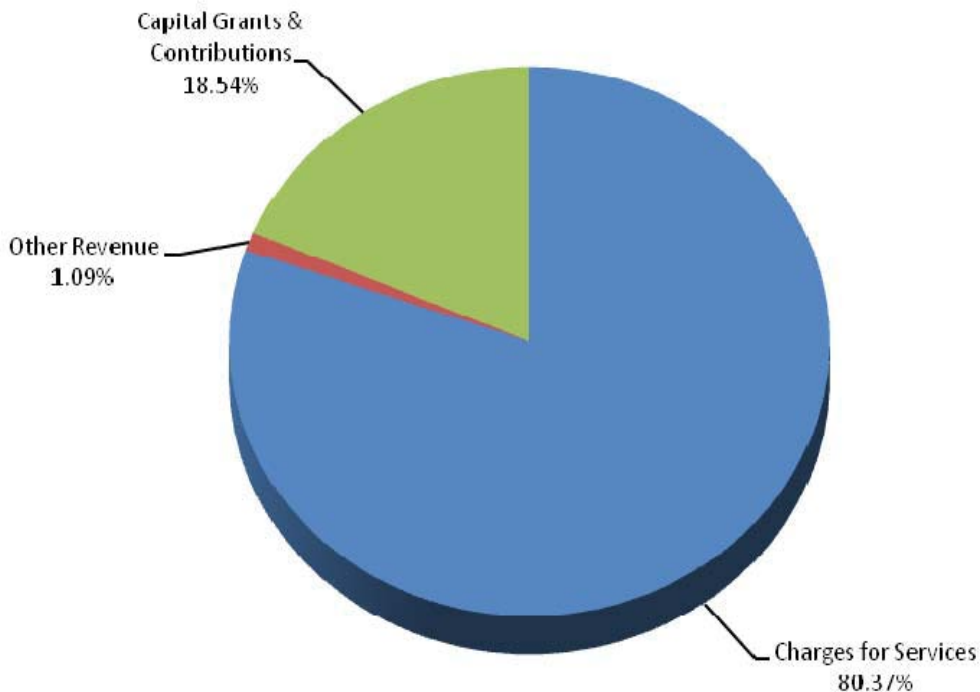
The Water fund had an operating loss of \$95,770 in addition to nonoperating revenues and expenses totaling a negative \$405,882 resulting in a loss of \$501,652 before capital contributions and transfers. After capital contributions and transfers, the net position decreased by \$761,652. The net position at the end of the fiscal year in the Water fund totaled \$17,585,570.

The Sanitation fund net position increased by \$57,538 due to charges for services continuing to exceed the operating expenses of the fund. The net position at the end of the fiscal year in the Sanitation fund totaled \$699,888.

The Golf Course fund net position increased by \$302,754 mainly due to a transfer in from the General Fund, and capital contributions from a grant to improve the kitchen and restroom facilities at the club house. The net position at the end of the fiscal year in the Golf Course fund was \$664,189.

The Airport fund received capital contributions of \$1,539,066 for various capital projects throughout the fiscal year. These funds were used for projects that included drainage rehabilitation, north apron expansion and hangar construction. The operating loss for the Airport which includes depreciation totaled \$663,208. This loss combined with a total nonoperating expense of \$11,812 were fortunately offset by the large amount of capital contributions and the net position of the fund increased by \$864,046. The net position at the end of the fiscal year in the Airport fund totaled \$18,667,987.

Revenue by Source – Business-type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,276,678, a decrease of \$411,578 (24.38%) in comparison to the prior year. This total includes a nonspendable fund balance of \$292,927, a restricted fund balance of \$842,861, a committed fund balance of \$49,206 and an unassigned fund balance of \$91,764 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 \$1,620,846, an increase of \$251,273 (18.35%) from the prior year. Although cash and equivalents decreased, there was a substantial increase in the amount of funds due to the General Fund from the Better Place Fund which caused the net increase in fund balance.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes increased by \$87,739 from the prior year due to an increasing trend for the majority of the revenue streams that are included within this category.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 9.1749 mills and generated \$3,501,720 an increase of \$36,094 from the prior year.

The General Fund had a decrease of \$86,356 in expenditures due to a substantial decrease in public safety and transportation expenditures which was partially offset by slight increases in general government and principal retirement.

Unassigned fund balance in the General Fund increased by \$212,430 (25.05%) from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$586,240, an increase of \$117,261 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 negative balance of \$968,571, a decrease of \$780,143 from the prior year, due to an excess of expenditures over revenues. This excess in expenditures was caused by reimbursements from grant revenues not being received within the revenue recognition period of availability (within 60 days of fiscal year-end).

Other Governmental Funds fund balance was \$38,163, an increase of \$31 (0.08%) 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, 2015, total proprietary fund net position amounted to \$37,617,634.

Water Revenue Fund

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Operating revenue decreased by \$59,056 or 1.33% from the prior year while operating expenses increased by a total of \$218,270. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to a negative \$355,104.

Sanitation Fund

There was an increase in operating revenue of \$12,467 or .76% from the prior year. Expenses increased by \$106,482. Unrestricted net position for the sanitation fund totaled \$317,834.

Golf Course Fund

Operating revenues decreased slightly by \$7,407 or 1.02% from the prior year. Operating expenses increased slightly by \$2,118 or .23%, exceeding operating revenues by \$205,852. Unrestricted net position decreased by \$28,396 to remain at a negative unrestricted net position balance of \$70,395 for the year. The city has made significant improvements to the condition of the course and as a result we have seen an increase in the amount of play, however the operating loss continues to remain around the same level as the prior year.

Airport Fund

Operating revenue remained at almost the identical amount as the prior year, increasing by only \$464. Unrestricted net position decreased by \$210,994 from the prior year. This resulted in a continued negative unrestricted net position balance of \$331,397 at fiscal year end.

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

General Fund Budgetary Highlights

The general fund budget was amended during the fiscal year by \$34,246 (including transfers) which is an increase of .37% over the original projections. This increase was primarily attributed to an increase in the amount of capital leases that was budgeted.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$153,142 less than budgeted.

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

- Public safety actual expenditures were \$477,717 less than final budget primarily due to multiple budgeted positions remaining vacant.
- Transportation actual expenditures were \$62,558 less than final budget primarily due to several budgeted positions remaining vacant.
- Additionally, \$58,349 reserved for contingencies was unspent.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Improvements	\$3,329,027	\$3,329,027	\$4,753,659	\$4,245,409	\$8,082,686	\$7,574,436
Buildings and Improvements	\$3,801,018	\$3,271,818	\$16,340,499	\$16,840,105	\$20,141,517	\$20,111,923
Infrastructure	\$5,220,636	\$2,862,105	\$0	\$0	\$5,220,636	\$2,862,105
Equipment	\$1,969,648	\$1,924,502	\$2,361,184	\$2,220,414	\$4,330,832	\$4,144,916
Intangibles	\$150,721	\$158,192	\$0	\$0	\$150,721	\$158,192
Water/Sewer Distribution System	\$0	\$0	\$5,294,377	\$5,510,711	\$5,294,377	\$5,510,711
Plant Assets and Equipment	\$0	\$0	\$21,078,712	\$21,902,652	\$21,078,712	\$21,902,652
Construction in Progress	\$833,428	\$1,915,289	\$1,228,008	\$191,209	\$2,061,436	\$2,106,498
	\$15,304,478	\$13,460,933	\$51,056,439	\$50,910,500	\$66,360,917	\$64,371,433

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, 2015, the governmental capital assets of the City amounted to \$15,304,478, net of depreciation. This was an increase of \$1,843,545 over the prior year. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at fair value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, (net of accumulated depreciation) amounts to \$66,360,917. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total increase in the City's net investment in capital assets was \$1,989,484.

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 City's riverfront as well as storm water improvements. The capital asset expenditures of approximately \$3.6 million were for the following:

- Boat ramp and parking improvements.
- Construction of an environmental center near the riverfront.
- Storm water and drainage improvements at two different locations.
- Refurbishment of two riverboats.
- Construction of T-Hangars at the Airport.
- Apron expansion and drainage improvements at the Airport.
- Leasing of new police vehicles and a sanitation truck.
- Kitchen and restroom renovations at the Golf Course club house.

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

Long-Term Debt

At September 30, 2015, the City had \$2,625,362 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$6,950,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$234,280 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,318,143 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$1,136,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$406,000 Airport Hangar Revenue notes and a \$666,000 Airport Terminal Revenue Note payable from

the net revenues of the Airport and non-ad valorem taxes and \$624,217 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 \$16,097,033. Of this amount, \$419,778 comprises debt backed by the full faith and credit of the City, \$1,612,801 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	
	2015	2014	2015	2014	2015	2014
Revenue Bonds	\$1,217,000	\$1,479,000	\$6,950,000	\$7,105,000	\$8,167,000	\$8,584,000
Notes Payable	419,778	478,098	5,760,423	6,257,284	6,180,201	6,735,382
Capital Lease Obligations	988,584	768,164	624,217	397,875	1,612,801	1,166,039
Water/Sewer Agreements	0	0	137,031	137,031	137,031	137,031
Total	\$2,625,362	\$2,725,262	\$13,471,671	\$13,897,190	\$16,097,033	\$16,622,452

The City's total long-term debt decreased \$525,419 from the prior year, while the long-term liability for compensated absences decreased by \$19,548.

Governmental Activities:

- The City received proceeds of \$389,000 from a capital lease for the purchase of police department vehicles.
- The City made the following principal payments during the year: revenue bonds - \$262,000; notes payable - \$58,320; and capital lease - \$168,580.
- Governmental obligations for compensated absences decreased by 7.28% or \$31,000.
- Net OPEB obligations increased by \$22,680 (17.82%) to arrive at a total obligation of \$149,958.
- Net pension liability increased by \$2,459,592 (93.55%) to arrive at a total obligation of \$5,088,901.

Business-type activities:

- The City received proceeds of \$289,257 from a capital lease for a sanitation truck.
- The following principal payments were made during the year: revenue bonds - \$155,000, notes payable - \$496,861; and capital lease - \$62,915.
- Compensated absences increased by 6.03% or \$11,452.
- Net OPEB obligations increased by \$12,294 (18.42%) to arrive at a total obligation of \$79,053.
- Net pension liability increased by \$830,644 (47.41%) to arrive at a total obligation of \$2,582,757.

The City's bond rating was maintained at an '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 5 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 2015-16 budget, City staff proposed a balanced General Fund budget without the use of reserves to balance the budget. The City Commission decreased the City's millage rate by 2.1782 mills, from 9.1749 to 6.9967 to encourage economic development by unanimously approving an annual special assessment for fire protection to off-set the reduction in revenues from the decrease in the millage rate.

Staff's approach to the budget included holding three (3) budget development workshops in which the Commissioners and staff worked together to discuss and understand all of the factors and building blocks which impact the development of our municipal budget. These building blocks include the City's taxable value, stability and enhancement of the budget revenue sources, employee salary and benefit costs, and the operational costs required to continue to provide public services to our residents. The workshops also produced candid and in depth discussions on the ongoing costs of maintaining current service and program levels, costs to retain quality public employees, and exploring various new revenue opportunities and sources. These productive discussions and debates ultimately produced consensus among the Commissioners in order to assist in the construction of the proposed budget.

The City continues to assess various cost cutting and revenue enhancing activities at the Palatka Municipal Golf Club and the Palatka Municipal Airport in order to move these community assets toward financial solvency.

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, 2015

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Palatka Gas Authority
Assets				
Cash and equivalents	\$ 1,563,531	\$ 1,335,850	\$ 2,899,381	\$ 52,424
Investments	-	-	-	832,175
Accounts receivable	38,066	612,931	650,997	158,781
Internal balances	292,927	(292,927)	-	-
Due from other governments	1,174,293	1,022,710	2,197,003	-
Inventory	-	199,607	199,607	87,618
Restricted cash and equivalents	-	91,179	91,179	-
Restricted investments	-	475,575	475,575	-
Capital assets:				
Non-depreciable	4,162,455	5,981,667	10,144,122	211,543
Depreciable, net	11,142,023	45,074,772	56,216,795	5,458,094
Total assets	18,373,295	54,501,364	72,874,659	6,800,635
Deferred outflows of resources				
Pension related	2,217,713	747,654	2,965,367	268,109
Liabilities				
Accounts payable and accrued liabilities	675,345	658,646	1,333,991	180,991
Deposits	6,348	545,439	551,787	261,968
Unearned revenue	-	15,998	15,998	-
Noncurrent liabilities:				
Due within one year	644,247	806,103	1,450,350	18,163
Due in more than one year	7,614,974	15,528,659	23,143,633	937,432
Total liabilities	8,940,914	17,554,845	26,495,759	1,398,554
Deferred inflows of resources				
Pension related	203,234	76,539	279,773	27,447
Net position				
Net investment in capital assets	12,679,116	37,721,799	50,400,915	5,669,637
Restricted for:				
Downtown redevelopment	586,240	-	586,240	-
Housing and community development	38,163	-	38,163	-
Capital projects	-	8,095	8,095	-
Bond reserve	-	326,802	326,802	-
Unrestricted	(1,856,659)	(439,062)	(2,295,721)	(26,894)
Total net position	\$ 11,446,860	\$ 37,617,634	\$ 49,064,494	\$ 5,642,743

See accompanying notes.

Statement of Activities
Year ended September 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Palatka Gas Authority
Primary government								
Governmental activities:								
General government	\$ 1,901,557	\$ 107,744	\$ -	\$ -	\$ (1,793,813)	\$ -	\$ (1,793,813)	\$ -
Public safety	7,279,129	1,015,140	229,651	-	(6,034,338)	-	(6,034,338)	-
Physical environment	408,379	-	-	325,436	(82,943)	-	(82,943)	-
Transportation	115,762	51,654	550,526	-	486,418	-	486,418	-
Economic environment	146,709	-	-	773,912	627,203	-	627,203	-
Human services	178,223	125,359	-	-	(52,864)	-	(52,864)	-
Culture and recreation	383,685	22,552	14,780	1,263,223	916,870	-	916,870	-
Interest on long-term debt	61,641	-	-	-	(61,641)	-	(61,641)	-
Total governmental activities	10,475,085	1,322,449	794,957	2,362,571	(5,995,108)	-	(5,995,108)	-
Business-type activities:								
Water	4,897,142	4,350,056	-	-	-	(547,086)	(547,086)	-
Sanitation	1,498,411	1,641,581	-	-	-	143,170	143,170	-
Golf course	975,398	704,846	-	185,832	-	(84,720)	(84,720)	-
Airport	1,490,532	781,847	-	1,539,066	-	830,381	830,381	-
Total business-type activities	8,861,483	7,478,330	-	1,724,898	-	341,745	341,745	-
Total primary government	\$ 19,336,568	\$ 8,800,779	\$ 794,957	\$ 4,087,469	(5,995,108)	341,745	(5,653,363)	-
Component unit								
Palatka gas authority	\$ 2,330,714	\$ 2,252,906	\$ -	\$ -	-	-	-	(77,808)
General revenues								
Property taxes					3,501,720	-	3,501,720	-
Sales tax and intergovernmental unrestricted shared revenues					794,451	-	794,451	-
Franchise taxes					837,391	-	837,391	-
Utility taxes					1,036,481	-	1,036,481	-
Communications service tax					104,714	-	104,714	-
Investment earnings					1,829	209	2,038	3,144
Contribution from component unit					300,000	-	300,000	-
Miscellaneous					115,964	101,196	217,160	3,984
Transfers					296,580	19,536	316,116	-
Total general revenues and transfers					6,989,130	120,941	7,110,071	7,128
Change in net position					994,022	462,686	1,456,708	(70,680)
Net position – beginning of year, as restated					10,768,954	37,154,948	54,273,196	5,713,423
Net position – end of year					\$ 11,762,976	\$ 37,617,634	\$ 49,380,610	\$ 5,642,743

See accompanying notes.

**Balance Sheet
Governmental Funds
September 30, 2015**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and equivalents	\$ 791,986	\$ 586,771	\$ 146,611	\$ 38,163	\$ 1,563,531
Accounts receivable	10,374	-	27,692	-	38,066
Due from other funds	1,168,492	-	-	-	1,168,492
Due from other governments	9,138	-	1,165,155	-	1,174,293
Advances to other funds	292,927	-	-	-	292,927
Total assets	\$ 2,272,917	\$ 586,771	\$ 1,339,458	\$ 38,163	\$ 4,237,309
Liabilities					
Accounts payable and accrued liabilities	\$ 645,723	\$ 531	\$ 29,091	\$ -	\$ 675,345
Due to other funds	-	-	1,168,492	-	1,168,492
Deposits	6,348	-	-	-	6,348
Total liabilities	652,071	531	1,197,583	-	1,850,185
Deferred inflow of resources					
Unavailable revenue	-	-	1,110,446	-	1,110,446
Fund balances					
Nonspendable	292,927	-	-	-	292,927
Restricted	218,278	586,240	-	38,163	842,681
Committed	49,206	-	-	-	49,206
Unassigned	1,060,435	-	(968,571)	-	91,864
Total fund balances	1,620,846	586,240	(968,571)	38,163	1,276,678
Total liabilities, deferred inflows of resources and fund balances	\$ 2,272,917	\$ 586,771	\$ 1,339,458	\$ 38,163	\$ 4,237,309

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2015**

Fund balances – total governmental funds	\$	1,276,678
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		15,304,478
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(1,636,778)
Capital leases		(988,584)
Compensated absences		(395,000)
Net OPEB obligation		(149,958)
Net Pension liability		(5,088,901)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.		
Unavailable revenue		1,110,446
Deferred outflows and inflows associated with pensions are not reported in the governmental funds.		
Deferred outflows		2,217,713
Deferred inflows		(203,234)
<hr/>		
Net position of governmental activities	\$	11,446,860

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2015**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Taxes	\$ 4,995,586	\$ 371,962	\$ 773,912	\$ -	\$ 6,141,460
Permits, fees and special assessments	1,076,832	-	-	-	1,076,832
Intergovernmental	893,139	20,000	723,526	-	1,636,665
Charges for services	293,651	-	-	-	293,651
Fines and forfeitures	630,674	-	-	-	630,674
Miscellaneous	231,965	-	664,639	31	896,635
Total revenues	8,121,847	391,962	2,162,077	31	10,675,917
Expenditures					
Current:					
General government	1,192,693	-	57,499	-	1,250,192
Public safety	6,402,949	-	-	-	6,402,949
Physical environment	-	-	404,042	-	404,042
Transportation	477,959	-	-	-	477,959
Economic environment	-	146,709	-	-	146,709
Human services	178,712	-	-	-	178,712
Culture and recreation	309,812	-	2,052,159	-	2,361,971
Debt service:					
Principal retirement	168,580	-	320,320	-	488,900
Interest and fiscal charges	10,848	-	50,793	-	61,641
Total expenditures	8,741,553	146,709	2,884,813	-	11,773,075
Excess of revenues over (under) expenditures	(619,706)	245,253	(722,736)	31	(1,097,158)
Other financing sources (uses)					
Transfers in	687,516	-	111,592	-	799,108
Transfers out	(205,537)	(127,992)	(168,999)	-	(502,528)
Capital lease	389,000	-	-	-	389,000
Total other financing sources (uses)	870,979	(127,992)	(57,407)	-	685,580
Net change in fund balances	251,273	117,261	(780,143)	31	(411,578)
Fund balances – beginning of year	1,369,573	468,979	(188,428)	38,132	1,688,256
Fund balances – end of year	\$ 1,620,846	\$ 586,240	\$ (968,571)	\$ 38,163	\$ 1,276,678

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, 2015**

Net change in fund balances – total governmental funds \$ (411,578)

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	2,856,864
Current year depreciation expense	(1,013,319)

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

Capital lease	(389,000)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.

Principal retirement	488,900
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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	31,000
Net OPEB obligation	(22,680)

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

Change in unavailable revenue	180,494
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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	(2,459,592)
Deferred outflows	1,349,072
Deferred inflows	67,745

Change in net position of governmental activities **\$ 677,906**

See accompanying notes.

**Statement of Net Position
Proprietary Funds
September 30, 2015**

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 1,175,377	\$ 158,973	\$ 600	\$ 900	\$ 1,335,850
Restricted cash and equivalents	52,091	-	15,287	15,706	83,084
Accounts receivable	439,511	159,900	12,325	1,195	612,931
Due from other funds	-	425,521	-	-	425,521
Due from other governments	53,138	-	-	969,572	1,022,710
Inventory	140,972	-	32,126	26,509	199,607
Total current assets	1,861,089	744,394	60,338	1,013,882	3,679,703
Noncurrent assets					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	475,575	-	-	-	475,575
Advance to other funds	20,505	80,970	-	-	101,475
Capital assets, net	28,111,575	903,425	1,971,071	20,070,368	51,056,439
Total noncurrent assets	28,615,750	984,395	1,971,071	20,070,368	51,641,584
Total assets	30,476,839	1,728,789	2,031,409	21,084,250	55,321,287
Deferred outflow of resources					
Pension related	550,356	154,071	-	43,227	747,654
Total assets and deferred outflows of resources	31,027,195	1,882,860	2,031,409	21,127,477	56,068,941
Current liabilities					
Accounts payable and accrued liabilities	128,170	44,264	10,902	475,310	658,646
Due to other funds	-	-	-	425,521	425,521
Deposits	522,852	-	-	22,587	545,439
Unearned revenue	-	-	15,998	-	15,998
Current portion of long-term liabilities	443,037	71,436	160,327	131,303	806,103
Total current liabilities	1,094,059	115,700	187,227	1,054,721	2,451,707
Noncurrent liabilities					
Net OPEB obligation	52,881	21,839	-	4,333	79,053
Net pension liability	1,901,196	532,235	-	149,326	2,582,757
Advances from other funds	-	-	101,475	292,927	394,402
Other long-term liabilities	10,337,148	497,425	1,078,518	953,758	12,866,849
Total noncurrent liabilities	12,291,225	1,051,499	1,179,993	1,400,344	15,923,061
Total liabilities	13,385,284	1,167,199	1,367,220	2,455,065	18,374,768
Deferred inflow of resources					
Pension related	56,341	15,773	-	4,425	76,539
Net position					
Net investment in capital assets	17,609,152	382,054	732,225	18,998,368	37,721,799
Restricted for capital projects	8,095	-	-	-	8,095
Restricted for bond reserve	323,427	-	2,359	1,016	326,802
Unrestricted	(355,104)	317,834	(70,395)	(331,397)	(439,062)
Total net position	\$ 17,585,570	\$ 699,888	\$ 664,189	\$ 18,667,987	\$ 37,617,634

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2015

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 4,350,056	\$ 1,641,581	\$ 704,846	\$ 781,847	\$ 7,478,330
Other operating revenues	39,243	6,622	12,701	10,265	68,831
Total operating revenues	4,389,299	1,648,203	717,547	792,112	7,547,161
Operating expenses					
Personal services	2,050,342	808,213	-	169,077	3,027,632
Operating expenses	1,316,000	601,957	856,783	590,284	3,365,024
Depreciation	1,118,727	84,175	66,616	695,959	1,965,477
Total operating expenses	4,485,069	1,494,345	923,399	1,455,320	8,358,133
Operating income (loss)	(95,770)	153,858	(205,852)	(663,208)	(810,972)
Nonoperating revenues (expenses)					
Investment earnings	209	-	-	-	209
Interest expense	(412,073)	(4,066)	(51,999)	(35,212)	(503,350)
Sale of surplus property	5,982	2,746	237	23,400	32,365
Total nonoperating revenues (expenses)	(405,882)	(1,320)	(51,762)	(11,812)	(470,776)
Income (loss) before capital contributions and transfers	(501,652)	152,538	(257,614)	(675,020)	(1,281,748)
Capital contributions	-	-	185,832	1,539,066	1,724,898
Transfers in	-	-	374,536	-	374,536
Transfers out	(260,000)	(95,000)	-	-	(355,000)
Change in net position	(761,652)	57,538	302,754	864,046	462,686
Net position – beginning of year (as restated)	18,347,222	642,350	361,435	17,803,941	37,154,948
Net position – end of year	\$ 17,585,570	\$ 699,888	\$ 664,189	\$ 18,667,987	\$ 37,617,634

See accompanying notes.

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2015

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 4,593,150	\$ 1,232,900	\$ 740,227	\$ (5,245)	\$ 6,561,032
Payments to suppliers	(1,258,725)	(602,093)	(853,509)	298,952	(2,415,375)
Payments to employees	(1,730,390)	(719,080)	-	(138,823)	(2,588,293)
Net cash provided (used) by operating activities	1,604,035	(88,273)	(113,282)	154,884	1,557,364
Noncapital financing activities					
Transfers in	-	-	374,536	-	374,536
Transfers out	(260,000)	(95,000)	-	-	(355,000)
Net cash provided (used) by noncapital financing activities	(260,000)	(95,000)	374,536	-	19,536
Capital and related financing activities					
Debt issued	-	289,257	-	-	289,257
Capital contributions	-	-	185,832	1,539,066	1,724,898
Acquisitions of capital assets	(34,601)	(289,257)	(240,480)	(1,547,074)	(2,111,412)
Sale of surplus property	5,982	2,746	237	23,400	32,365
Principal paid on debt	(398,861)	(24,986)	(154,929)	(136,000)	(714,776)
Interest paid on debt	(412,073)	(4,066)	(51,999)	(35,212)	(503,350)
Net cash used by capital and related financing activities	(839,553)	(26,306)	(261,339)	(155,820)	(1,283,018)
Investing activities					
Interest received	209	-	-	-	209
Sale of investments	2,987	-	-	-	2,987
Net cash provided by investing activities	3,196	-	-	-	3,196
Change in cash and equivalents	507,678	(209,579)	(85)	(936)	297,078
Cash and equivalents – beginning of year	727,885	368,552	15,972	17,542	1,129,951
Cash and equivalents – end of year	\$ 1,235,563	\$ 158,973	\$ 15,887	\$ 16,606	\$ 1,427,029

See accompanying notes.

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2015

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ (95,770)	\$ 153,858	\$ (205,852)	\$ (663,208)	\$ (810,972)
Depreciation	1,118,727	84,175	66,614	695,959	1,965,475
Change in:					
Accounts receivable	54,036	10,220	4,065	7,878	76,199
Due from other funds	-	(425,521)	-	-	(425,521)
Due from other governments	81,783	-	14,328	(807,700)	(711,589)
Inventory	2,522	-	4,165	(794)	5,893
Deferred outflows	(294,293)	(82,387)	-	(23,115)	(399,795)
Accounts payable and accrued liabilities	62,136	2,177	(892)	465,066	528,487
Due to other funds	-	-	-	425,521	425,521
Compensated absences	5,716	110	-	5,626	11,452
Net OPEB obligation	8,479	3,179	-	636	12,294
Unearned revenue	-	-	4,290	-	4,290
Customer deposits	68,034	-	-	2,465	70,499
Net pension liability	611,446	171,173	-	48,025	830,644
Deferred inflows	(18,781)	(5,257)	-	(1,475)	(25,513)
Net cash provided (used) by operating activities	\$ 1,604,035	\$ (88,273)	\$ (113,282)	\$ 154,884	\$ 1,557,364
Noncash capital and related financing activities:					
Asset acquired via capital lease	\$ -	\$ 289,257	\$ -	\$ -	\$ 289,257

(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2015

Assets

Investments:

Money market and other cash equivalents	\$ 1,044,457
Government bonds and notes	7,090,627
Corporate bonds and notes	4,400,669
Mutual funds - equities	20,322,342
Mutual funds (REIT)	435,991

Total investments	33,294,086
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Accounts receivable	127,870
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Total assets	33,421,956
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Liabilities	55,400
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Net position

Restricted for pension benefits	\$ 33,366,556
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See accompanying notes.

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2015**

Additions

Contributions		
Employer	\$	1,132,934
Member		302,289
State on behalf, through general fund		160,478
<hr/>		
Total contributions		1,595,701
<hr/>		
Investment income		
Net appreciation(depreciation) in fair value of investments		(2,050,801)
Interest		121,286
Dividends		993,168
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Less investment management fee		(936,347)
<hr/>		
Net investment income		154,078
<hr/>		
Total additions		(1,090,425)
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Total additions		505,276
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Deductions		
Member benefits		2,624,771
Withdrawals		182,756
Administrative expense		77,471
<hr/>		
Total deductions		2,884,998
<hr/>		
Change in net position		(2,379,722)
<hr/>		
Net position restricted for pension benefits, beginning of year		35,746,278
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Net position restricted for pension benefits, end of year	\$	33,366,556
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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 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 2014-2015 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 \$612,931 allowance. Accounts receivable of the Gas Authority are net of a \$158,781 allowance.

Investments

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

Inventories

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

Long-Term Receivables

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet, without regard to the fund's measurement focus. However, special reporting treatment is used to indicate that these receivables are not considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans and advances receivable are offset by 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 fair value at the date of contribution. The City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than intangible assets and infrastructure. Intangible assets, such as computer software, 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 2015.

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, 2015, 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.

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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	\$ 2,899,381	\$ 52,424
Investments	-	832,175
Restricted cash and equivalents	91,179	-
Restricted investments	475,575	-
Statement of fiduciary net position:		
Investments	33,294,086	-
Total deposits and investments	\$ 36,760,221	\$ 884,599

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	\$ 2,990,560	\$ 884,599
Investments - other than pension	475,575	-
Investments - pension	33,294,086	-
Total deposits and investments	\$ 36,760,221	\$ 884,599

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, 2015 are summarized in the following table:

		Maturities		
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 1,044,457	\$ 1,044,457	\$ -	\$ -
Government bonds and notes	1,386,494	612,617	123,999	649,878
Corporate bonds and notes	10,104,802	8,641,408	1,241,285	222,109
Mutual funds (equities)	6,620,294	6,620,294	-	-
Mutual funds (REIT)	435,991	435,991	-	-
Mutual funds (ETF Equities)	8,923,780	8,923,780	-	-
Mutual funds (taxable-equity)	4,778,268	4,778,268	-	-
Common stock	-	-	-	-
Total pension investments	33,294,086	31,056,815	1,365,284	871,987
Other investments:				
Government bonds and notes	475,575	-	-	-
Total	\$ 33,769,661	\$ 31,056,815	\$ 1,365,284	\$ 871,987

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

Corporate Bonds and Notes		Government Bonds and Notes	
AA1	3%	AAA	65%
AA2	2%		
AA3	5%		
A1	27%	-	-
A2	23%	-	-
A3	28%	-	-
BAA1	7%	-	-
BAA2	5%	-	-
Not rated	-	Not rated	35%
	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 Plan require diversification to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank in which the financial instruments are bought and sold. The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor’s A1 or Moody’s P-1 for cash instruments; Standard and Poor’s BBB or Moody’s Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2015, interfund balances are as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General fund	\$ 1,168,492	\$ -
General fund-advance to other	292,927	-
Major capital projects funds:		
Better place plan fund	-	1,168,492
Major enterprise funds:		
Water-advance to other	20,505	-
Sanitation	425,521	-
Sanitation-advance to other	80,970	-
Golf course-advance to other	-	101,475
Airport	-	425,521
Airport-advance from other	-	292,927
Total	\$ 1,988,415	\$ 1,988,415

Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

As summarized below, the interfund balances arose because three 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	\$ 791,986	\$ 1,461,419	\$ 2,253,405
Major capital projects funds:			
Better place plan fund	146,611	(1,168,492)	(1,021,881)
Major enterprise fund:			
Water	1,235,563	20,505	1,256,068
Sanitation	158,973	506,491	665,464
Golf course	15,887	(101,475)	(85,588)
Airport	16,606	(718,448)	(701,842)
Total	\$ 2,365,626	\$ -	\$ 2,365,626

Interfund transfers for the year ended September 30, 2015 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 371,400	\$ 205,537
Downtown redevelopment agency fund	-	127,992
Better place plan fund	111,592	168,999
Major enterprise funds:		
Water	-	260,000
Sanitation	-	95,000
Golf course	374,536	-
Total	\$ 857,528	\$ 857,528

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 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2015, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 3,329,027	\$ -	\$ -	\$ 3,329,027
Construction in progress	1,915,289	192,296	1,274,157	833,428
Total capital assets not being depreciated	5,244,316	192,296	1,274,157	4,162,455
Capital assets being depreciated:				
Buildings and improvements	6,970,086	781,030	-	7,751,116
Infrastructure	10,028,848	2,745,842	-	12,774,690
Furniture and equipment	4,036,982	393,295	97,721	4,332,556
Intangibles	247,350	18,558	-	265,908
Total capital assets being depreciated	21,283,266	3,938,725	97,721	25,124,270
Less accumulated depreciation for:				
Buildings and improvements	3,698,268	251,830	-	3,950,098
Infrastructure	7,166,743	387,311	-	7,554,054
Furniture and equipment	2,112,480	348,149	97,721	2,362,908
Intangibles	89,158	26,029	-	115,187
Total accumulated depreciation	13,066,649	1,013,319	97,721	13,982,247
Total capital assets being depreciated, net	8,216,617	2,925,406	-	11,142,023
Governmental activities capital assets, net	\$ 13,460,933	\$ 3,117,702	\$ 1,274,157	\$ 15,304,478

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 4,245,409	\$ 508,250	\$ -	\$ 4,753,659
Construction in progress	191,209	1,165,760	128,961	1,228,008
Total capital assets not being depreciated	4,436,618	1,674,010	128,961	5,981,667
Capital assets being depreciated:				
Buildings and improvements	22,934,896	242,505	-	23,177,401
Furniture and equipment	3,987,075	323,859	18,904	4,292,030
Water and sewer distribution system	9,827,457	-	-	9,827,457
Plant assets and equipment	34,580,100	-	-	34,580,100
Total capital assets being depreciated	71,329,528	566,364	18,904	71,876,988
Less accumulated depreciation for:				
Building and improvements	6,094,791	733,401	(8,710)	6,836,902
Furniture and equipment	1,766,661	191,802	27,617	1,930,846
Water and sewer distribution system	4,316,746	216,334	-	4,533,080
Plant assets and equipment	12,677,448	823,940	-	13,501,388
Total accumulated depreciation	24,855,646	1,965,477	18,907	26,802,216
Total capital assets being depreciated, net	46,473,882	(1,399,113)	(3)	45,074,772
Business-type activities capital assets, net	\$ 50,910,500	\$ 274,897	\$ 128,958	\$ 51,056,439

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

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

Governmental activities:	
General government	\$ 592,442
Public safety	338,892
Transportation	24,183
Human services	6,972
Culture and recreation	50,830
<hr/>	
Total depreciation expense - governmental activities	\$ 1,013,319

Business-type activities:	
Water and sewer	\$ 1,118,727
Sanitation	84,175
Golf course	66,616
Airport	695,959
<hr/>	
Total depreciation expense - business-type activities	\$ 1,965,477

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2015 follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015
<hr/>				
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
<hr/>				
Capital assets being depreciated:				
Buildings and improvements	1,416,127	4,795	-	1,420,922
Furniture and equipment	798,762	61,649	10,770	849,641
Plant assets and equipment	5,597,702	570,460	20,096	6,148,066
Total capital assets being depreciated	7,812,591	636,904	30,866	8,418,629
<hr/>				
Less accumulated depreciation for:				
Buildings and improvements	251,359	35,497	-	286,856
Furniture and equipment	449,393	65,328	10,770	503,951
Plant assets and equipment	2,051,364	138,460	20,096	2,169,728
Total accumulated depreciation	2,752,116	239,285	30,866	2,960,535
<hr/>				
Total capital assets being depreciated, net	5,060,475	397,619	-	6,200,188
<hr/>				
Gas Authority capital assets, net	\$ 5,272,018	\$ 397,619	\$ -	\$ 5,669,637

Notes to Financial Statements

NOTE 5 – 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. \$ 419,778

\$1,890,000 Infrastructure Surtax Revenue Bonds, amended Series 2008, payable in annual installments ranging from \$124,000 to 141,000 through April 2020, 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 \$1,287,712. During the current year, the City recognized infrastructure surtax revenues of \$773,912 and made \$295,217 principal and interest payments. 1,217,000

Total \$ 1,636,778

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 \$11,868,731. During the current year, the City recognized pledged revenues of \$1,525,964, and made \$464,175 principal and interest payments. \$ 6,950,000

\$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 \$242,199. During the current year, the City recognized net revenues of \$986,496, and made \$53,822 principal and interest payments. 234,280

\$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 \$3,977,860. During the current year, the City recognized net revenues of \$986,496, and paid principal and interest payments in the amount of \$284,952. 3,318,143

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$471,212. During the current year, the City recognized net revenues of \$56,151 and made \$68,688 principal and interest payments.

406,000

\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$739,365. During the current year, the City recognized net revenues of \$56,151 and made \$102,524 principal and interest payments.

666,000

\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,351,900. During the current year, the City had deficit net revenues of \$138,999 and made \$168,999 principal and interest payments.

1,136,000

Total

\$ 12,710,423

Notes to Financial Statements

NOTE 5 – 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
2016	\$ 329,576	\$ 42,333	\$ 661,599	\$ 473,175
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
2021-2025	92,181	2,771	3,148,323	1,298,522
2026-2030	-	-	2,377,216	1,122,582
2031-2035	-	-	1,640,000	745,097
2036-2040	-	-	2,060,000	350,344
Totals	\$ 1,636,778	\$ 124,739	\$ 12,710,423	\$ 5,665,512

During 2015, the City implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*. As a result, a net pension liability is disclosed in the tabulation of changes in long-term liabilities presented below and on page 30.

Governmental Activities

	Balance October 1, 2014			Balance September 30, 2015	Due Within One Year
	as restated	Additions	Deductions		
Revenue bonds and notes	\$ 1,957,098	\$ -	\$ 320,320	\$ 1,636,778	\$ 329,576
Capital leases	768,164	389,000	168,580	988,584	204,671
Compensated absences	426,000	282,000	313,000	395,000	110,000
Net OPEB obligation	127,278	22,680	-	149,958	-
Net pension liability	2,629,309	2,459,592	-	5,088,901	-
Total	\$ 5,907,849	\$ 3,153,272	\$ 801,900	\$ 8,259,221	\$ 644,247

Capital Leases

The City has a \$26,009, 8.9% capital lease for computer equipment due in monthly installments of \$826, 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

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

\$54,000 and a 389,000, 2.04% capital lease for police vehicles due in semi installments of approximately \$45,000. All four leases are payable from the General Fund and reported in governmental activities in Furniture and equipment.

The City also has a \$21,144, 4.8% capital lease for greens equipment due in monthly installments of \$485 and a \$161,590, 3.3% capital lease for greens equipment due in monthly installments of \$3,026. Both leases are payable from the Golf Fund and reported in business-type activities in Furniture and equipment.

Additionally, the City has a \$257,100, 1.62% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000 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
2016	\$ 219,672	\$ 107,716
2017	263,011	124,782
2018	257,662	118,844
2019	199,474	88,467
2020	90,925	88,526
2021-2025	-	136,289
Less: amount representing interest	(42,160)	(40,407)
Present value of net minimum lease payments	\$ 988,584	\$ 624,217

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities

	Balance October 1, 2014 as restated	Additions	Deductions	Balance September 30, 2015	Due Within One Year
Florida Municipal Loan Council revenue					
bonds series 2010A	\$ 7,105,000	\$ -	\$ 155,000	\$ 6,950,000	\$ 160,000
Drinking water state revolving fund I	3,511,826	-	193,683	3,318,143	199,747
Water reuse loan	284,458	-	50,178	234,280	50,852
Golf revenue note series 2013A	1,253,000	-	117,000	1,136,000	122,000
Airport revenue note series 2013B	458,000	-	52,000	406,000	51,000
Airport revenue note series 2013C	750,000	-	84,000	666,000	78,000
Total revenue bonds and notes	13,362,284	-	651,861	12,710,423	661,599
Capital lease	397,875	289,257	62,915	624,217	96,284
County water/sewer agreement	125,738	-	-	125,738	-
SJRWMD water/sewer agreement	11,293	-	-	11,293	-
Compensated absences	189,829	125,734	114,282	201,281	48,220
Net OPEB obligation	66,759	12,294	-	79,053	-
Net pension liability	1,752,113	830,644	-	2,582,757	-
Total	\$ 15,905,891	\$ 1,257,929	\$ 829,058	\$ 16,334,762	\$ 806,103

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 6 – 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	\$ 91,179
Investments	475,575
Total	566,754
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	57,882
Interest	173,975
Total	231,857
Restricted net position	\$ 334,897

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

Capital projects	\$ 8,095
Bond reserve	326,802
Total	\$ 334,897

Notes to Financial Statements

NOTE 7 – 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	68,586	-	-	-	68,586
Fire safety education	29,361	-	-	-	29,361
Fire protection	5,841	-	-	-	5,841
Cemetery improvements	109,490	-	-	-	109,490
Downtown redevelopment	-	586,240	-	-	586,240
Housing and community development	-	-	-	38,163	38,163
Total restricted	218,278	586,240	-	38,163	842,681
Committed for:					
Law enforcement	8,355	-	-	-	8,355
Tree mitigation	10,050	-	-	-	10,050
Demolition and lot cleanup	30,801	-	-	-	30,801
Total committed	49,206	-	-	-	49,206
Unassigned	1,060,435	-	(968,571)	-	91,864
Total fund balances	\$ 1,620,846	\$ 586,240	\$ (968,571)	\$ 38,163	\$ 1,276,678

NOTE 8 – 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, 2015 the City recognized \$64,825 and \$95,653 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 8 – 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. General members who will attain age 50 on or before September 30, 2014 shall be allowed to retire at age 50 with 7 years of service. 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, 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 0.66% 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, 2014. 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, 2015 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	104	21	13	138
Inactive plan members entitled to but				
not yet receiving benefits	13	7	1	21
Active plan members	83	34	20	137
Total	200	62	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.

Concentrations. As of September 30, 2015, the Plans did not hold investments in any one organization that represents 5% or more of the Plans' fiduciary net position.

Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Rate of Return. For the year ended September 30, 2015 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was -2.32%, -3.91%, and -3.92%, 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, 2015 was \$484,170, \$65,100 and \$802,064, respectively, for general, police officer and firefighters.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability for the plans at September 30, 2015 were as follows:

	City of Palatka- General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 17,902,952	\$ 3,975,313	\$ 21,878,265
Plan fiduciary net position	(13,731,833)	(3,049,134)	(16,780,967)
Net pension liability	\$ 4,171,119	\$ 926,179	\$ 5,097,298

Plan fiduciary net position as a percentage of the total pension liability	76.70%	76.70%	76.70%
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	Police Officers	Firefighters
Total pension liability	\$ 10,744,347	\$ 9,341,781
Plan fiduciary net position	(9,613,460)	(6,972,129)
Net pension liability	\$ 1,130,887	\$ 2,369,652

Plan fiduciary net position as a percentage of the total pension liability	89.47%	74.63%
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Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers	Firefighters
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases*	5.5%	5.5%	5.0%
* Includes inflation at	3.0%	3.0%	3.0%
Post Retirement COLA	0.0%	0.0%	0.0%
Mortality Rates	RP-2000 Table	RP-2000 Table	RP-2000 Table

The date of the most recent experience study for which significant assumptions are based upon is not available.

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 2015 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 8.00%.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

Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

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

Changes in the Net Pension Liability (General)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 21,608,977	\$ 18,151,051	\$ 3,457,926
Changed for the year:			
Service cost	347,579	-	347,579
Interest	1,684,998	-	1,684,998
Difference between expected and actual experience	24,797		24,797
Contributions-employer	-	686,545	(686,545)
Contributions-employees	-	169,514	(169,514)
Net investment income	-	(410,102)	410,102
Benefit payments, including refunds of employee contributions	(1,788,086)	(1,788,086)	-
Administrative expense	-	(27,955)	27,955
Net changes	269,288	(1,370,084)	1,639,372
Balance - end of year	\$ 21,878,265	\$ 16,780,967	\$ 5,097,298

Changes in the Net Pension Liability (Police)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 10,239,856	\$ 10,217,860	\$ 21,996
Changed for the year:			
Service cost	278,204	-	278,204
Interest	812,851	-	812,851
Difference between expected and actual experience	50,553	-	50,553
Changes of benefit terms	(108,171)	-	(108,171)
Contributions-employer	-	196,130	(196,130)
Contribution-State	-	64,825	(64,825)
Contributions-employees	-	85,064	(85,064)
Net investment income	-	(394,718)	394,718
Benefit payments, including refunds of employee contributions	(528,946)	(528,946)	-
Administrative expense	-	(26,755)	26,755
Net changes	504,491	(604,400)	1,108,891
Balance - end of year	\$ 10,744,347	\$ 9,613,460	\$ 1,130,887

Notes to Financial Statements

NOTE 8 – 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	\$ 8,907,156	\$ 7,377,367	\$ 1,529,789
Changed for the year:			
Service cost	177,733	-	177,733
Interest	707,171	-	707,171
Difference between expected and actual experience	73,309	-	73,309
Changes of benefit terms	(33,092)	-	(33,092)
Contributions-employer	-	250,259	(250,259)
Contribution-State	-	95,653	(95,653)
Contributions-employees	-	47,712	(47,712)
Net investment income	-	(285,606)	285,606
Benefit payments, including refunds of employee contributions	(490,496)	(490,496)	-
Administrative expense	-	(22,760)	22,760
Net changes	434,625	(405,238)	839,863
Balance end of year	\$ 9,341,781	\$ 6,972,129	\$ 2,369,652

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 8.00%, 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 (7.00%) or 1 percentage point higher (8.00%) than the current rate:

Net Pension Liability	Current Discount		
	1% Decrease 7.00%	Rate 8.00%	1% Increase 9.00%
General	\$ 5,996,466	\$ 4,171,119	\$ 2,595,279
Police officers'	2,385,610	1,130,887	81,777
Firefighters'	3,350,261	2,369,652	1,550,532

Pension expense and deferred outflows of resources and deferred inflows of resources. For the year end September 30, 2015 the City recognized pension expense of \$654,611, 357,206, and 436,293 relating to the General, Police and Firefighters' plans respectively. At September 30, 2015 the City reported deferred outflows and inflows of resources relating to the General, Police offices' and Firefighters' pensions from the following sources:

Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

	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	\$ 13,528	\$ -	\$ 33,702	\$ -	\$ 62,837	\$ -
Changes of assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	1,193,923	123,609	963,508	90,557	697,869	65,606
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-	-	-
Employer contributions subsequent to the measurement date	-	-	-	-	-	-
Total	\$ 1,207,451	\$ 123,609	\$ 997,210	\$ 90,557	\$ 760,706	\$ 65,606

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'
2016	\$ 274,343	\$ 235,089	\$ 189,484
2017	274,343	235,089	189,483
2018	267,579	218,238	158,065
2019	267,577	218,237	158,068
2020	-	-	-
Thereafter	-	-	-
Total	\$ 1,083,842	\$ 906,653	\$ 695,100

Notes to Financial Statements

NOTE 8 – 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	\$ 72,782	\$ 517,713	\$ 453,962	\$ 1,044,457
Government bonds and notes	5,704,133	795,581	590,913	7,090,627
Corporate bonds and notes	-	2,581,520	1,819,149	4,400,669
Mutual funds - equities	10,922,740	5,461,515	3,938,087	20,322,342
Mutual funds (REIT)	-	254,850	181,141	435,991
Total investments	16,699,655	9,611,179	6,983,252	33,294,086
Receivables	83,504	20,403	23,963	127,870
Total assets	16,783,159	9,631,582	7,007,215	33,421,956
Liabilities	2,192	18,122	35,086	55,400
Net position:				
Restricted for pension benefits	\$ 16,780,967	\$ 9,613,460	\$ 6,972,129	\$ 33,366,556

Notes to Financial Statements

NOTE 8 – 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	\$ 686,545	\$ 196,130	\$ 250,259	\$ 1,132,934
Member	169,513	85,064	47,712	302,289
State on behalf, through general fund	-	64,825	95,653	160,478
Total contributions	856,058	346,019	393,624	1,595,701
Investment income:				
Net appreciation (depreciation) in fair value of investments	(1,054,353)	(577,885)	(418,563)	(2,050,801)
Interest	-	71,827	49,459	121,286
Dividends	693,742	171,163	128,263	993,168
	(360,611)	(334,895)	(240,841)	(936,347)
Less investment management fee	49,490	59,823	44,765	154,078
Net investment income	(410,101)	(394,718)	(285,606)	(1,090,425)
Total additions	445,957	(48,699)	108,018	505,276
Deductions:				
Member benefits	1,679,993	478,740	466,038	2,624,771
Withdrawals	108,092	50,206	24,458	182,756
Administrative expense	27,956	26,755	22,760	77,471
Total deductions	1,816,041	555,701	513,256	2,884,998
Change in net position	(1,370,084)	(604,400)	(405,238)	(2,379,722)
Net position restricted for				
pension benefits, beginning of year	18,151,051	10,217,860	7,377,367	35,746,278
Net position restricted for				
pension benefits, end of year	\$ 16,780,967	\$ 9,613,460	\$ 6,972,129	\$ 33,366,556

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 9 – 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, 2015, participants consisted of:

Active employees	138
Retirees participants	16
Covered spouses	7
<u>Total</u>	<u>161</u>

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 01, 2014 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2015. The City’s annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 59,637
Interest on net OPEB obligation	7,761
Adjustments to ARC	(8,358)
<u>Annual OPEB cost (expense)</u>	<u>59,040</u>
<u>Contributions made</u>	<u>(24,066)</u>
Increase in net OPEB obligation	34,974
<u>Net OPEB obligation - beginning of year</u>	<u>194,037</u>
<u>Net OPEB obligation - end of year</u>	<u>\$ 229,011</u>

Notes to Financial Statements

NOTE 9 – 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, 2015	\$ 59,040	\$ 24,066	40.8%	\$ 229,011
September 30, 2014	61,357	28,548	46.4%	194,037
September 30, 2013	47,165	24,486	51.9%	161,138

Funded Status

The funded status of the OPEB Plan as of September 30, 2015 was as follows:

Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Plan Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
\$ 564,082	\$ -	\$ 564,082	0.0%	\$ 4,956,792	11.4%

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 9 – 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	26 Years
Asset valuation method	Unfunded
Actuarial assumptions:	
Funding interest rate	4%
Payroll growth/inflation	3%
Healthcare inflation	6.5%; grading down to 4.5% in 2019

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – DEFICIT BALANCE

At September 30, 2015, the Better Place Plan Fund had a deficit fund balance of \$968,571. The deficit balance resulted from certain costs claimable as grant reimbursements, but not yet claimed. The claims are expected to be made and collected in the 2016 fiscal year.

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, 2015 were \$74,859. The police vehicle lease ended during the year. Future lease payments are as follows:

	Business-type Activities
2016	\$ 41,029
2017	41,677
2018	42,325
2019	42,973
2020	3,613
Total	\$ 171,617

As of September 30, 2015, the City was committed under signed contract for approximately \$303,000 for an airport project.

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 – RESTATEMENT

Effective October 1, 2014, the City restated certain beginning balances in order to implement the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The effects of these restatements are summarized below.

	Governmental Activities	Business-type Activities	Water Fund	Sanitation Fund	Airport Fund
Net position, September 30, 2014 as previously reported	\$ 12,800,601	\$ 38,661,254	\$ 19,456,031	\$ 952,758	\$ 17,891,030
Net pension liability	(2,629,309)	(1,752,113)	(1,289,750)	(361,062)	(101,301)
Deferred outflows	868,641	347,859	256,063	71,684	20,112
Deferred inflows	(270,979)	(102,052)	(75,122)	(21,030)	(5,900)
Net position, October 1, 2014, as restated	\$ 10,768,954	\$ 37,154,948	\$ 18,347,222	\$ 642,350	\$ 17,803,941

Notes to Financial Statements

NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in 2016. The statements address:

- Fair value measurement and application; and
- GAAP hierarchy.

The City is currently evaluating the effects that these statements will have on its 2016 financial statements.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,940,394	\$ 4,940,394	\$ 4,995,586	\$ 55,192
Permits, fees & special assessments	942,213	942,213	1,076,832	134,619
Intergovernmental	1,029,854	988,313	893,139	(95,174)
Charges for services	295,785	295,785	293,651	(2,134)
Fines and forfeitures	898,673	898,673	630,674	(267,999)
Miscellaneous	214,401	214,401	231,965	17,564
Total revenues	8,321,320	8,279,779	8,121,847	(157,932)
Expenditures				
Current:				
General government	1,168,733	1,194,387	1,192,693	1,694
Public safety	6,868,423	6,880,666	6,402,949	477,717
Transportation	540,517	540,517	477,959	62,558
Human services	165,636	165,636	178,712	(13,076)
Culture and recreation	315,500	315,500	309,812	5,688
Reserve for contingencies	62,000	58,349	-	58,349
Debt service:				
Principal retirement	168,862	168,862	168,580	282
Interest and fiscal charges	11,611	11,611	10,848	763
Total expenditures	9,301,282	9,335,528	8,741,553	593,975
Excess of revenues over (under) expenditures	(979,962)	(1,055,749)	(619,706)	436,043
Other financing sources (uses)				
Transfers in	666,326	666,326	687,516	21,190
Transfers out	(204,310)	(204,310)	(205,537)	(1,227)
Capital lease	382,713	458,500	389,000	(69,500)
Total other financing sources (uses)	844,729	920,516	870,979	(49,537)
Net change in fund balances	(135,233)	(135,233)	251,273	386,506
Fund balances – beginning of year	1,370,472	1,312,267	1,369,573	57,306
Fund balances – end of year	\$ 1,235,239	\$ 1,177,034	\$ 1,620,846	\$ 443,812

See accompanying notes.

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund
Year ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 371,962	\$ 371,962	\$ 371,962	\$ -
Intergovernmental	-	-	20,000	20,000
Miscellaneous	3,600	-	-	-
Total revenues	375,562	371,962	391,962	20,000
Expenditures				
Economic environment	633,570	696,337	146,709	549,628
Reserve for contingencies	9,690	32,127	-	32,127
Total expenditures	643,260	728,464	146,709	581,755
Excess of revenues over (under) expenditures	(267,698)	(356,502)	245,253	601,755
Other financing uses				
Transfers out	(127,992)	(127,992)	(127,992)	-
Net change in fund balances	(395,690)	(484,494)	117,261	601,755
Fund balances – beginning of year	395,690	484,494	468,979	(15,515)
Fund balances – end of year	\$ -	\$ -	\$ 586,240	\$ 586,240

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, 2015**

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

	2015	2014	2013
Total pension liability			
Service cost	\$ 278,204	\$ 285,022	\$ 263,909
Interest	812,851	776,568	733,062
Change in excess state money	-	-	-
Share plan allocation	-	-	-
Changes of benefit terms	(108,171)	-	-
Differences between expected and actual experience	50,553	-	-
Change of assumptions	-	-	-
Contributions-buy back	-	-	-
Benefit payments, including refunds of employee contributions	(528,946)	(487,612)	(460,915)
Net change in total pension liability	504,491	573,978	536,056
Total pension liability-beginning	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
Plan fiduciary net position			
Contributions			
Employer	\$ 196,130	\$ 221,593	\$ 240,401
State	64,825	66,189	59,256
Employee	85,064	90,128	88,479
Buy back	-	-	-
Net investment income	(394,718)	901,280	1,042,891
Benefit payments including refunds of employee contributions	(528,946)	(487,612)	(460,916)
Administrative expense	(26,755)	(19,558)	(18,312)
Other	-	-	-
Net change in plan fiduciary net position	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 1,130,887	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	89.47%	99.79%	97.72%
Covered employee payroll	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered employee payroll	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, 2015**

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

	2015	2014	2013
Actuarially determined contribution	\$ 686,545	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	686,545	777,517	788,781
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered employee payroll	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:	29 years (as of 10/01/2014)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.50%
Interest rate:	8.00%
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, or age 50 with 7 years service if age 50 is
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 75% of disablements and active members deaths are service related.
Mortality:	RP-2000 Table

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, 2015**

	2015	2014	2013
Actuarially determined contribution	\$ 210,889	291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	196,130	291,414	302,303
Contribution deficiency (excess)	\$ 14,759	-	\$ -
Covered employee payroll	\$ 1,433,319	1,502,132	\$ 1,474,649
Contributions as a percentage of covered employee payroll	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:	29 years (as of 10/01/2014)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.00%
Interest rate:	8.00%
Payroll growth:	Up to 3.0% annually (2.6% 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. Also, any
Termination rates:	See following table.
Disability rates:	See following table.
Mortality:	RP-2000 Table

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, 2015**

	2015	2014	2013
Actuarially determined contribution	\$ 283,346	\$ 390,441	\$ 335,333
Contributions in relation to the actuarially determined contributions	250,259	390,441	335,333
Contribution deficiency (excess)	\$ 33,087	\$ -	\$ -
Covered employee payroll	\$ 934,724	\$ 784,020	\$ 745,184
Contributions as a percentage of covered employee payroll	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:	29 years (as of 10/01/2014)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.00%
Interest rate:	8.00%
Payroll growth:	Up to 3.0% annually (2.6% 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, or 3) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 75% of disablements and active members deaths are service related.
Mortality:	RP-2000 Table

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, 2015

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

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	-	\$ 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%
10/1/2012	-	433,544	433,544	0.0%	5,109,582	8.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2015	\$ 59,040	40.8%
9/30/2014	61,357	46.4%
9/30/2013	47,165	51.9%

Notes:

- 1) See Note 9 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ 33	\$ 33	\$ 31	\$ (2)
Expenditures				
Current:				
Reserve for contingencies	38,164	38,164	-	38,164
Net change in fund balances	(38,131)	(38,131)	31	38,162
Fund balances – beginning of year	38,131	38,131	38,132	1
Fund balances – end of year	\$ -	\$ -	\$ 38,163	\$ 38,163

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Better Place Plan Fund
Year ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 686,390	\$ 686,390	\$ 773,912	\$ 87,522
Intergovernmental	775,151	1,737,636	723,526	(1,014,110)
Miscellaneous	681,962	733,287	664,639	(68,648)
Total revenues	2,143,503	3,157,313	2,162,077	(995,236)
Expenditures				
Current:				
General government	57,497	57,497	57,499	(2)
Physical environment	253,935	404,042	404,042	-
Culture and recreation	1,464,200	2,035,231	2,052,159	(16,928)
Reserve for contingencies	-	-	-	-
Debt service:				
Principal retirement	320,320	320,320	320,320	-
Interest and fiscal charges	50,794	50,794	50,793	1
Total expenditures	2,146,746	2,867,884	2,884,813	(16,929)
Excess of revenues over (under) expenditures	(3,243)	289,429	(722,736)	(1,012,165)
Other financing sources (uses)				
Transfers in	111,592	111,592	111,592	-
Transfers out	(168,999)	(168,999)	(168,999)	-
Total other financing sources (uses)	(57,407)	(57,407)	(57,407)	-
Net change in fund balances	(60,650)	232,022	(780,143)	(1,012,165)
Fund balances – beginning of year	60,650	(264,636)	(188,428)	76,208
Fund balances – end of year	\$ -	\$ (32,614)	\$ (968,571)	\$ (935,957)

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 -----									
	<u>2006</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>
Governmental Activities										
Net Investment in Capital Assets	\$5,506,649	\$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
Restricted	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403
Unrestricted	<u>\$1,496,520</u>	<u>\$1,328,481</u>	<u>\$1,693,797</u>	<u>\$1,303,783</u>	<u>\$1,301,177</u>	<u>\$1,968,903</u>	<u>\$2,029,287</u>	<u>\$2,724,277</u>	<u>\$1,557,819</u>	<u>-\$1,856,659</u>
Total Governmental Activities Net Position	<u>\$7,602,006</u>	<u>\$12,837,915</u>	<u>\$13,745,608</u>	<u>\$14,178,626</u>	<u>\$14,345,344</u>	<u>\$15,090,686</u>	<u>\$15,731,558</u>	<u>\$16,265,263</u>	<u>\$12,800,601</u>	<u>\$11,446,860</u>
Business-Type Activities										
Net Investment in Capital Assets	\$17,072,755	\$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
Restricted	\$779,907	\$773,851	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972	\$328,594	\$330,609	\$334,897
Unrestricted	<u>-\$17,020</u>	<u>\$802,248</u>	<u>\$8,827,626</u>	<u>\$7,441,249</u>	<u>\$969,128</u>	<u>\$486,050</u>	<u>-\$222,895</u>	<u>-\$863,846</u>	<u>\$1,180,303</u>	<u>-\$439,062</u>
Total Business-Type Activities Net Position	<u>\$17,835,642</u>	<u>\$19,642,224</u>	<u>\$24,896,537</u>	<u>\$31,636,469</u>	<u>\$32,998,190</u>	<u>\$33,382,940</u>	<u>\$38,261,961</u>	<u>\$38,193,303</u>	<u>\$38,661,254</u>	<u>\$37,617,634</u>
Primary Government										
Net Investment in Capital Assets	\$22,579,404	\$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
Restricted	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448	\$730,593	\$837,720	\$959,300
Unrestricted	<u>\$1,479,500</u>	<u>\$2,130,729</u>	<u>\$10,521,423</u>	<u>\$8,745,032</u>	<u>\$2,270,305</u>	<u>\$2,454,953</u>	<u>\$1,806,392</u>	<u>\$1,860,431</u>	<u>\$2,738,122</u>	<u>-\$2,295,721</u>
Total Primary Government Net Position	<u>\$25,437,648</u>	<u>\$32,480,139</u>	<u>\$38,642,145</u>	<u>\$45,815,095</u>	<u>\$47,343,534</u>	<u>\$48,473,626</u>	<u>\$53,993,519</u>	<u>\$54,458,566</u>	<u>\$51,461,855</u>	<u>\$49,064,494</u>

Table 2
City of Palatka, Florida

Changes in Net Position - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$882,002	\$677,251	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179	\$2,192,293	\$507,929	\$1,901,557
Public Safety	\$5,611,944	\$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
Physical Environment	\$14,028	\$481,343	\$295,824	-	-	-	-	-	\$415,967	\$408,379
Transportation	\$1,382,910	\$1,282,350	\$973,566	\$1,129,653	\$697,212	\$681,907	\$577,407	\$511,114	\$573,372	\$115,762
Economic Environment	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709
Human Services	\$212,165	\$227,525	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327	\$151,906	\$174,967	\$178,223
Culture and Recreation	\$505,841	\$561,238	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572	\$427,004	\$1,288,402	\$383,685
Interest on Long-Term Debt	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904	\$155,598	\$67,579	\$61,641
Total Governmental Activities Expenses	\$8,767,035	\$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
Business-type Activities:										
Airport	\$854,457	\$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
Water	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295	\$4,750,830	\$4,784,639	\$4,688,134	\$4,826,439	\$4,897,142
Golf	\$933,767	\$1,004,007	\$1,014,105	\$908,883	\$982,862	\$1,017,307	\$1,005,000	\$997,958	\$977,653	\$975,398
Sanitation	\$1,391,125	\$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
Total Business-type Activities Expenses	\$6,871,457	\$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
Total Primary Government Expenses	\$15,638,492	\$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
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$102,416	\$100,431	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185	\$114,051	\$115,895	\$107,744
Public Safety	\$322,191	\$234,747	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578	\$608,594	\$1,106,771	\$1,015,140
Other	\$167,965	\$198,985	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434	\$198,826	\$210,064	\$199,565
Operating Grants and Contributions	\$832,506	\$912,670	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019	\$981,676	\$847,158	\$794,957
Capital Grants and Contributions	\$874,390	\$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
Total Governmental Activities Program Revenues	\$2,299,468	\$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
Business-type Activities:										
Charges for Services :										
Airport	\$567,999	\$506,385	\$709,468	\$572,594	\$704,750	\$895,300	\$851,615	\$895,597	\$787,233	\$781,847
Water	\$3,113,887	\$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
Golf	\$762,061	\$751,903	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578	\$701,468	\$720,410	\$704,846
Sanitation	\$1,430,572	\$1,518,191	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053	\$1,535,189	\$1,633,906	\$1,641,581
Operating Grants and Contributions	-	\$7,000	-	-	-	-	-	-	\$26,500	-
Capital Grants and Contributions	\$1,423,874	\$2,451,986	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111	\$1,521,529	\$426,812	\$1,724,898
Total Business-type Activities Program Revenues	\$7,298,393	\$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
Total Primary Government Program Revenues	\$9,597,861	\$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
Net (Expense)/Revenue										
Governmental Activities	(\$6,467,567)	(\$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)
Business-type Activities	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726	\$19,770	(\$1,022,514)	\$341,745
Total Primary Government Net Expense	(\$6,040,631)	(\$5,186,326)	(\$2,331,036)	(\$408,324)	(\$5,803,995)	(\$5,725,481)	(\$968,684)	(\$6,431,031)	(\$6,393,591)	(\$5,653,363)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$3,334,384	\$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
Sales Tax and Other State Shared Revenue	\$888,738	\$894,912	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613	\$783,678	\$786,686	\$794,451
Franchise Fees	\$911,188	\$915,447	\$898,638	\$931,985	\$879,660	\$886,166	\$662,190	\$904,958	\$810,331	\$837,391
Other Taxes	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411	\$1,409,048	\$1,189,645	\$1,035,332	\$1,053,895	\$1,124,693	\$1,141,195
Investment Earnings	\$64,090	\$62,975	\$81,319	\$55,790	\$5,689	\$1,384	\$181	\$220	\$2,530	\$1,829
Contribution from component unit	-	-	-	-	-	-	-	-	\$300,000	\$300,000
Miscellaneous	\$79,721	\$85,774	\$50,031	\$31,900	\$60,637	\$149,036	\$83,791	\$595,182	\$123,286	\$115,964
Loss on sale of land	-	-	-	-	-	-	-	-	(\$3,078,218)	-
Transfers	\$22,214	\$142,873	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321	\$213,602	(\$1,628,519)	(\$19,536)
Total Governmental Activities	\$6,804,650	\$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
Business-type Activities:										
Investment Earnings	\$19,859	\$17,786	\$421,634	\$56,140	\$188,945	\$446	\$450	\$255	\$190	\$209
Gain on Sale of Assets	-	-	-	\$22,174	-	-	-	-	-	-
Miscellaneous	\$200,203	\$455,747	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166	\$124,919	\$47,126	\$101,196
Transfers	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)	\$803,896	(\$175,000)	(\$352,321)	(\$213,602)	\$1,628,519	\$19,536
Total Business-type Activities	\$197,848	\$330,660	\$329,891	\$162,503	\$1,221,816	(\$26,204)	\$95,295	(\$88,428)	\$1,675,835	\$120,941
Total Primary Government	\$7,002,498	\$7,981,051	\$8,493,042	\$7,581,274	\$7,332,434	\$6,855,573	\$6,488,577	\$6,896,078	\$3,582,250	\$6,793,955
Changes in Net Position										
Governmental Activities	\$337,083	\$988,143	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872	\$533,705	(\$3,464,662)	\$677,906
Business-type Activities	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932	\$1,361,721	\$384,750	\$4,879,021	(\$68,658)	\$653,321	\$462,686
Total Primary Government	\$961,867	\$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

Table 3
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	<u>2006</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>
General Fund										
Nonspendable	-	-	-	-	-	\$867,346	\$1,296,287	\$1,749,044	\$292,927	\$292,927
Restricted	-	-	-	-	-	\$511,570	\$483,518	\$826,352	\$195,513	\$218,278
Committed	-	-	-	-	-	\$17,246	\$106,948	\$22,656	\$33,128	\$49,206
Assigned	-	-	-	-	-	\$107,416	\$0	\$0	\$0	\$0
Unassigned	-	-	-	-	-	\$858,214	\$608,254	\$834,968	\$848,005	\$1,060,435
Reserved	\$0	\$1,269,605	\$0	\$0	\$414,758	-	-	-	-	-
Unreserved	\$1,767,288	\$414,620	\$2,006,861	\$1,682,108	\$1,262,722	-	-	-	-	-
Total General Fund	<u>\$1,767,288</u>	<u>\$1,684,225</u>	<u>\$2,006,861</u>	<u>\$1,682,108</u>	<u>\$1,677,480</u>	<u>\$2,361,792</u>	<u>\$2,495,007</u>	<u>\$3,433,020</u>	<u>\$1,369,573</u>	<u>\$1,620,846</u>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	\$0	\$0	\$0	\$0	\$0
Restricted	-	-	-	-	-	\$576,702	\$510,476	\$401,999	\$507,111	\$624,403
Committed	-	-	-	-	-	\$0	\$0	\$0	\$0	\$0
Assigned	-	-	-	-	-	\$0	\$0	\$0	\$0	\$0
Unassigned	-	-	-	-	-	\$0	\$0	\$0	-\$188,428	-\$968,571
Reserved	\$0	\$0	\$0	\$0	\$0	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	-	-	-	-	-
Total All Other Governmental Funds	<u>\$681,477</u>	<u>\$1,042,741</u>	<u>\$1,437,259</u>	<u>\$1,592,936</u>	<u>\$1,128,395</u>	<u>\$576,702</u>	<u>\$510,476</u>	<u>\$401,999</u>	<u>\$318,683</u>	<u>-\$344,168</u>

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$6,939,634	\$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
License and Permits	\$219,316	\$199,194	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887	\$990,001	\$961,392	\$1,076,832
Intergovernmental	\$1,414,018	\$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
Charges for Services	\$138,910	\$196,549	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738	\$245,095	\$276,570	\$295,691
Fines and Forfeitures	\$151,038	\$75,607	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623	\$427,324	\$838,313	\$630,674
Miscellaneous	\$225,377	\$227,782	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412	\$719,469	\$635,493	\$1,210,711
Total Revenues	\$9,088,293	\$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
Expenditures										
General Government	\$869,487	\$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
Public Safety	\$5,571,450	\$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
Physical Environment	\$14,028	\$481,343	\$295,824	-	-	-	-	-	\$415,967	\$404,042
Transportation	\$1,387,665	\$1,393,241	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073	\$486,426	\$553,104	\$477,959
Economic Environment	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156	\$146,709
Human Services	\$217,471	\$257,208	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296	\$142,233	\$164,899	\$178,712
Culture and Recreation	\$571,372	\$708,890	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756	\$449,550	\$1,253,442	\$2,361,161
Debt Service										
Principal Retirement	\$148,626	\$146,794	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468	\$335,816	\$534,892	\$488,900
Interest and Fiscal Charges	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483	\$155,598	\$67,579	\$61,641
Total Expenditures	\$8,938,244	\$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
Excess of Revenues Over (Under) Expenditures	\$150,049	(\$1,262,271)	(\$2,739,558)	(\$295,603)	\$334,727	(\$42,381)	(\$311,341)	\$292,601	(\$1,350,894)	(\$781,042)
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	\$332,837	\$247,957	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468	\$685,099	\$1,308,196	\$482,992
Transfers Out	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)	(\$471,497)	(\$2,936,715)	(\$502,528)
Debt Issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	(\$1,866,667)	-	-
Issuance of refunding bonds	-	-	-	-	-	-	-	\$1,890,000	-	-
Total Other Financing Sources (Uses)	\$22,214	\$1,540,472	\$3,456,712	\$126,527	-\$803,896	\$175,000	\$378,330	\$536,935	(\$1,107,819)	\$369,464
Special items										
Proceeds from sale of land	-	-	-	-	-	-	-	-	\$311,950	-
Total Special items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$311,950	\$0
Net Change in Fund Balances	\$172,263	\$278,201	\$717,154	(\$169,076)	(\$469,169)	\$132,619	\$66,989	\$829,536	(\$2,146,763)	(\$411,578)
Acquisitions of Capital Assets	\$275,970	\$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
Debt Service as a Percentage of Non-Capital Expenditures	1.99%	1.99%	7.06%	6.78%	5.99%	5.68%	5.75%	5.54%	6.73%	6.17%

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, 2015

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY *		TOTALS			Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Total Direct Tax Rate	
2005-06	\$268,616,535	\$541,682,448	\$62,032,313	\$89,947,767	\$330,648,848	\$631,630,215	8.0000	52.35%
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%

* Centrally assessed values are included under Personal Property in this table.

** Information shown in FY2013-2014 Comprehensive Annual Financial Report (CAFR) was incorrect and has been corrected this fiscal year

Source: Putnam County Property Appraiser

Table 6
City of Palatka, Florida

Property Tax Levies and Collections
Last Ten Fiscal Years
September 30, 2015

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>
2006	\$2,645,191	\$2,529,526	0.9563	\$59,668	\$2,589,194	0.9788
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768
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

* Information shown in FY2013-2014 Comprehensive Annual Financial Report (CAFR) was incorrect and has been corrected this fiscal year

Source: Putnam County Tax Collector

Table 7
City of Palatka

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
September 30, 2015

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
2006	8.6500	0.0000	8.6500	9.2000	0.0000	9.2000	7.934	0.600	8.534	0.4620	26.846
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

Source: Florida Department of Revenue (Millage and Taxes Levied Report), 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 2015</u>			<u>Fiscal Year 2006</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	\$16,624,158	1	4.56%	\$18,039,026	1	4.62%
Wal-Mart Inc.	\$12,962,078	2	3.56%	\$13,182,559	2	3.38%
Revenue Properties Town & Country	\$9,473,101	3	2.60%	-	-	-
Florida Power & Light	\$8,005,824	4	2.20%	\$8,065,160	4	2.07%
Home Depot	\$6,574,372	5	1.80%	-	-	-
Lowe's Home Centers	\$6,508,442	6	1.79%	-	-	-
Bellsouth Telecommunications	\$5,182,267	7	1.42%	\$8,853,530	3	2.27%
FWI 5 LLC	\$4,289,754	8	1.18%	\$6,456,260	8	1.65%
Palatka Mall LLC	\$4,269,363	9	1.17%	\$6,242,404	9	1.60%
STAG II Palatka LLC	\$4,009,266	10	1.10%	-	-	-
Total	\$77,898,625		21.38%	\$60,838,939		15.59%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
September 30, 2015

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
2006	\$149,067	\$213,472	\$362,539	0.14%	\$31
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9
2009	\$0	\$37,498	\$37,498	0.01%	\$3
2010	\$0	\$0	\$0	0.00%	\$0
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

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, 2015

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, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Putnam County School District			
SBE 2005-A New Money	\$0	11.09%	\$0
SBE 2005-A Refunding	\$60,000	11.09%	\$6,657
SBE 2005-B	\$105,000	11.09%	\$11,649
SBE 2008-A	\$540,000	11.09%	\$59,909
SBE 2009-A Refunding	\$75,000	11.09%	\$8,321
SBE 2011-A Refunding	\$0	11.09%	\$0
SBE 2014-A Refunding	\$295,000	11.09%	\$32,728
Debt repaid with non-ad valorem taxes			
Putnam County Board of County Commissioners			
Communications Improvemen	\$519,595	14.38%	\$74,738
MSBU Special Assessments	\$487,658	14.38%	\$70,144
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
Better Place Plan	\$2,740,000	12.75%	\$349,441
Better Place Plan	\$1,200,000	12.75%	\$153,040
<i>Subtotal, overlapping debt</i>			\$766,626
City direct debt			<u>\$2,625,362</u>
Total direct and overlapping debt			<u><u>\$3,391,988</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-advalorem 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

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			
2006	\$25,402	\$362,539	-	\$1,487,045	\$6,414,918	\$127,900	\$8,417,804	3.34%	\$736
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	9.47%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.83%	\$1,763
2011	\$3,056,396	-	-	\$7,761,469	\$7,346,458	-	\$18,164,323	6.55%	\$1,720
2012	\$2,728,652	-	\$23,285	\$7,138,784	\$7,213,044	\$20,260	\$17,124,025	6.47%	\$1,678
2013	\$2,424,226	-	\$315,228	\$6,734,477	\$7,074,630	\$177,382	\$16,725,943	6.27%	\$1,635
2014	\$1,957,098	-	\$768,164	\$6,257,284	\$7,105,000	\$397,875	\$16,485,421	5.88%	\$1,589
2015	\$1,636,778	-	\$988,584	\$5,760,423	\$6,950,000	\$624,217	\$15,960,002	5.56%	\$1,532

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

Table 13
City of Palatka, Florida

Pledged Revenue Coverage
Last Ten Fiscal Years

Airport Revenue Notes							Water Revenue Bonds and Notes					
Fiscal Year	Airport	Less	Net	Debt Service			Utility	Less	Net	Debt Service		
	Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage		Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest
2006	\$567,999	\$558,239	\$9,760	\$14,375	\$2,691	57.19%	\$3,299,223	\$2,678,856	\$620,367	\$244,495	\$312,594	111.36%
2007	\$506,385	\$637,292	(\$130,907)	\$14,375	\$1,899	-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%

Golf Revenue Bonds						Infrastructure Surtax Revenue Note				
Fiscal Year	Golf	Less	Net	Debt Service			Sales Surtax	Debt Service		
	Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage		Principal	Interest	Coverage
2006	\$762,181	\$815,457	(\$53,276)	\$51,683	\$13,433	-81.82%	\$0	\$0	\$0	n/a
2007	\$782,670	\$934,609	(\$151,939)	\$54,622	\$10,493	-233.34%	\$0	\$0	\$0	n/a
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-107.88%	\$802,482	\$0	\$0	n/a
2009	\$726,513	\$722,239	\$4,274	\$28,125	\$111,586	3.06%	\$732,946	\$266,667	\$166,080	169.37%
2010	\$624,462	\$800,372	(\$175,910)	\$62,033	\$107,431	-103.80%	\$715,264	\$266,667	\$152,240	170.75%
2011	\$613,217	\$845,986	(\$232,769)	\$79,366	\$102,778	-127.79%	\$676,948	\$266,667	\$138,400	167.12%
2012	\$593,718	\$838,545	(\$244,827)	\$141,804	\$97,560	-102.28%	\$683,697	\$266,667	\$124,560	174.76%
2013	\$702,153	\$829,833	(\$127,680)	\$1,400,989	\$96,895	-8.52%	\$699,302	\$2,133,334	\$133,651	30.85%
2014	\$724,954	\$846,859	(\$121,905)	\$96,000	\$56,372	-80.00%	\$733,349	\$411,000	\$43,096	161.50%
2015	\$717,547	\$856,783	(\$139,236)	\$117,000	\$51,999	-82.39%	\$773,912	\$262,000	\$33,217	262.15%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2015

Fiscal Year	Population (1)	Personal Income(million of dollars) (2)	Per Capita Personal Income (3)	School (4) Enrollment	Unemployment Rate (5)
2006	11,417	\$277	\$23,213	5508	3.8%
2007	11,470	\$291	\$24,137	5555	4.8%
2008	11,264	\$297	\$25,224	4101	8.4%
2009	11,133	\$292	\$24,807	4768	12.1%
2010	10,926	\$302	\$25,794	4860	12.5%
2011	10,558	\$297	\$26,261	5642	11.9%
2012	10,203	\$291	\$25,922	5585	11.0%
2013	10,230	\$297	\$26,065	4888	8.9%
2014	10,377	\$281	\$27,031	4959	8.1%
2015	10,418	\$287	\$27,558	5096	7.0%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2005-2010, 2012-2015), 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 2006 - 2014 are based on per capita personal income data.
Figures from 2015 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 2015</u>			<u>Fiscal Year 2006</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	18.77%	684	2	11.98%
St. Johns River State College	503	3	9.69%	225	6	3.94%
Putnam Community Medical Center, LLC	458	2	8.83%	533	4	9.34%
St Johns River Water Management District	374	4	7.21%	686	1	12.02%
Walmart Supercenter	374	5	7.21%	523	5	9.16%
Putnam County Board of County Commissioners	308	6	5.94%	656	3	11.49%
Palatka Healthcare Center	213	8	4.11%	-	-	-
Putnam County Sheriff's Office	173	7	3.33%	-	-	-
City of Palatka	148	9	2.85%	179	7	3.14%
Publix Super Market	124	10	2.39%	120	8	2.10%
Total	3,649		70.33%	2,922		51.19%

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

Function/Program	<u>2006</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>
General Government:										
Building permits issued	884	804	621	80	596	618	595	583	561	497
Building inspections conducted	1843	1987	1543	1499	1359	1360	1257	898	913	994
Code enforcements	281	547	311	701	200	165	184	214	150	88
Occupational license issued	904	1072	1013	1258	1092	1220	1078	675	239	866
Police:										
Calls for service	36,196	32,350	31,933	31,264	34,559	29,847	32,709	30,616	30,595	29,946
Physical arrests	2,264	2,003	1,798	1,450	1,528	1,119	1,047	788	788	784
Citations	2,747	2,299	1,217	1,269	2,060	1,616	1,660	1,470	1,904	1,294
Fire:										
Emergency responses	1,958	2,063	2,590	2,610	2,412	2,687	2,498	2,173	2,142	2,128
Fires extinguished	923	721	457	538	98	10	41	125	374	398
Refuse collection:										
Customers	5,062	5,027	4,935	3,469	3,850	3,819	3,869	3,827	3,867	3,873
Other public works:										
Street resurfaced (miles)	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Potholes repaired	100	100	98	100	100	110	58	63	65	40
Parks and recreation:										
Community center rentals	68	68	142	147	197	58	83	129	65	72
Human Services:										
Interments	150	145	133	103	146	122	107	117	79	111
Water:										
Water main breaks	12	30	16	10	7	16	7	26	64	107
Average daily consumption (thousands of gallons)	2,366	1,735	2,229	2,030	2,000	2,044	1,811	1,684	1,706	1,728
Peak daily consumption (thousands of gallons)	3,189	2,300	2,997	2,870	2,720	2,757	2,908	2,139	2,634	2,420
Wastewater:										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	2,500	1,940	1,490	2,040	1,540	1,700	1,500
Airport:										
Rentals-T Hangars	49	49	49	54	54	54	54	54	55	55
Building	2	2	1	1	1	1	1	2	2	2
Land leases	2	2	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>2006</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>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	26	24	22	22	24	24	22	21	21
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	20	20	20	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	71.18	60.00	60.00
Traffic signals	16	22	22	22	22	22	21	21	12	12
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	24.26	26.67	26.67	45.36	45.36
Playgrounds	10	10	10	10	10	10	10	10	5	5
Baseball/softball diamonds	5	5	5	5	5	5	5	5	4	4
Community Centers	1	1	1	1	1	1	1	1	2	2
Water:										
Water mains (miles)	106	106	106	106	108	108	108	108	108	108
Fire hydrants	455	455	565	570	578	578	578	578	581	581
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)	76	80	80	80	80	80	80	80	80	80
Storm sewers (miles)	60	60	60	60	60	60	60	60	61	61
Treatment capacity(millions of gals.)	912	912	1095	1095	1278	1278	1278	1278	6,000	6,000
Golf Courses:										
Acreage	99	99	99	99	99	99	99	99	124	124
Airports:										
Runways	3	3	3	3	3	3	3	3	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>2006</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>
General Government										
General Administration	9	8	8	9	8	8	8	8	8	8
Attorney	1	1	1	1	1	1	1	0.5	0.5	0.5
General Service Director	1	0	0	0	0	0	0	0	0	0
Mainstreet	1	0	0	1	0	1	1	1	1	1
Information Technology	0	0	0	0	0	0	0	1	1	1
Facilities Maintenance	0	0	0	0	0	0	0	1	1	1
Public Safety										
Building & Zoning	7	7	6	4	5	4	4	4	4.5	4
Police Officers	39	39	39	37	36	34	35	34	36	36
Police Clerical	7	7	7	6	6	7	7	6.5	6.5	6.5
Code Enforcement	1	1	1	1	1	1	1	1	1	1.5
Firefighters	20	20	20	23	23	23	23	23.5	23.5	23.5
Transportation										
Streets	9	9	7	6	6	6	6	6	6	6
Human Services										
Cemeteries	5	5	5	4	3	2	2	2	2	3
Culture/Recreation	7	7	7	8	7	5	5	5	6	3.5
Business Type Activities:										
Airport	4	4	4	3	3	2	3	3	3	3
Water	37	37	37	33	33	31	32	32	30	33
Golf	7	10	9	8	0	0	0	0	0	0
Sanitation	19	19	19	16	14	14	13	17	14	17

Source: City of Palatka Personnel Department

Single Audit Section

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 29, 2016. 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 did note that the general operating reserves of the City are currently below the recommended minimum level, but are estimated to be sufficient to cover approximately 1.5 months of normal expenditures, slightly more than the 2014 reserves. We also noted as of September 30, 2015, the major capital projects fund had approximately \$968,600 deficit in unassigned fund balance, and three enterprise funds had approximately \$756,900

aggregate deficit in unrestricted net position, most of which is due to net pension liability associated with the implementation of the new GASB 68 standard. At September 30, 2015 there were not sufficient unassigned/unrestricted resources in other funds to cover the aggregate unassigned/unrestricted deficits. However, subsequent to year end the City received approximately \$779,500 in grant reimbursements in the capital projects fund that was deferred at September 30, 2015. Continued use of General Fund available resources to subsidize enterprise operations strains the general operating reserves of the City, which are currently below the recommended minimum level. As reported in previous years, the City's financial condition should be closely monitored to build reserves.

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, 2015, 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, 2015.

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
June 29, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2016.

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 and questioned costs, 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 and questioned costs as items 2015-001 and 2015-003 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-004 and 2015-005 to be significant deficiencies.

Compliance and Other Matters

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

However, we noted a matter that we reported to management in the schedule of findings and questioned costs as item 2015-002.

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.

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

Palatka, Florida
June 29, 2016

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, 2015. 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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides 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, 2015.

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
June 29, 2016

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2015**

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766	PM	\$ 250
Rural Business Enterprise Grants	10.769	GC	185,832
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.228	C04	1,331
U.S. Department of the Interior			
Passed through Florida Wildlife Commission Sport Fish Restoration Program	15.605	FL-F-199-B-1	162,789
U.S. Department of Justice			
Passed through Office of Attorney General Crime victim assistance	16.575	V13045	34,167
Bulletproof Vest Partnership Program	16.607		1,349
Passed through Florida Department of Law Enforcement Byrne Justice Assistance Grant Program	16.738	JAG 2014-DJ-BX-0180	10,933
Byrne Justice Assistance Grant Program	16.738	2015-JAGC-PUTN-3-R3-013	15,007
Program total			25,940
U.S. Department of Transportation			
FAA Airport Improvement Program	20.106	AIP 3-12-0061023-2013	262,119
Passed through Florida Department of Transportation Highway Planning and Construction	20.205	41057219401	159,582
Highway Planning and Construction	20.205	41057229401	81,734
Program total			241,316
Department of Homeland Security, Federal Emergency Management Agency			
Hazard Mitigation Grant	97.039	11HM-3E-04-64-02-007	134,022
Hazard Mitigation Grant	97.039	11HM-3E-04-64-02-015	163,072
Program total			297,094
Total expenditures of federal awards			\$ 1,212,187

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year ended September 30, 2015**

State Financial Assistance	State CSFA Number	Contract/Grant Number	State Expenditures
State Department of Transportation			
Aviation Development Grant – South Airport Drainage	55.004	AQS81	\$ 140,592
Aviation Development Grant—T-Hangers	55.004	434749-1-9415	1,135,671
Total expenditures of state financial assistance			\$ 1,276,263

Note 1. Significant Accounting Policies

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

Note 2. Subrecipients

The City did not provide awards to subrecipients.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A–133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of the City of Palatka, Florida (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and the requirements described in the Department of Financial Services’ State Projects Compliance Supplement that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015. The City’s major federal programs and state projects are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A–133, Audits of States, Local Governments and Non-Profit Organization* and Chapter 10.550, Rules of the Auditor General. Those standards and OMB Circular A–133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2015.

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

Palatka, Florida
June 29, 2016

Schedule of Findings and Questioned Costs

Part I – Summary of Auditor’s Results

1. The independent auditor’s report on the financial statements was unmodified.
2. The audit did report material weaknesses and significant deficiencies in internal control over financial reporting.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit did report any significant deficiencies in internal control over compliance with requirements applicable to the major federal or state award programs/projects.
5. The report on compliance with requirements applicable to the major federal and state award programs/projects expressed an unmodified opinion.
6. No findings were disclosed relative to the major federal programs or state projects.
7. The City’s major federal programs and state projects were:

<u>Federal Programs</u>	<u>Federal CFDA Number</u>
Rural Business Enterprise Grants	10.769
Highway Planning and Construction	20.205
<u>State Projects</u>	<u>State CFSA Number</u>
Aviation Development Grant	55.004

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

Part II – Financial Statement Findings

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.

Schedule of Findings and Questioned Costs

2015-002 **Condition:** Expenditures of the Better Place Plan Fund were about \$17,000 excess of the approved budget.

Recommendation: The City should closely monitor budget to actual results throughout the year, and when necessary, amend its budget no later than 60 days of the ensuing fiscal year.

2015-003 **Condition:** Bank balances at September 30, 2015 were not completely reconciled to the general ledger.

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

2015-004 **Condition:** Certain controls over disbursements should be strengthened. The City's accounts payable system did not detect duplicate services included on subsequent invoice, and as a result, an overpayment of approximately \$32,700 was made to one vendor. In addition, the integrity of check sequences were not always verified by someone other than the individual processing the checks.

Recommendation: Establish a system control to detect duplicate invoices, and ensure that approved controls are clearly communicated and consistently followed.

2015-005 **Condition:** Certain incompatible duties were not completely segregated. It appears that separate log-ins are not being utilized for the cash registers and point of sale system at the golf course. In addition, no one other than golf course personnel are involved in the counting of the inventory.

Recommendation: Steps should be taken to ensure separation of cash register and sales system use, and someone other than the custodian of assets should test count the inventory.

Part III – Findings and Questioned Costs - Federal Awards

There were no findings relating to the major federal programs.

Part IV – Findings and Questioned Costs – State Projects

There were no findings relating to the major state project.

Summary Schedule of Prior Audit Findings

There were no prior audit findings relating to Federal or State financial assistance programs.

TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



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

June 29, 2016

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

Dear Mr. Martin:

I write to you in response to the findings noted in the audit of the City of Palatka, prepared by Carr, Riggs & Ingram for the year ended in September 30, 2015.

Part II – Financial Statement Findings Section

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.

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.

2015-002 *Condition* – Expenditures of the Better Place Plan Fund were about \$17,000 in excess of the approved budget.

Recommendation – The City should closely monitor budget to actual results throughout the year, and when necessary, amend its budget no later than 60 days of the ensuing fiscal year.

Resolution – The City did closely monitor budget to actual results and the budget was amended no later than 60 days after the end of the fiscal year, however an expenditure was received after the budget was amended for an invoice that was

for work completed within the previous fiscal year. This invoice was then accrued causing the actual expenditures to exceed the budgeted amount. The City will continue to closely monitor budget to actual results in order to prevent this from occurring in the future.

2015-003 *Condition* – Bank balances at September 30, 2015 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.

2015-004 *Condition* – Certain controls over disbursements should be strengthened. The City's accounts payable system did not detect duplicate services included on a subsequent invoice, and as a result, an overpayment of approximately \$32,700 was made to one vendor. In addition, the integrity of check sequences were not always verified by someone other than the individual processing the checks.

Recommendation – Establish a system control to detect duplicate invoices, and ensure that approved controls are clearly communicated and consistently followed.

Resolution – The City has implemented a second layer of review regarding invoices for capital projects, such as the project that this overpayment occurred on. Once an invoice has been submitted by the project manager for payment, the Finance Director will also review and approve the invoice for payment. The City is confident these changes will prevent this from occurring in the future. The City will also ensure that the integrity of check sequences are always verified by someone other than the individual processing the checks.

2015-005 *Condition* – Certain incompatible duties were not completely segregated. It appears that separate log-ins are not being utilized for the cash registers and point of sale system at the golf course. In addition, no one other than golf course personnel are involved in the counting of the inventory.

Recommendation – Steps should be taken to ensure separation of cash register and sales system use, and someone other than the custodian of assets should test count the inventory.

Resolution – The City is currently under contract with a management company that operates the City's golf course, therefore the employees of the golf course are the management company's employees. Several years ago, the City worked with the management company to draft an operations manual that outlined the processes and procedures that the employees of the management company would follow. The City proposed several changes to the operations manual that would require the employees to use separate logins, however these changes have not been implemented. The City will work with the management company in order to attempt to implement these changes again, however it is ultimately up to the management company as to whether these changes will be implemented. The management contract expires at the end of FY2015-2016 and the City will be taking proposals for the management of the golf course. The City will look at including language in the management agreement that will require the management company's employees to utilize separate logins. The City will also begin performing random spot checks of the Golf Course inventory throughout the fiscal year.

Part III – Findings and Questioned Costs – Federal Awards

There were no findings relating to the major federal programs.

Part IV – Findings and Questioned Costs – State Projects

There were no findings relating to the major state project.

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

Sincerely,

A handwritten signature in blue ink that reads "Matthew D. Reynolds". The signature is written in a cursive, flowing style.

Matthew D. Reynolds
Finance Director