

CITY OF PALATKA, FLORIDA  
COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

PREPARED BY:

MATTHEW D. REYNOLDS  
FINANCE DIRECTOR

**City of Palatka, Florida  
Comprehensive Annual Financial Report  
For The Year Ended September 30, 2012**

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**VERNON MYERS**  
MAYOR - COMMISSIONER

**MARY LAWSON BROWN**  
VICE MAYOR - COMMISSIONER

**ALLEGRA KITCHENS**  
COMMISSIONER

**PHIL LEARY**  
COMMISSIONER

**JAMES NORWOOD, JR.**  
COMMISSIONER



**MICHAEL J. CZYMBOR**  
CITY MANAGER

**BETSY JORDAN DRIGGERS**  
CITY CLERK

**MATTHEW D. REYNOLDS**  
FINANCE DIRECTOR

**GARY S. GETCHELL**  
CHIEF OF POLICE

**MICHAEL LAMBERT**  
CHIEF FIRE DEPT

**DONALD E. HOLMES**  
CITY ATTORNEY

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

March 27, 2013

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, 2012.

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 xiv.

### **THE REPORTING ENTITY**

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,203 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 10,203 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2012. 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 2012-13, the City proposed an operating budget that was 11.97% more than it was last year increasing from \$8.483 million to \$9.498 million. Much of this increase was due to one-time revenues which included a \$300,000 transfer from the Downtown Redevelopment Agency to cover a portion of the debt service on the Infrastructure Surtax loan repayment and a \$500,000 transfer from the Palatka Gas Authority to assist with balancing the budget. Estimated revenue of \$564,000 from the city's red light camera program was also added. Other revenue sources such as local option fuel taxes, utility taxes, and telecommunication service taxes continued to decline as they have in the past several years. Once again, the City eliminated capital improvement projects that were not funded by grant monies as well as reduced operating budgets and did not fill positions vacated by attrition or retirement.

Due to the fact that such a large amount of one-time revenues were used to assist with balancing the budget, the millage rate was increased from 8.65 to the roll-back rate of 9.1749 mills which prevented a loss of approximately \$180,000 in revenues. With a continued decline in various tax revenues as well as ad valorem taxes, the major challenge the City faces in the next few years is maintaining the current level of service it provides its citizens without increasing the millage rate.

Although the General Fund total fund balance increased by approximately \$133,000, approximately fifty-two percent (52%) is nonspendable due to advances to other funds, therefore the City will not have this portion available for use in the immediate future. The unassigned fund balance is 6.64% of general operating expenditures. This is well below the minimum balance recommended by the GFOA of approximately 16.66% or two months worth of operating expenditures. The net assets of the water, sanitation and airport funds increased by approximately \$1,718,000, \$76,000 and \$3,495,000 respectively, while the net assets of the golf course fund decreased by approximately \$410,000 resulting in a negative net asset balance of approximately \$1,041,000. The City's golf course continues to operate at a financial deficit with money from the general fund being held to offset this deficit. Attempts to minimize these losses have been made over the past several fiscal years, however the annual deficit continues to remain at an elevated level. The conditions at the course have improved drastically in FY12-13 and the rounds of play have increased, therefore revenues have increased when compared to last fiscal year however it does not appear that 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 which the City is dedicating significant time and resources. The City has unsuccessfully attracted a development partner with four previous attempts over the past ten years. The City has analyzed our past attempts and has developed a new strategy and Request For Proposals for the thirty thousand square footage of available vacant building space and over two acres of vacant commercial property. A new RFP was issued in March 2013 with projected and anticipated results to follow. The City considers this project to be the centerpiece of its revitalization efforts for the downtown and the City.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed one million dollars of improvements to the Riverfront. The City is in the process of expending an additional three million dollars of improvements which include improvements to the road way, storm drainage, parking facilities, landscaping, dockage, boat ramps, concession stand, restroom and shower facilities, riverboats, and appurtenant facilities. The City is projected to expend an additional one million dollars on improvements on the Riverfront property and park within the forthcoming years. The funding for these improvements has come from local sources property tax revenue, TIF revenue, and Better Place Funds as well as significant grant dollars received from various State and Federal sources.

The City's wastewater reclamation improvements have been completed which is a primary "green" initiative undertaken by the City. The completion of this project allows the City to remove nearly 100% (percent) of its wastewater effluent from the St. Johns River with the effluent now being provided as reclaimed water for irrigation throughout the City.

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

The City continues to upgrade the pavement and drainage systems and the terminal facilities at the airport with the help of Federal Aviation Administration and Florida Department of Transportation grants. The City currently completed reconstruction of runway 9-27, upgrading the old terminal building, construction of a new equipment building and restroom at the fuel storage compound, security upgrades at the new terminal building and site improvements including landscaping and pavement repair to the existing entrance.

### **FUTURE PROJECTS**

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

## **MAJOR INITIATIVES (Concluded)**

### FUTURE PROJECTS (continued)

The projected FY 2013-14 projects include purchasing new police vehicles and equipment and a new vacuum truck in the utility department totaling an estimated seven hundred and seventy thousand dollars. Building expansions at the City's police department and gun range is projected to cost one hundred thousand dollars with improvements at the waste water treatment plant belt press to cost approximately one hundred and fifty thousand dollars.

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 will also be meeting with Putnam County to discuss 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 financial officer of the City. The Finance Director is responsible for financial accounting and reporting. The City Manager also serves as the budget officer and presents the preliminary budget, based on departmental requests, to the City Commission for approval. All budgeted amounts lapse at year's end.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against loss from unauthorized use or disposition, that (2) transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits likely to be derived.

The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**FINANCIAL POLICIES  
(Concluded)**

**BUDGETARY CONTROL**

Budgetary control is maintained at the fund level. The City Manager may authorize budget transfers between major categories within the departments and between departments. Departmental expenditures are monitored on a monthly basis by the City Manager and Finance Director. The City Commission is provided with a monthly budget status report. 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, 2011. This was the twentieth year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

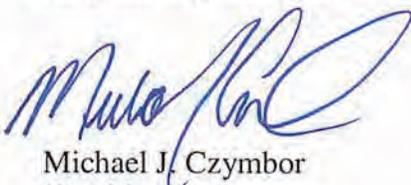
A certificate of achievement is valid for one year only. We believe this report satisfies the requirements of generally accepted accounting principles, applicable legal requirements, and certificate of achievement program requirements, and we are submitting it to the GFOA for consideration for an award.

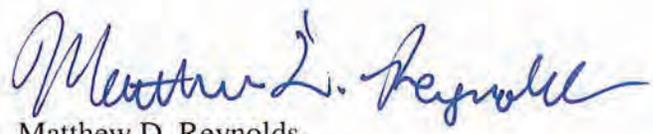
**ACKNOWLEDGMENTS**

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

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

Respectfully submitted,

  
Michael J. Czymbor  
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, 2011 is presented on the following page.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Palatka  
Florida

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2011

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



*Christopher P. Merrill*  
President

*Jeffrey R. Enow*  
Executive Director

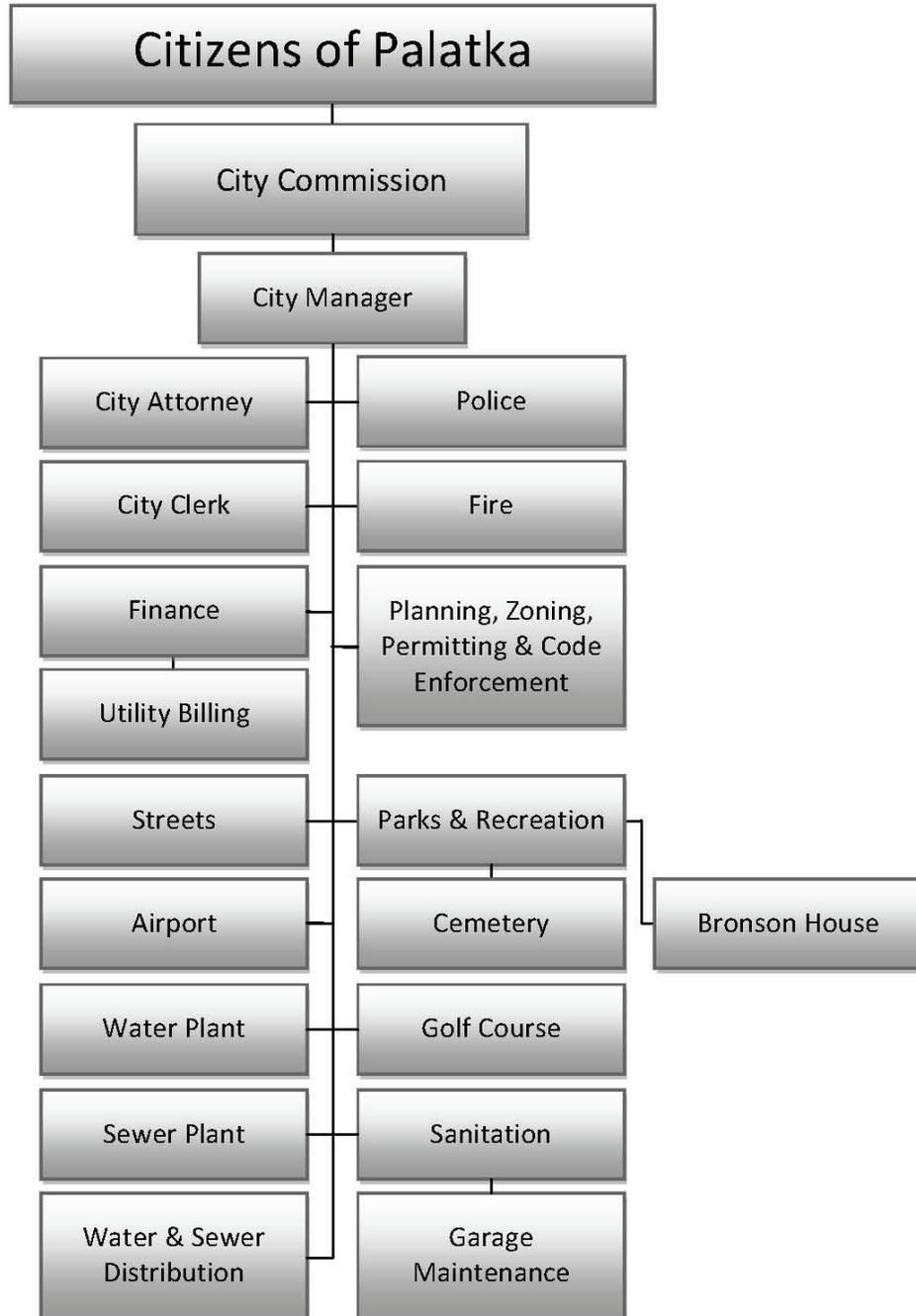
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# City of Palatka

## Organizational Chart

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

**ELECTED OFFICIALS**

Mayor-Commissioner  
Vice Mayor-Commissioner  
Commissioner  
Commissioner  
Commissioner

Vernon H. Myers  
Mary Lawson Brown  
James Norwood, Jr.  
Phil Leary  
Allegra Kitchens

APPOINTED OFFICIALS

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

Michael J. Czymbor  
Betsy Jordan Driggers  
Matthew D. Reynolds  
Donald E. Holmes  
Gary Getchell  
William M. Lambert

**DEPARTMENT SUPERINTENDENTS**

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

John Youell  
Thad Crowe  
Andy Hartz  
Jeff Norton  
Ed Chandler  
Melvin Register  
Platt Drew  
Rhett McCamey

**AUDITORS**

Carr, Riggs & Ingram, LLC

## Independent Auditor's Report

The Honorable Mayor and  
City Commissioners  
City of Palatka, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

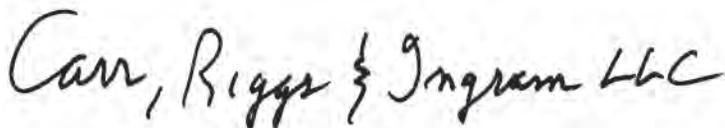
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The information listed in the table of contents as "supplementary information", including the Schedule of Expenditures of Federal Awards and State Financial Assistance, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, Rules of the Auditor General, is presented for purposes of additional analysis and is 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.

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

March 27, 2013  
Palatka, Florida

**City of Palatka  
Management's Discussion and Analysis  
September 30, 2012**

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

***Financial Highlights***

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,993,519. Of this amount, \$1,806,392 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,519,893 (11.39%). Due to a decrease in expenses and an increase in transfers from the prior year, governmental net assets increased by \$640,872 (4.25%). The Enterprise funds net assets increased by \$4,879,021 (14.62%) due to an increase in the charges for services as well as capital grants and contributions during the fiscal year.
- The total net assets in the Enterprise funds were: Water \$20,849,856, Sanitation \$709,403, Golf \$(1,041,390) and Airport \$17,744,092.
- As of September 30, 2012, the City's governmental funds reported combined ending fund balances of \$3,005,483, an increase of \$66,989 (2.28%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$608,254 or 6.64% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$474,496.
- Net assets of the General, Police Officers' and Firefighters' Pension Trust Funds increased by \$1,760,243, \$1,203,863 and \$758,565, respectively. These increases were the result of a substantial net appreciation 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 Assets* presents information on all of the City of Palatka's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *State of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

The *Government-wide Financial Statements* distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and drainage, economic development and culture and recreation. The business type activities of the City include the utility (water and wastewater), the airport, the golf course, sanitation and the component unit, gas authority.

The government-wide financial statements include not only the City of Palatka, but also the Palatka Gas Authority, an independent component unit of the City. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 1 & 2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palatka can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Downtown Redevelopment Agency fund, which are considered major funds. Data from the non-major governmental fund is included in the Other Governmental fund column.

The City adopts an annual appropriated budget for its General fund and the Downtown Redevelopment special revenue fund. Budgetary comparison schedules have been provided for the General fund and Downtown Redevelopment special revenue fund in the required supplementary information section.

The basic governmental fund financial statements can be found on pages 3 - 6 of this report.

### ***Proprietary Funds***

The City maintains several enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Utility, Golf, Airport and Sanitation operations, as well as the independent Gas Authority.

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

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

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those

funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

### **Notes to the Financial Statements**

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 38 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found on pages 39 – 44 of this report.

Combining fund statements can be found on pages 45 – 46 of this report immediately following the required supplementary information.

### **Government-wide Financial Analysis**

#### **Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Palatka, assets exceeded liabilities by \$53,993,519 at the close of the most recent fiscal year.

The majority of the City's net assets (95.10%) rest in its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire these assets that is still outstanding. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### **City of Palatka Summary of Net Assets For the Year Ended September 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$3,427,293	\$3,458,853	\$2,588,901	\$2,149,918	\$6,016,194	\$5,608,771
Capital assets	\$15,943,732	\$15,601,477	\$52,865,620	\$47,966,263	\$68,809,352	\$63,567,740
Total assets	\$19,371,025	\$19,060,330	\$55,454,521	\$50,116,181	\$74,825,546	\$69,176,511
Long-term liabilities						
Outstanding	\$3,219,753	\$3,472,136	\$16,165,835	\$15,490,800	\$19,385,588	\$18,962,936
Other liabilities	\$419,714	\$497,508	\$1,026,725	\$1,242,441	\$1,446,439	\$1,739,949
Total liabilities	\$3,639,467	\$3,969,644	\$17,192,560	\$16,733,241	\$20,832,027	\$20,702,885
Net assets:						
Invested in capital assets,						
net of related debt	\$13,191,795	\$12,545,081	\$38,156,884	\$32,510,103	\$51,348,679	\$45,055,184
Restricted	\$510,476	\$576,702	\$327,972	\$386,787	\$838,448	\$963,489
Unrestricted	\$2,029,287	\$1,968,903	(\$222,895)	\$486,050	\$1,806,392	\$2,454,953
Total net assets	\$15,731,558	\$15,090,686	\$38,261,961	\$33,382,940	\$53,993,519	\$48,473,626

An additional portion of the City's net assets \$838,448 (1.55%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,806,392 (3.35%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal

year, the City is able to report positive balances in all three categories of net assets for both the City as a whole and the governmental activities of the City. However, unrestricted net assets of the business-type activities of the City now have a negative balance of \$(222,895) due to the large negative unrestricted balance of the Golf Course Fund and the negative unrestricted balance of the Airport Fund.

### **Change in Net Assets**

The City's total net assets increased \$5,519,893 over the previous year with an increase of \$640,872 resulting from governmental activities and an increase of \$4,879,021 from business activities.

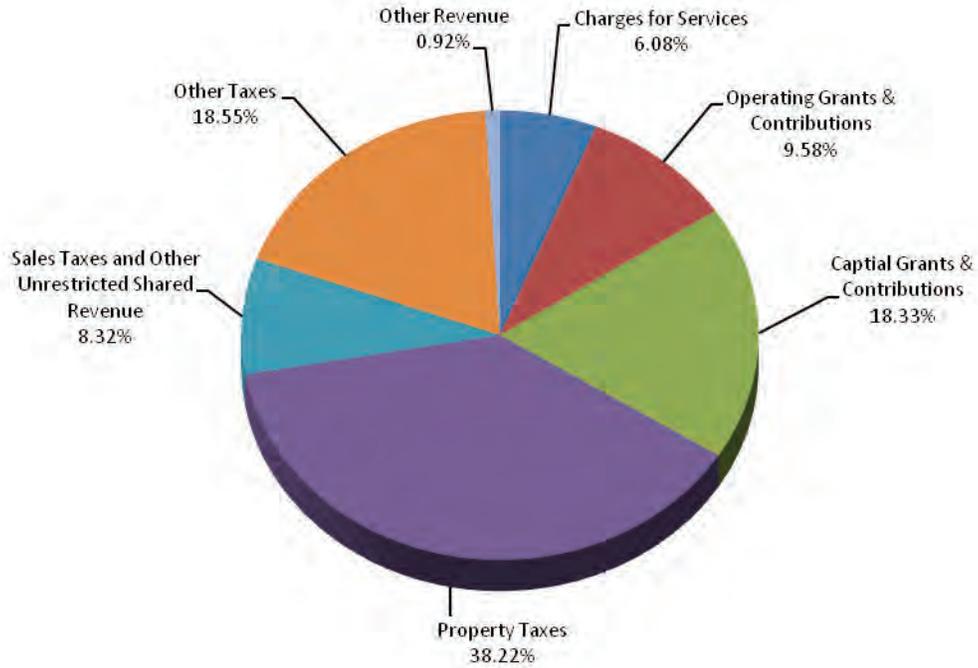
**City of Palatka  
Changes in Net Assets  
For the year ended September 30, 2012**

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$556,197	\$613,157	\$6,963,980	\$6,884,105	\$7,520,177	\$7,497,262
Operating Grants & Contributions	\$877,019	\$1,390,057			\$877,019	\$1,390,057
Capital Grants & Contributions	\$1,677,074	\$1,299,627	\$6,615,111	\$2,281,761	\$8,292,185	\$3,581,388
General Revenues:						
Property Taxes	\$3,497,854	\$3,743,535			\$3,497,854	\$3,743,535
Sales Taxes and Other Unrestricted Shared Revenues	\$761,613	\$737,011			\$761,613	\$737,011
Other Taxes	\$1,697,522	\$2,075,811			\$1,697,522	\$2,075,811
Other Revenue	\$83,972	\$150,420	\$447,616	\$148,796	\$531,588	\$299,216
<b>Total Revenues</b>	<b>\$9,151,251</b>	<b>\$10,009,618</b>	<b>\$14,026,707</b>	<b>\$9,314,662</b>	<b>\$23,177,958</b>	<b>\$19,324,280</b>
<b>Expenses:</b>						
General Government	\$1,795,179	\$1,630,295			\$1,795,179	\$1,630,295
Public Safety	\$5,336,015	\$5,611,920			\$5,336,015	\$5,611,920
Transportation	\$577,407	\$681,907			\$577,407	\$681,907
Economic Environment	\$349,296	\$741,467			\$349,296	\$741,467
Human Services	\$150,327	\$177,551			\$150,327	\$177,551
Culture/Recreation	\$505,572	\$430,962			\$505,572	\$430,962
Interest on Long-Term Debt	\$148,904	\$165,174			\$148,904	\$165,174
Water			\$4,784,639	\$4,750,830	\$4,784,639	\$4,750,830
Sanitation			\$1,379,559	\$1,359,544	\$1,379,559	\$1,359,544
Golf Course			\$1,005,000	\$1,017,307	\$1,005,000	\$1,017,307
Airport			\$1,626,167	\$1,627,231	\$1,626,167	\$1,627,231
<b>Total Expenses</b>	<b>\$8,862,700</b>	<b>\$9,439,276</b>	<b>\$8,795,365</b>	<b>\$8,754,912</b>	<b>\$17,658,065</b>	<b>\$18,194,188</b>
Increase in Net Assets before Transfers	\$288,551	\$570,342	\$5,231,342	\$559,750	\$5,519,893	\$1,130,092
Transfers	\$352,321	\$175,000	(\$352,321)	(\$175,000)	\$0	\$0
Increase in Net Assets	\$640,872	\$745,342	\$4,879,021	\$384,750	\$5,519,893	\$1,130,092
Net Assets-Beginning of Year	\$15,090,686	\$14,345,344	\$33,382,940	\$32,998,190	\$48,473,626	\$47,343,534
Net Assets-End of Year	\$15,731,558	\$15,090,686	\$38,261,961	\$33,382,940	\$53,993,519	\$48,473,626

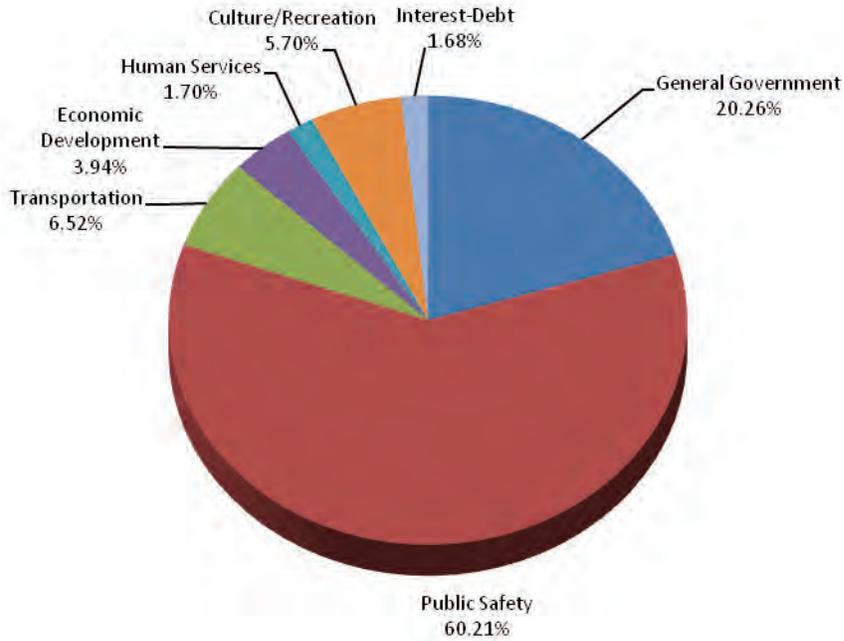
### **Governmental Activities**

Governmental activities increased the City's net assets by \$640,872 thereby accounting for 11.61% of the total growth in the net assets of the City. A key element of this increase was the substantial increase in the net expenses/revenue of the economic environment activity of the primary government. The City received a Community Development Block Grant to redevelop a portion of the City's riverfront park as well as expand parking for the downtown area.

### Revenue by Source - Governmental Activity



### Expenses - Governmental Activities



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

Business-type activities increased the City's net assets by \$4,879,021 accounting for 88.39% of growth in the City's net assets. Key elements in this increase are as follows:

The Water Revenue fund received grant funds of \$2,487,289 from the Department of Energy and St. Johns River Water Management District. These funds were used for capital improvement projects for upgrading wastewater reuse lines and wastewater treatment plant upgrades. These projects ultimately created an increase in net assets in the Water fund of \$1,717,883. The net assets at the end of the fiscal year in the Water fund totaled \$20,849,856.

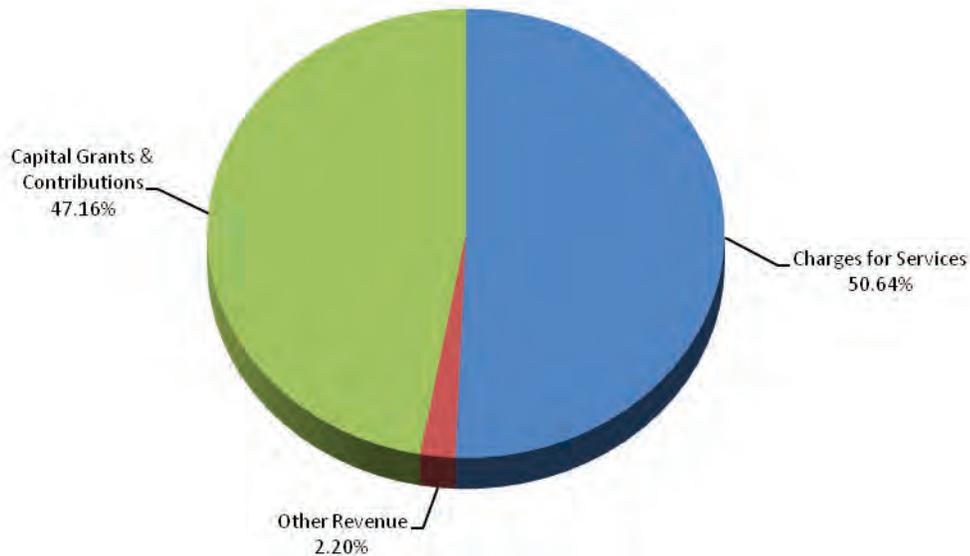
The Sanitation fund net assets increased by \$76,396 due to an increase in charges for services which resulted from a slight increase in sanitation rates. The net assets at the end of the fiscal year in the Sanitation fund totaled \$709,403.

The Golf Course fund net assets decreased by \$410,189 due to a substantial shortfall in anticipated revenues. The net assets at the end of the fiscal year in the Golf Course fund had a negative balance of \$1,041,390.

The Airport fund received state and federal grants of \$4,127,822 during the fiscal year. These funds were used for several capital improvement projects that included rehabilitation of runway 9/27, rehabilitation of the old terminal building, improvements to the security system and fencing as well as drainage rehabilitation. These projects ultimately created an increase in net assets in the Airport fund of \$3,494,931. The net assets at the end of the fiscal year in the Airport fund totaled \$17,744,092.

The most significant expenses were improvements related to grants received. Operating expenses, which includes personnel and depreciation, for all enterprise funds increased by \$40,453.

**Revenue by Source – Business-type Activities**



***Financial Analysis of the City’s Funds***

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

## ***Governmental Funds***

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,005,483, an increase of \$66,989 (2.28%) in comparison to the prior year. This total includes a nonspendable fund balance of \$1,296,287, a restricted fund balance of \$993,994, a committed fund balance of \$106,948 and an unassigned fund balance of \$608,254 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 \$2,495,007, an increase of \$133,215 (5.64%) from the prior year. This was due to a substantial increase in the amount of transfers in coupled with decreases in both revenues and expenditures.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes decreased by \$376,705 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 8.65 mills and generated \$3,035,967, a decrease of \$157,710 from the prior year.

The General Fund had a decrease of \$164,963 in expenditures due to decreases in public safety, transportation, human services and interest and fiscal charges.

Unassigned fund balance in the General Fund decreased by \$249,960 from the prior year due to a large increase in nonspendable fund balance which is funds advanced to the Golf Course fund.

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

The Downtown Redevelopment fund balance was \$474,496, a decrease of \$84,005 from the prior year. This decrease was caused by expenditures from two ongoing grant programs as well as transfers to the General Fund.

Other Governmental Funds fund balance was \$35,980, an increase of \$17,779 (97.68%) from the prior year. This was due to grant funds that were received for a Community Development Block Grant from the Department of Economic Opportunity.

### ***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, 2012, total proprietary fund net assets amounted to \$38,261,961.

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

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Several of the City's major projects and initiatives are directly related to the Water Revenue Fund. Operating revenue increased by \$266,846 or 6.67% from the prior year while expenses increased by a total of \$73,017. Unrestricted net assets at the end of the fiscal year for the water revenue fund amounted to \$1,059,830.

### ***Sanitation Fund***

There was an increase in operating revenue of \$50,452 or 3.36% from the prior year. Expenses increased slightly by a total of \$24,408 due to increased operating expenses. Unrestricted net assets for the sanitation fund totaled \$169,340.

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

Operating revenues decreased slightly by \$19,499 or 3.18% from the prior year. Operating expenses decreased slightly by \$7,089 or .78%, exceeding operating revenues by \$313,722. Unrestricted net assets decreased by \$450,569 to arrive at a negative unrestricted net asset balance of \$1,386,552 for the year. The city is still in the process of restoring the course in order to increase the amount of play which will have a positive impact on revenues.

### ***Airport Fund***

Operating revenue decreased by \$53,685 from the prior year due to occupancy of the hangars being lower than expected. Unrestricted net assets decreased by \$157,775 from the prior year. This caused the unrestricted net asset balance to decrease from \$92,262 to a negative amount of \$65,513 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 \$1,202,227 (including transfers) which is an increase of 11.53% over the original projections. These increases were mostly attributed to unanticipated revenues received during the year from grants and transfers. The variance between original and final budget amounts for the year is composed of the following:

- A grant for the redevelopment of the riverfront park totaling \$192,526;
- A grant for the rehabilitation of two water taxis totaling \$250,000;
- A transfer from the Downtown Redevelopment fund of \$211,231 which consisted of a \$61,305 reimbursement for the annual cost of the Mainstreet Manager contract, \$15,000 to cover a portion of the cost associated with the annual Independence Day fireworks display and \$134,926 for the City's share of the riverfront redevelopment and parking expansion project;
- A transfer in the amount of \$522,237 from the CDBG fund which were grant funds that were used for the redevelopment of the riverfront park as well as expansion of parking in the downtown area.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$284,033 less than budgeted.

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

- Public Safety actual expenditures were \$159,885 less than final budget due to reductions in overtime and holiday pay as well as savings on health insurance.

## Capital Asset and Debt Administration

### City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2012

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Improvements	\$6,746,180	\$6,746,180	\$4,245,409	\$4,245,409	\$10,991,589	\$10,991,589
Buildings and Improvements	\$3,651,553	\$3,894,300	\$12,655,453	\$13,522,515	\$16,307,006	\$17,416,815
Infrastructure	\$3,614,042	\$2,796,350	\$0	\$0	\$3,614,042	\$2,796,350
Equipment	\$1,186,165	\$1,391,017	\$2,061,433	\$2,233,225	\$3,247,598	\$3,624,242
Intangibles	\$195,122	\$198,603	\$0	\$0	\$195,122	\$198,603
Water and Sewer Distributions System	\$0	\$0	\$5,943,379	\$6,102,471	\$5,943,379	\$6,102,471
Plant Assets and Equipment	\$0	\$0	\$21,070,815	\$20,345,708	\$21,070,815	\$20,345,708
Construction in Progress	\$550,670	\$575,027	\$6,889,131	\$1,516,935	\$7,439,801	\$2,091,962
	<u>\$15,943,732</u>	<u>\$15,601,477</u>	<u>\$52,865,620</u>	<u>\$47,966,263</u>	<u>\$68,809,352</u>	<u>\$63,567,740</u>

### Capital Assets

The capital assets of the governmental funds are those assets used in the performance of general governmental functions and exclude the assets of the Enterprise Funds. As of September 30, 2012, the governmental capital assets of the City amounted to \$15,943,732, net of depreciation. This was an increase of \$342,255 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, 2012, (net of accumulated depreciation) amounts to \$68,809,352. 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 \$5,241,612.

Major capital asset events during the fiscal year were in airport, water and transportation. The city received FAA and FDOT grants that paid 95% to 100% of the project costs at the airport. The water fund received grants from the Department of Energy and the St. Johns River Water Management District. The capital asset expenditures of approximately \$8.2 million were for the following:

- Improvements to the park at the riverfront.
- Construction of additional parking at riverfront.
- Water taxi refurbishment.
- Further upgrades to the financial software package.
- Re-use water system and energy improvements and at the waste water treatment plant.
- Rehabilitation of the main access road, old terminal building, runway 9/27, taxiway C and other drainage improvements at the airport.
- Security system upgrades at the airport.

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, 2012, the City had \$2,751,937 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$7,213,044 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$382,826 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,884,313 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$1,391,989 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$550,000 Airport Hangar Revenue notes and a \$916,668 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes; \$12,989 Sanitation note payable from the net revenues of the Sanitation system and a \$20,260 capital lease payable from the net revenues of the Golf Course 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 \$17,263,717. Of this amount, \$601,264 comprises debt backed by the full faith and credit of the City, \$43,545 capital leases, \$139,691 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**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Revenue Bonds	\$2,133,333	\$2,400,000	\$7,213,044	\$7,346,458	\$9,346,377	\$9,746,458
Notes Payable	595,319	656,396	7,138,785	7,761,469	7,734,104	8,417,865
Capital Lease Obligations	23,285	0	20,260	0	43,545	0
Water/Sewer Agreements	0	0	139,691	139,691	139,691	139,691
<b>Total</b>	<b>\$2,751,937</b>	<b>\$3,056,396</b>	<b>\$14,511,780</b>	<b>\$15,247,618</b>	<b>\$17,263,717</b>	<b>\$18,304,014</b>

The City's total long-term debt decreased \$1,040,297 from the prior year, while the long-term liability for compensated absences increased by \$30,233.

#### **Governmental Activities:**

- The City received proceeds of \$26,009 from a capital lease for computer equipment.
- The City made the following principal payments during the year: revenue bonds - \$266,667; notes payable - \$61,077; and capital lease - \$2,724.
- Governmental obligations for compensated absences increased by 8.65% or \$30,000.

#### **Business-type activities:**

- The City received proceeds of \$21,144 from a capital lease for golf course maintenance equipment.
- The following principal payments were made during the year: revenue bonds - \$145,000, notes payable - \$622,684; and capital lease - \$884.
- Compensated absences increased by .11% or \$233.

The City's current bond rating is A from Standard and Poor's Ratings Services. There are no limitations placed on the amount of debt the City may issue by either the City's charter, code of ordinances or Florida State Statutes.

Additional information on the City's long-term liabilities can be found in Note 5 in the notes to the financial statements.

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

The impacts of the protracted national economic downturn continues to drastically impact property values and economic activity in Florida and more specifically the City of Palatka. The City's total taxable value has decreased sixteen percent (16%) in the last five fiscal years coupled with the more serious fact that the total taxable value is approximately fifty percent (50%) of the estimated actual value of property located within the City boundaries. The City has also experienced a decrease in its annual revenue streams such as state revenue sharing, sales tax, gas, utility and telecommunications taxes as each experience decreasing collections. The increasing annual cost of pension requirements and health insurance premiums for employees place an additional burden on the City's ability to continue to provide the quality public services which are demanded by the City's residents. The City's Golf Course Enterprise Fund continues to rely heavily on subsidization from the City's General Fund which exacerbates the currently underfunded General Fund unassigned fund balance levels. The City has also been hesitant in the past to raise the millage rate or user fees to help offset the compounding revenue losses and has relied on unassigned fund balance to make up the difference. This has resulted in an anemically low balance in the General Fund unassigned fund balance.

The City began with its FY 2012-13 Budget adoption to evaluate, review and implement bold strategic measures to ensure the continued delivery of excellent public services and increase the financial solvency of the organization. These measures include:

- Selling underutilized municipal property;
- Developing and implementing a comprehensive annexation policy;
- Implementing measures such as a Fire Assessment Fee to allow all benefitting properties to pay a fair share amount for the public services received;
- Refinancing existing debt obligations to lower interest rates;
- Increasing user fees and charges to completely cover the cost of services received;
- Comprehensive review and competitive bidding of all goods and services purchased to lower overall cost;
- Adopting new appropriate user fees and revenues;
- Developing an urban service boundary to extend municipal utility systems to gain new customers and lower operating costs, in cooperation with Putnam County;
- Actively pursuing economic development and redevelopment within and near the City;
- Actively pursuing and obtaining grant funding for capital improvement projects.

The City also has been implementing decisive cost cutting and revenue enhancing activities at the Palatka Municipal Golf Club in order to move this community asset toward financial solvency. In the event that these measures do not prove to be successful, the City will consider partnering with Putnam County on the ownership, lease or sale of the Golf Club.

## ***Request for Information***

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

**City of Palatka, Florida**  
**Statement of Net Assets**  
**September 30, 2012**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Palatka Gas Authority</b>
<b>ASSETS</b>				
Cash and Equivalents	\$ 1,492,515	\$ 498,948	1,991,463	\$ 1,491,653
Investments	-	-	-	1,425,082
Accounts Receivable	18,701	606,983	625,684	116,373
Internal Balances	1,330,527	(1,330,527)	-	-
Due From Other Governments	583,454	639,632	1,223,086	-
Inventory	-	203,963	203,963	81,684
Mortgages Receivable	2,096	-	2,096	-
Other Assets	-	-	-	18,442
Restricted Cash and Equivalents	-	60,145	60,145	-
Restricted Investments	-	477,756	477,756	-
Capital Assets:				
Non-Depreciable	7,296,850	11,134,540	18,431,390	211,543
Depreciable, Net	8,646,882	41,731,080	50,377,962	3,681,741
<b>TOTAL ASSETS</b>	<b>19,371,025</b>	<b>54,022,520</b>	<b>73,393,545</b>	<b>7,026,518</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	416,306	598,063	1,014,369	92,349
Deposits	3,408	394,422	397,830	246,468
Noncurrent Liabilities:				
Due Within One Year	436,816	680,937	1,117,753	-
Due in More Than One Year	2,782,937	15,484,898	18,267,835	6,250
<b>TOTAL LIABILITIES</b>	<b>3,639,467</b>	<b>17,158,320</b>	<b>20,797,787</b>	<b>345,067</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	13,191,795	38,156,884	51,348,679	3,893,284
Restricted For:				
Downtown Redevelopment	474,496	-	474,496	-
Housing and Community Development	35,980	-	35,980	-
Capital Projects	-	8,095	8,095	-
Bond Reserve	-	319,877	319,877	-
Unrestricted	2,029,287	(222,895)	1,806,392	2,788,167
<b>TOTAL NET ASSETS</b>	<b>\$ 15,731,558</b>	<b>\$ 38,261,961</b>	<b>\$ 53,993,519</b>	<b>\$ 6,681,451</b>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	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	\$ 1,795,179	\$ 92,185	\$ 13,271	\$ -	\$ (1,689,723)	\$ -	\$ (1,689,723)	\$ -
Public Safety	5,336,015	285,578	347,003	-	(4,703,434)	-	(4,703,434)	-
Transportation	577,407	51,654	509,895	933,697	917,839	-	917,839	-
Economic Environment	349,296	-	-	742,762	393,466	-	393,466	-
Human Services	150,327	113,125	-	-	(37,202)	-	(37,202)	-
Culture and Recreation	505,572	13,655	6,850	615	(484,452)	-	(484,452)	-
Interest on Long-Term Debt	148,904	-	-	-	(148,904)	-	(148,904)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,862,700</b>	<b>556,197</b>	<b>877,019</b>	<b>1,677,074</b>	<b>(5,752,410)</b>	<b>-</b>	<b>(5,752,410)</b>	<b>-</b>
BUSINESS-TYPE ACTIVITIES:								
Water	4,784,639	3,976,734	-	2,487,289	-	1,679,384	1,679,384	-
Sanitation	1,379,559	1,542,053	-	-	-	162,494	162,494	-
Golf Course	1,005,000	593,578	-	-	-	(411,422)	(411,422)	-
Airport	1,626,167	851,615	-	4,127,822	-	3,353,270	3,353,270	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>8,795,365</b>	<b>6,963,980</b>	<b>-</b>	<b>6,615,111</b>	<b>-</b>	<b>4,783,726</b>	<b>4,783,726</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 17,658,065</b>	<b>\$ 7,520,177</b>	<b>\$ 877,019</b>	<b>\$ 8,292,185</b>	<b>(5,752,410)</b>	<b>4,783,726</b>	<b>(968,684)</b>	<b>-</b>
COMPONENT UNIT:								
Palatka Gas Authority	\$ 1,668,426	\$ 1,702,166	\$ -	\$ -	-	-	-	33,740
GENERAL REVENUES:								
Property Taxes					3,497,854	-	3,497,854	-
Sales Tax and Intergovernmental Unrestricted Shared Revenues					761,613	-	761,613	-
Franchise Taxes					662,190	-	662,190	-
Utility Taxes					898,317	-	898,317	-
Communications Service Tax					137,015	-	137,015	-
Investment Earnings					181	450	631	14,664
Miscellaneous					83,791	447,166	530,957	666
Transfers					352,321	(352,321)	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>6,393,282</b>	<b>95,295</b>	<b>6,488,577</b>	<b>15,330</b>
<b>CHANGE IN NET ASSETS</b>					<b>640,872</b>	<b>4,879,021</b>	<b>5,519,893</b>	<b>49,070</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>					<b>15,090,686</b>	<b>33,382,940</b>	<b>48,473,626</b>	<b>6,632,381</b>
<b>NET ASSETS – END OF YEAR</b>					<b>\$ 15,731,558</b>	<b>\$ 38,261,961</b>	<b>\$ 53,993,519</b>	<b>\$ 6,681,451</b>

See accompanying notes.

**City of Palatka, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2012**

	<b>General Fund</b>	<b>Downtown Redevelopment Agency Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Equivalents	\$ 978,758	\$ 477,777	\$ 35,980	\$ 1,492,515
Accounts Receivable	18,701	-	-	18,701
Due from Other Governments	404,774	-	178,680	583,454
Due from Other Funds	203,587	-	-	203,587
Advances to Other Fund	1,296,287	-	-	1,296,287
Mortgages Receivable	-	-	2,096	2,096
<b>TOTAL ASSETS</b>	<b><u>\$ 2,902,107</u></b>	<b><u>\$ 477,777</u></b>	<b><u>\$ 216,756</u></b>	<b><u>\$ 3,596,640</u></b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 403,692	\$ 3,281	\$ 9,333	\$ 416,306
Due to Other Funds	-	-	169,347	169,347
Deposits	3,408	-	-	3,408
Deferred Revenue	-	-	2,096	2,096
<b>TOTAL LIABILITIES</b>	<b><u>407,100</u></b>	<b><u>3,281</u></b>	<b><u>180,776</u></b>	<b><u>591,157</u></b>
<b>FUND BALANCES</b>				
Nonspendable	1,296,287	-	-	1,296,287
Restricted	483,518	474,496	35,980	993,994
Committed	106,948	-	-	106,948
Unassigned	608,254	-	-	608,254
<b>TOTAL FUND BALANCES</b>	<b><u>2,495,007</u></b>	<b><u>474,496</u></b>	<b><u>35,980</u></b>	<b><u>3,005,483</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,902,107</u></b>	<b><u>\$ 477,777</u></b>	<b><u>\$ 216,756</u></b>	<b><u>\$ 3,596,640</u></b>

See accompanying notes.

**City of Palatka, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2012**

FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ 3,005,483
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net	15,943,732
Long-term liabilities are not reported in the governmental funds.	
Bonds and Notes Payable	(2,728,652)
Capital Leases	(23,285)
Compensated Absences	(377,000)
Net OPEB Obligation	(90,816)
Liabilities for earned but unavailable revenue are reported in the governmental funds but not in the statement of net assets.	
Deferred Revenue	2,096
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 15,731,558

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	<u>General Fund</u>	<u>Downtown Redevelopment Agency Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 5,423,104	\$ 448,522	\$ -	\$ 5,871,626
Permits, Fees and Special Assessments	758,887	-	-	758,887
Intergovernmental	1,478,768	-	550,237	2,029,005
Charges for Services	209,738	-	-	209,738
Fines and Forfeitures	106,623	-	-	106,623
Miscellaneous	198,954	-	20,458	219,412
<b>TOTAL REVENUES</b>	<u>8,176,074</u>	<u>448,522</u>	<u>570,695</u>	<u>9,195,291</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,330,934	-	-	2,330,934
Public Safety	5,192,326	-	-	5,192,326
Transportation	548,073	-	-	548,073
Economic Environment	-	321,296	28,000	349,296
Human Services	140,296	-	-	140,296
Culture and Recreation	465,756	-	-	465,756
Debt Service:				
Principal Retirement	330,468	-	-	330,468
Interest and Fiscal Charges	149,483	-	-	149,483
<b>TOTAL EXPENDITURES</b>	<u>9,157,336</u>	<u>321,296</u>	<u>28,000</u>	<u>9,506,632</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(981,262)</u>	<u>127,226</u>	<u>542,695</u>	<u>(311,341)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,088,468	-	-	1,088,468
Transfers Out	-	(211,231)	(524,916)	(736,147)
Capital Lease	26,009	-	-	26,009
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,114,477</u>	<u>(211,231)</u>	<u>(524,916)</u>	<u>378,330</u>
<b>NET CHANGE IN FUND BALANCES</b>	133,215	(84,005)	17,779	66,989
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<u>2,361,792</u>	<u>558,501</u>	<u>18,201</u>	<u>2,938,494</u>
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 2,495,007</u>	<u>\$ 474,496</u>	<u>\$ 35,980</u>	<u>\$ 3,005,483</u>

See accompanying notes.

**City of Palatka, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ 66,989

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

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

Acquisitions of Capital Assets	1,183,820
Current Year Depreciation Expense	(841,565)

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

Capital Lease	(26,009)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.

Principal Payments	330,468
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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	(30,000)
Net OPEB Obligation	(22,076)

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

Change in Deferred Revenue	<u>(20,755)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 640,872

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2012**

	<u>Business-type Activities – Enterprise Funds</u>				<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sanitation Fund</b>	<b>Golf Course Fund</b>	<b>Airport Fund</b>	
<b><u>CURRENT ASSETS</u></b>					
Cash and Equivalents	\$ 455,430	\$ 41,368	\$ 1,250	\$ 900	\$ 498,948
Restricted Cash and Equivalents	52,050	-	-	-	52,050
Accounts Receivable	386,487	162,358	10,873	47,265	606,983
Due from Other Governments	442,359	-	-	197,273	639,632
Inventory	122,647	-	34,857	46,459	203,963
<b>TOTAL CURRENT ASSETS</b>	<b>1,458,973</b>	<b>203,726</b>	<b>46,980</b>	<b>291,897</b>	<b>2,001,576</b>
<b><u>NONCURRENT ASSETS</u></b>					
Restricted Cash and Equivalents	8,095	-	-	-	8,095
Restricted Investments	477,756	-	-	-	477,756
Advance to Other Funds	20,505	80,969	-	-	101,474
Capital Assets, Net	31,278,884	553,052	1,757,411	19,276,273	52,865,620
<b>TOTAL NONCURRENT ASSETS</b>	<b>31,785,240</b>	<b>634,021</b>	<b>1,757,411</b>	<b>19,276,273</b>	<b>53,452,945</b>
<b>TOTAL ASSETS</b>	<b>33,244,213</b>	<b>837,747</b>	<b>1,804,391</b>	<b>19,568,170</b>	<b>55,454,521</b>
<b><u>CURRENT LIABILITIES</u></b>					
Accounts Payable and Accrued Liabilities	243,443	39,416	20,394	294,810	598,063
Due to Other Funds	-	-	-	34,240	34,240
Deposits	362,101	-	15,377	16,944	394,422
Current Portion of Long-Term Liabilities	418,694	30,400	95,067	136,776	680,937
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,024,238</b>	<b>69,816</b>	<b>130,838</b>	<b>482,770</b>	<b>1,707,662</b>
<b><u>NONCURRENT LIABILITIES</u></b>					
Net OPEB Obligation	31,888	13,316	-	2,440	47,644
Advances from Other Funds	-	-	1,397,761	-	1,397,761
Other Long-Term Liabilities	11,338,231	45,212	1,317,182	1,338,868	14,039,493
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>11,370,119</b>	<b>58,528</b>	<b>2,714,943</b>	<b>1,341,308</b>	<b>15,484,898</b>
<b>TOTAL LIABILITIES</b>	<b>12,394,357</b>	<b>128,344</b>	<b>2,845,781</b>	<b>1,824,078</b>	<b>17,192,560</b>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets, Net of Related Debt	19,462,054	540,063	345,162	17,809,605	38,156,884
Restricted For Capital Projects	8,095	-	-	-	8,095
Restricted for Bond Reserve	319,877	-	-	-	319,877
Unrestricted	1,059,830	169,340	(1,386,552)	(65,513)	(222,895)
<b>TOTAL NET ASSETS</b>	<b>\$ 20,849,856</b>	<b>\$ 709,403</b>	<b>\$ (1,041,390)</b>	<b>\$ 17,744,092</b>	<b>\$ 38,261,961</b>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

	<b>Business-type Activities – Enterprise Funds</b>				<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sanitation Fund</b>	<b>Golf Course Fund</b>	<b>Airport Fund</b>	
<b><u>OPERATING REVENUES</u></b>					
User Fees	\$ 3,976,734	\$ 1,542,053	\$ 593,578	\$ 851,615	\$ 6,963,980
Other Operating Revenues	291,585	6,673	140	14,191	312,589
<b>TOTAL OPERATING REVENUES</b>	<b>4,268,319</b>	<b>1,548,726</b>	<b>593,718</b>	<b>865,806</b>	<b>7,276,569</b>
<b><u>OPERATING EXPENSES</u></b>					
Personal Services	1,771,622	700,948	21,811	133,064	2,627,445
Operating Expenses	1,219,415	622,436	816,734	725,319	3,383,904
Depreciation and Amortization	1,349,965	53,246	68,895	683,502	2,155,608
<b>TOTAL OPERATING EXPENSES</b>	<b>4,341,002</b>	<b>1,376,630</b>	<b>907,440</b>	<b>1,541,885</b>	<b>8,166,957</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(72,683)</b>	<b>172,096</b>	<b>(313,722)</b>	<b>(676,079)</b>	<b>(890,388)</b>
<b><u>NONOPERATING REVENUES</u></b>					
<b><u>(EXPENSES)</u></b>					
Investment Earnings	450	-	-	-	450
Interest Expense	(443,637)	(2,929)	(97,560)	(84,282)	(628,408)
Sale of Surplus Property	3,785	2,229	1,093	127,470	134,577
<b>TOTAL NONOPERATING REVENUES</b>	<b>(439,402)</b>	<b>(700)</b>	<b>(96,467)</b>	<b>43,188</b>	<b>(493,381)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(512,085)</b>	<b>171,396</b>	<b>(410,189)</b>	<b>(632,891)</b>	<b>(1,383,769)</b>
Capital Contributions	2,487,289	-	-	4,127,822	6,615,111
Transfers In	2,679	-	-	-	2,679
Transfers Out	(260,000)	(95,000)	-	-	(355,000)
<b>CHANGE IN NET ASSETS</b>	<b>1,717,883</b>	<b>76,396</b>	<b>(410,189)</b>	<b>3,494,931</b>	<b>4,879,021</b>
<b>NET ASSETS – BEGINNING OF YEAR</b>	<b>19,131,973</b>	<b>633,007</b>	<b>(631,201)</b>	<b>14,249,161</b>	<b>33,382,940</b>
<b>NET ASSETS – END OF YEAR</b>	<b><u>\$ 20,849,856</u></b>	<b><u>\$ 709,403</u></b>	<b><u>\$(1,041,390)</u></b>	<b><u>\$ 17,744,092</u></b>	<b><u>\$ 38,261,961</u></b>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

	<u>Business-type Activities – Enterprise Funds</u>				<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sanitation Fund</b>	<b>Golf Course Fund</b>	<b>Airport Fund</b>	
<u>OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 4,064,523	\$ 1,523,542	\$ 590,263	\$ 1,216,346	\$ 7,394,674
Payments to Suppliers	(1,149,766)	(630,889)	(386,967)	(999,528)	(3,167,150)
Payments to Employees	(1,769,095)	(691,129)	(21,811)	(131,708)	(2,613,743)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,145,662</u>	<u>201,524</u>	<u>181,485</u>	<u>85,110</u>	<u>1,613,781</u>
<u>NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers In	2,679	-	-	-	2,679
Transfers Out	(260,000)	(95,000)	-	-	(355,000)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(257,321)</u>	<u>(95,000)</u>	<u>-</u>	<u>-</u>	<u>(352,321)</u>
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Contributions	2,487,289	-	-	4,127,822	6,615,111
Acquisitions of Capital Assets	(2,799,752)	-	-	(4,222,484)	(7,022,236)
Sale of Surplus Property	3,785	2,229	1,093	127,470	134,577
Principal Paid on Debt	(372,266)	(121,165)	(141,804)	(133,333)	(768,568)
Interest Paid on Debt	(443,637)	(2,929)	(97,560)	(84,282)	(628,408)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,124,581)</u>	<u>(121,865)</u>	<u>(238,271)</u>	<u>(184,807)</u>	<u>(1,669,524)</u>
<u>INVESTING ACTIVITIES</u>					
Interest Received	450	-	-	-	450
Sale of Investments	4,042	-	-	-	4,042
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>4,492</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,492</u>
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<u>(231,748)</u>	<u>(15,341)</u>	<u>(56,786)</u>	<u>(99,697)</u>	<u>(403,572)</u>
<b>CASH AND EQUIVALENTS – BEGINNING OF YEAR</b>	<u>747,323</u>	<u>56,709</u>	<u>58,036</u>	<u>100,597</u>	<u>962,665</u>
<b>CASH AND EQUIVALENTS – END OF YEAR</b>	<u>\$ 515,575</u>	<u>\$ 41,368</u>	<u>\$ 1,250</u>	<u>\$ 900</u>	<u>\$ 559,093</u>

(continued)

**City of Palatka, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

(concluded)

	<b>Business-type Activities – Enterprise Funds</b>				<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sanitation Fund</b>	<b>Golf Course Fund</b>	<b>Airport Fund</b>	
OPERATING INCOME (LOSS)	\$ (72,683)	\$ 172,096	\$ (313,722)	\$ (676,079)	\$ (890,388)
Depreciation and Amortization	1,349,965	53,246	68,895	683,502	2,155,608
Change In:					
Accounts Receivable	(57,093)	(25,184)	(5,049)	(5,085)	(92,411)
Due from Other Governments	(160,279)	-	-	351,411	191,132
Inventory	14,215	-	(9,954)	19,237	23,498
Accounts Payable and Accrued Liabilities	55,880	(8,475)	10,564	(267,955)	(209,986)
Due to Other Funds	-	-	-	34,240	34,240
Unearned Revenue	-	-	-	(59,562)	(59,562)
Advance from Other Funds	-	-	428,941	-	428,941
Compensated Absences	(6,503)	6,366	-	370	233
Net OPEB Obligation	8,585	3,475	-	818	12,878
Customer Deposits	13,575	-	1,810	4,213	19,598
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,145,662</u></b>	<b><u>\$ 201,524</u></b>	<b><u>\$ 181,485</u></b>	<b><u>\$ 85,110</u></b>	<b><u>\$ 1,613,781</u></b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Asset Acquired Via Capital Lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,144</u>	<u>\$ -</u>	<u>\$ 21,144</u>

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2012**

ASSETS

Investments:

Money Market and Other Cash Equivalents	\$ 1,560,932
Government Bonds and Notes	2,748,002
Corporate Bonds and Notes	7,229,594
Mutual Funds - Equities	15,252,706
Mutual Funds (REIT)	399,875
Common Stock/Equities	<u>3,763,691</u>

Total Investments 30,954,800

Accounts Receivable 104,490

TOTAL ASSETS 31,059,290

LIABILITIES 2,153

NET ASSETS

Held in Trust for Pension Benefits \$ 31,057,137

See accompanying notes.

**City of Palatka, Florida**  
**Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2012**

ADDITIONS

CONTRIBUTIONS:

Employer	\$ 1,058,853
Member	310,540
State on behalf, through General Fund	<u>123,459</u>

TOTAL CONTRIBUTIONS	<u>1,492,852</u>
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INVESTMENT INCOME:

Net Appreciation in Fair Value of Investments	4,062,589
Interest	160,159
Dividends	<u>744,533</u>
	4,967,281
Less Investment Management Fee	<u>124,995</u>

NET INVESTMENT INCOME	<u>4,842,286</u>
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TOTAL ADDITIONS	<u>6,335,138</u>
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DEDUCTIONS

Member Benefits	2,510,088
Withdrawals	37,332
Administrative Expense	<u>65,047</u>

TOTAL DEDUCTIONS	<u>2,612,467</u>
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CHANGE IN NET ASSETS	3,722,671
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year	<u>27,334,466</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year	<u>\$ 31,057,137</u>
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See accompanying notes.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The City of Palatka, Florida (the “City”), which is located in northeast Florida, was incorporated January 8, 1853 under the Laws of the State of Florida, Chapter 492. The City operates under an elected Mayor-Commissioner and a Board of Commissioners (four members) and provides human services, community enrichment and development, law enforcement, fire protection and rescue service.

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable. The component units are included in the reporting entity because of the significance of their operational relationship with the City. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the City’s operations and, accordingly, data from these units are combined with the data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

**Blended Component Unit**

The Palatka Downtown Redevelopment Agency (the “Agency”) is a legally separate entity created pursuant to Florida Statutes following the adoption of an approving Resolution (No. 4-12, dated November 10, 1983) by the City. The Agency is governed by a five-member board whose members are the same as the City Commission. The operations of the Agency are reported in a governmental fund.

**Discretely Presented Component Unit**

The Palatka Gas Authority (the “Gas Authority”) was created by an Act of the Florida Legislature (Ch. 59-1679, Act 1959) and ratified by election on November 10, 1959. The members of the Gas Authority’s governing board are appointed by the City Commission. Additionally, bond issues and operational and capital budgets must be approved by the City Commission. Annually, the Gas Authority provides a contribution to the City from its net income. The contribution is one-half of annual profits.

Complete financial statements of the Gas Authority can be obtained directly from:

The Palatka Gas Authority  
518 Main Street  
Palatka, Florida 32177

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Related Organization**

The Palatka Housing Authority (the “Housing Authority”) was established by the City in 1962 pursuant to Chapter 421, Florida Statutes. The purpose of the Housing Authority is to provide affordable housing to the Palatka community and surrounding areas. The Housing Authority is considered a related organization because its Board members are appointed by the Mayor of the City of Palatka. The City is not financially accountable for the Housing Authority, nor does it meet other criteria of a component unit and, accordingly, the Housing Authority is not included in the accompanying financial statements.

**Joint Ventures**

The City did not participate in any joint ventures during the 2011-2012 fiscal year.

**Basis of Presentation**

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are hereafter described.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used, if any, are not eliminated in the process of consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

*General Fund* – the primary operating fund, used to account for 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.

The City reports the following major proprietary funds:

*Water Fund* – to account for the assets, operation and maintenance of the City-owned water and sewer system.

*Sanitation Fund* – to account for the assets, operation and maintenance of the City's solid waste department.

*Golf Course Fund* – to account for the assets, operation and maintenance of the City-owned golf course.

*Airport Fund* – to account for the assets, operation and maintenance of the City-owned airport.

Additionally, the City reports the following fiduciary funds:

*Pension Trust Funds* – to account for activities of the City's pension plans.

**Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Application of FASB Pronouncements**

For its business-type activities and enterprise funds, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Cash and Cash Equivalents**

For purpose of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Enterprise Funds are net of a \$280,600 allowance. Accounts receivable of the Gas Authority are net of a \$40,730 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,

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

use a capitalization threshold of \$10,000. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, use a capitalization threshold of \$100,000.

The City began prospective reporting of general infrastructure assets at the effective date of GASB Statement No. 34. Effective October 1, 2006, the City began retroactive reporting of all major general governmental infrastructure assets. The estimated cost of the initial reporting of these assets was obtained through backtrending (i.e. estimating the current replacement cost of the infrastructure and using appropriate indices to deflate the cost to the estimated acquisition year). The reported values exclude basic road resurfacing, or other normal maintenance and repairs that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Depreciation and amortization of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings and improvements	30
Furniture, equipment and vehicles	3 – 10
Intangibles	10
Water and sewer distribution system	15 – 50
Plant assets and equipment	20 – 50
General infrastructure	35 – 50

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2012.

**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.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Property Taxes**

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2012, property taxes receivable were 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

**Operating Revenues and Expenses**

The enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Restricted Net Assets**

In the accompanying government-wide and proprietary funds' statements of net assets, *restricted net assets* are subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City has no net assets 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:

*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.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*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.

**Future Accounting Pronouncements**

The following statements of the Governmental Accounting Standards Board will be effective for the City's 2013 fiscal year:

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

Statement No. 61, *The Financial Reporting Entity: Omnibus*

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

The City is currently evaluating the effects that these statements will have on its financial statements for the year ended September 30, 2013.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of Net Assets:		
Cash and Equivalents	\$ 1,991,463	\$ 1,491,653
Investments	-	1,425,082
Restricted Cash and Equivalents	60,145	-
Restricted Investments	477,756	-
Statement of Fiduciary Net Assets:		
Investments	<u>30,954,800</u>	<u>-</u>
Total Deposits and Investments	<u>\$ 33,484,164</u>	<u>\$ 2,916,735</u>

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

	<u>Primary Government</u>	<u>Component Unit</u>
Deposits with Financial Institutions, including Certificates of Deposit	\$ 2,051,608	\$ 2,916,735
Investments - Other than Pension	477,756	-
Investments - Pension	<u>30,954,800</u>	<u>-</u>
Total Deposits and Investments	<u>\$ 33,484,164</u>	<u>\$ 2,916,735</u>

**Deposits**

All of the City's and the Gas Authority's demand deposits, certificates of deposit, and money market accounts are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured by Federal depository insurance or collateralized pursuant to the Florida Security for Public Deposits Act.

**Investments**

Section 218.415, Florida Statutes, authorizes the City to invest excess public funds in the following:

- ◆ Direct obligations of the U.S. Treasury;
- ◆ Savings accounts and certificates of deposit in qualified public depositories;
- ◆ The Local Government Surplus Funds Trust Fund;
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

The City's investments at September 30, 2012 are summarized in the following table:

		<b>Maturities</b>		
		0-5 yrs	5-10 yrs	10+ yrs
<b>Pension Investments:</b>				
Money Market & Other Cash Equivalents	\$ 1,560,931	\$ 1,560,931	\$ -	\$ -
Government Bonds and Notes	2,748,001	1,509,574	276,856	961,571
Corporate Bonds and Notes	7,229,595	6,163,165	687,588	378,842
Mutual Funds (Equities)	2,860,627	2,860,627	-	-
Mutual Funds (REIT)	399,876	399,876	-	-
Mutual Funds (ETF Equities)	11,207,098	11,207,098	-	-
Mutual Funds (Taxable-Equity)	1,184,981	1,184,981	-	-
Common Stock	3,763,691	3,763,691	-	-
Total Pension Investments	30,954,800	28,649,943	964,444	1,340,413
<b>Other Investments:</b>				
Government Bonds and Notes	477,756	477,756	-	-
<b>Total</b>	<b>\$31,432,556</b>	<b>\$ 29,127,699</b>	<b>\$ 964,444</b>	<b>\$1,340,413</b>

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

Corporate Bonds and Notes		Government Bonds and Notes	
AA2	1%	AAA	60%
AA3	5%	A1	2%
A1	9%	-	-
A2	3%	-	-
A3	2%	-	-
A+	2%	-	-
BAA1	1%	-	-
BAA2	1%	-	-
BBB	74%	-	-
Not rated	2%	Not rated	38%
	100%		100%

The City's investments in mutual funds, money markets and other debt securities are not rated for credit quality by a nationally recognized statistical rating organization. Ratings for equities investments of the General Pension fund were not available.

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.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

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

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

The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. However, the City's three pension plans have each adopted investment policies that address the risks described above and set other investing guidelines. Those policies require the investments to be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt must be made to match investment maturities with known cash needs and anticipated cash-flow requirements. Furthermore, the policies of the Police and Firefighter Plan require diversification to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer or bank in which the financial instruments are bought and sold. The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor's A1 or Moody's P-1 for cash instruments; Standard and Poor's BBB or Moody's Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

**NOTE 3 – INTERFUND BALANCES AND TRANSFERS**

At September 30, 2012, interfund balances are as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,499,874	\$ -
Other Governmental Funds	-	169,347
Major Enterprise Funds:		
Water	20,505	-
Sanitation	80,969	-
Golf Course	-	1,397,761
Airport	-	34,240
<b>Total</b>	<u><u>\$ 1,601,348</u></u>	<u><u>\$ 1,601,348</u></u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 3 – INTERFUND BALANCES AND TRANSFERS**

As summarized below, the interfund balances arose in part because one fund had overdrawn its share of the City’s pooled cash account. Other than the payables from Other Governmental Fund and Airport Fund to the General Fund, all of the interfund balances are “advances,” which are not expected to be repaid within one year.

	<u>Cash and Equivalents As Reported</u>	<u>Adjustment for Overdraft</u>	<u>True Balance</u>
General Fund	\$ 978,758	\$1,296,287	\$ 2,275,045
Major Enterprise Fund:			
Water	515,575	20,505	536,080
Sanitation	41,368	80,969	122,337
Golf Course	1,250	(1,397,761)	(1,396,511)
Total	<u>\$ 1,536,951</u>	<u>\$ -</u>	<u>\$ 1,536,951</u>

Interfund transfers for the year ended September 30, 2012 consisted of the following:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,088,468	\$ -
Downtown Redevelopment Agency Fund	-	211,231
Other Governmental Funds	-	524,916
Major Enterprise Funds:		
Water	2,679	260,000
Sanitation	-	95,000
Total	<u>\$ 1,091,147</u>	<u>\$ 1,091,147</u>

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

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 4 – CAPITAL ASSET ACTIVITY**

During the year ended September 30, 2012, the following changes in capital assets occurred:

<u>Primary Government</u>	<b>Balance October 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2012</b>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 6,746,180	\$ -	\$ -	\$ 6,746,180
Construction in Progress	575,027	250,000	274,357	550,670
Total Capital Assets Not Being Depreciated	<u>7,321,207</u>	<u>250,000</u>	<u>274,357</u>	<u>7,296,850</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	6,830,288	14,960	-	6,845,248
Infrastructure	8,904,035	1,148,508	-	10,052,543
Furniture and Equipment	3,284,517	10,028	11,206	3,283,339
Intangibles	207,742	15,879	(11,206)	234,827
Total Capital Assets Being Depreciated	<u>19,226,582</u>	<u>1,189,375</u>	<u>-</u>	<u>20,415,957</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,935,988	257,707	-	3,193,695
Infrastructure	6,107,685	355,897	25,081	6,438,501
Furniture and Equipment	1,893,500	204,781	1,107	2,097,174
Intangibles	9,139	23,180	(7,386)	39,705
Total Accumulated Depreciation	<u>10,946,312</u>	<u>841,565</u>	<u>18,802</u>	<u>11,769,075</u>
Total Capital Assets Being Depreciated, Net	<u>8,280,270</u>	<u>347,810</u>	<u>(18,802)</u>	<u>8,646,882</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,601,477</u>	<u>\$ 597,810</u>	<u>\$ 255,555</u>	<u>\$ 15,943,732</u>
<u>Primary Government</u>	<b>Balance October 1, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance September 30, 2012</b>
<b><u>Business-type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 4,245,409	\$ -	\$ -	\$ 4,245,409
Construction in Progress	1,516,935	6,305,458	933,262	6,889,131
Total Capital Assets Not Being Depreciated	<u>5,762,344</u>	<u>6,305,458</u>	<u>933,262</u>	<u>11,134,540</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	21,373,179	270,677	434,373	21,209,483
Furniture and Equipment	4,036,881	21,144	30,096	4,027,929
Water and Sewer Distribution System	9,756,213	71,244	-	9,827,457
Plant Assets and Equipment	30,595,726	1,308,119	(429,285)	32,333,130
Total Capital Assets Being Depreciated	<u>65,761,999</u>	<u>1,671,184</u>	<u>35,184</u>	<u>67,397,999</u>
Less Accumulated Depreciation for:				
Building and Improvements	7,850,664	703,366	-	8,554,030
Furniture and Equipment	1,803,656	198,024	35,184	1,966,496
Water and Sewer Distribution System	3,653,742	230,336	-	3,884,078
Plant Assets and Equipment	10,250,018	1,012,297	-	11,262,315
Total Accumulated Depreciation	<u>23,558,080</u>	<u>2,144,023</u>	<u>35,184</u>	<u>25,666,919</u>
Total Capital Assets Being Depreciated, Net	<u>42,203,919</u>	<u>(472,839)</u>	<u>-</u>	<u>41,731,080</u>
Business-type Activities Capital Assets, Net	<u>\$ 47,966,263</u>	<u>\$ 5,832,619</u>	<u>\$ 933,262</u>	<u>\$ 52,865,620</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 4 – CAPITAL ASSET ACTIVITY**

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

Governmental Activities:	
General Government	\$ 595,525
Public Safety	163,847
Transportation	28,313
Human Services	9,418
Culture and Recreation	44,462
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 841,565</u>
Business-type Activities:	
Water and Sewer	\$ 1,338,380
Sanitation	53,246
Golf Course	68,895
Airport	683,502
	<hr/>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,144,023</u>

**Discretely Presented Component Unit**

Capital assets activity for the Gas Authority for the year ended September 30, 2012 follows:

	Balance October 1, 2011	Increases	Decreases	Balance September 30, 2012
Capital Assets Not Being Depreciated:				
Land	\$ 194,147	\$ 17,396	\$ -	\$ 211,543
Capital Assets Being Depreciated:				
Buildings and Improvements	1,411,102	2,498	-	1,413,600
Furniture and Equipment	671,025	148,161	162,185	657,001
Plant Assets and Equipment	3,530,482	676,789	-	4,207,271
Total Capital Assets Being Depreciated	<u>5,612,609</u>	<u>827,448</u>	<u>162,185</u>	<u>6,277,872</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	145,337	35,235	-	180,572
Furniture and Equipment	449,235	56,948	162,185	343,998
Plant Assets and Equipment	2,010,338	61,223	-	2,071,561
Total Accumulated Depreciation	<u>2,604,910</u>	<u>153,406</u>	<u>162,185</u>	<u>2,596,131</u>
Total Capital Assets Being Depreciated, Net	<u>3,007,699</u>	<u>674,042</u>	<u>-</u>	<u>3,681,741</u>
Gas Authority Capital Assets, Net	<u>\$3,201,846</u>	<u>\$ 691,438</u>	<u>\$ -</u>	<u>\$ 3,893,284</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**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. \$ 588,274

\$3,200,000 Infrastructure Surtax Revenue Bonds, Series 2008, payable in annual installments of \$266,667 through April 2020, plus interest at 5.19%, payable semiannually, secured by the One-Cent Infrastructure Surtax and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$2,630,603. During the current year, the City recognized infrastructure surtax revenues of \$683,697 and made \$391,227 principal and interest payments. 2,133,333

\$43,802 Police Vehicle Loan, payable from non-ad valorem revenues in annual installments of \$9,524 through June 2013, plus interest at 3.34%. 7,045

Total \$ 2,728,652

**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 \$13,271,488. During the current year, the City recognized pledged revenues of \$1,391,488, and made \$476,711 principal and interest payments. \$ 7,410,000

\$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 \$403,575. During the current year, the City recognized net revenues of \$893,019, and made \$53,822 principal and interest payments. 382,826

\$4,318,072 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$120,261, including interest at 2.57%, through July 2027, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$4,829,808. During the current year, the City recognized net revenues of \$893,019 and paid principal and interest payments in the amount of \$284,952. 3,884,313

\$765,510 Sanitation Equipment Note; payable in monthly installments of \$10,341 including interest at 3.70% variable rate through October 31, 2012, revenue source - non-ad valorem revenues. 12,989

\$750,000 Airport T-Hangar Revenue Note, payable in annual installments of \$50,000, plus interest at 6.5% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The proceeds are to be used for the construction of new hangars. The approximate amount of the pledge is equal to the remaining principal and interest of \$767,588. During the current year, the City recognized net revenues of \$171,692 and made \$89,650 principal and interest payments. 550,000

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 5 – LONG-TERM OBLIGATIONS**

\$1,250,000 Airport Terminal Revenue Note, payable in annual installments of \$83,333, plus interest at 4.39%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The proceeds are to be used for a new airport terminal. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,161,592. During the current year, the City recognized net revenues of \$171,692 and made \$127,965 principal and interest payments. \$ 916,668

\$1,700,000 Taxable Golf Course Revenue Note, Series 2008, payable in annual installments, plus interest at 6.5% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. Proceeds were used to reimburse the City's General and certain Enterprise Funds for prior advances, and to consolidate other smaller debt. The approximate amount of the pledge is equal to the remaining principal and interest of \$2,000,792. During the current year, the City had net revenues of \$(244,749) and made \$238,481 principal and interest payments. 1,391,989

Less Unamortized Costs (196,956)

Total \$ 14,351,829

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

Year Ending <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 327,760	\$ 132,667	\$ 620,129	591,425
2014	322,794	116,649	623,592	569,799
2015	324,986	100,617	635,573	547,383
2016	327,243	83,520	652,912	524,124
2017	329,650	68,273	676,224	498,129
2018-2022	1,096,219	108,865	3,560,527	2,063,216
2023-2027	-	-	2,721,088	1,390,139
2028-2032	-	-	1,973,740	959,797
2033-2037	-	-	1,795,000	594,925
2038-2040	-	-	1,290,000	160,141
Totals	<u>\$ 2,728,652</u>	<u>\$ 610,591</u>	<u>\$ 14,548,785</u>	<u>\$ 7,899,078</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 5 – LONG-TERM OBLIGATIONS**

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

**Governmental Activities**

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Revenue Bonds and Notes Payable	\$ 3,056,396	\$ -	\$ 327,744	\$ 2,728,652	\$ 327,760
Capital Leases	-	26,009	2,724	23,285	8,056
Compensated Absences	347,000	245,000	215,000	377,000	101,000
Net OPEB Obligation	68,740	22,076	-	90,816	-
Total	<u>\$ 3,472,136</u>	<u>\$ 293,085</u>	<u>\$ 545,468</u>	<u>\$ 3,219,753</u>	<u>\$ 436,816</u>

The City has a \$26,009, 8.9% capital lease for computer equipment due in monthly installments of \$826 payable from the General Fund and reported in governmental activities.

The City also has a \$21,144, 4.8% capital lease for greens equipment due in monthly installments of \$485 payable from the Golf Fund and reported in business-type activities.

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
2013	\$ 9,909	\$ 5,826
2014	9,909	5,826
2015	6,606	5,826
2016	-	4,369
Less: Amount Representing Interest	3,139	1,587
Present Value of Net Minimum Lease Payments	<u>\$ 23,285</u>	<u>\$ 20,260</u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 5 – LONG-TERM OBLIGATIONS**

**Business-type Activities**

	<b>Balance October 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2012</b>	<b>Due Within One Year</b>
Florida Municipal Loan Council Revenue					
Bonds Series 2010A	7,555,000	-	145,000	7,410,000	150,000
Less: Unamortized Issuance Costs	(208,542)	-	(11,586)	(196,956)	-
Drinking Water State Revolving Fund Loan	4,063,372	-	179,059	3,884,313	184,797
Sanitation Equipment	134,154	-	121,165	12,989	12,989
Water Reuse Loan	431,033	-	48,207	382,826	48,855
Golf Revenue Note	1,532,909	-	140,920	1,391,989	90,154
Airport Terminal Revenue Note	1,000,001	-	83,333	916,668	83,334
Airport T-Hangars Revenue Note	600,000	-	50,000	550,000	50,000
Total Revenue Bonds and Notes	<u>15,107,927</u>	<u>-</u>	<u>756,098</u>	<u>14,351,829</u>	<u>620,129</u>
Capital Lease	-	21,144	884	20,260	4,913
County Water/Sewer Agreement	128,398	-	-	128,398	-
SJRWMD Water/Sewer Agreement	11,293	-	-	11,293	-
Compensated Absences	208,417	122,677	122,444	208,650	55,895
Net OPEB Obligation	34,765	12,879	-	47,644	-
Total	<u>\$ 15,490,800</u>	<u>\$ 156,700</u>	<u>\$ 879,426</u>	<u>\$ 14,768,074</u>	<u>\$ 680,937</u>

The City has long-term water/sewer agreements with the St. Johns River Water Management District and Putnam County, which are liquidated when permit costs are incurred or new business hook-ups are made in the Highway 19 corridor.

**Contractual Provisions**

As of September 30, 2012, rate covenants on certain debt obligations of the Golf and Airport Funds were not met. The City has implemented a marketing plan for the Airport Fund to increase revenues, and made several changes in the Golf Course Fund to increase revenues, as part of its efforts to generate sufficient gross revenues to meet covenants in the future.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 6 – RESTRICTED NET ASSETS – BUSINESS-TYPE ACTIVITIES**

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

	<b>Business-type Activities</b>
Restricted Assets:	
Cash and Equivalents	\$ 60,145
Investments	477,756
Total	537,901
Liabilities Payable from Restricted Assets:	
Current Portion of Debt Service:	
Principal	34,604
Interest	175,325
Total	209,929
Restricted Net Assets	\$ 327,972

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

Capital Projects	\$ 8,095
Bond Reserve	319,877
Total	\$327,972

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 7 – FUND BALANCE CLASSIFICATIONS**

	<u>General</u> <u>Fund</u>	<u>Downtown</u> <u>Redevelopment</u> <u>Agency</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable:				
Advances	\$1,296,287	\$ -	\$ -	\$ 1,296,287
Restricted for:				
Debt Service	66,952	-	-	66,952
Capital Improvements	323,960	-	-	323,960
Special Needs Recreation	5,000	-	-	5,000
Law Enforcement, Other	76,664	-	-	76,664
Fire Safety Education	10,942	-	-	10,942
Downtown Redevelopment	-	474,496	-	474,496
Housing and Community Development	-	-	35,980	35,980
<b>Total Restricted</b>	<b>483,518</b>	<b>474,496</b>	<b>35,980</b>	<b>993,994</b>
Committed for:				
Law Enforcement	9,715	-	-	9,715
Fire Protection	5,841	-	-	5,841
Demolition and Lot Cleanup	10,489	-	-	10,489
Cemetery Improvements	80,903	-	-	80,903
<b>Total Committed</b>	<b>106,948</b>	<b>-</b>	<b>-</b>	<b>106,948</b>
Unassigned:	608,254	-	-	608,254
<b>TOTAL FUND BALANCES</b>	<b>\$2,495,007</b>	<b>\$ 474,496</b>	<b>\$ 35,980</b>	<b>\$ 3,005,483</b>

**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 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, 2012 the City recognized \$62,952 and \$60,507 in the General Fund for State contributions to the Police Officers’ and Firefighters’ Retirement Funds, respectively. The City accounts for the Plan in three Pension Trust Funds, corresponding to three benefit groups as follows:

- General* – all members not included in Police Officers and Firefighters
- Police Officers* – all state-certified police officers
- Firefighters* – all state-certified firefighters

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 8 – PENSION PLANS**

The Plan provides for vesting of benefits after 7 years of creditable service. All members are eligible for normal retirement after 7 years of service and attaining age 50 or after 30 years of service regardless of age. Additionally, police and fire employees are also eligible after age 55 and attaining 10 years of service, or after age 52 and attaining 25 years of service. The Plan also provides for disability, retirement and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer and firefighter members, annual benefits for the plan year beginning October 1, 2010, are equal to total years of service times 2.5%, 2.5% and 3.25%, respectively, of final average compensation (highest 3 consecutive years of the last 5). No other changes in benefit provisions have been made for the plan year beginning October 1, 2010. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. The minimum benefit for non-duty disability for all members is 25% of final average compensation.

The Boards of Trustees establish and may amend provisions of the plan related to participant eligibility, contribution requirements, vesting, and benefit provisions. However, these plan provisions are subject to minimum requirements established in Chapters 112, 175, and 185, Florida Statutes. The Plan does not issue a stand-alone financial report.

Current membership in the Plan as of September 30, 2012 is as follows:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Active Employees	91	35	20	146
Service Retirees and Beneficiaries	64	10	9	83
Disability Retirees	-	2	-	2
Terminated Vested	10	5	2	17
DROP	10	-	2	12
Total	<u>175</u>	<u>52</u>	<u>33</u>	<u>260</u>

*Funded Status and Funding Progress:* The funded status of each plan as of September 30, 2012, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As a Percent of Covered Payroll
General Plan	\$ 16,035	\$ 21,950	\$ 5,915	73%	\$ 2,823	210%
Police Officers Plan	8,466	9,433	966	90%	1,505	64%
Firefighters Plan	5,995	8,360	2,365	72%	757	312%

The required schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 8 – PENSION PLANS**

*Funding Policy and Annual Pension Cost.* Administrative costs of the Plan are financed through investment earnings. The City's annual pension cost for the current year and related information for each plan is as follows:

	<u>General</u>	<u>Police Officers</u>	<u>Firefighters</u>
Contribution Rates:			
City	21.6%	20.0%	34.8%
Plan Members	6.0%	6.0%	6.0%
Annual Pension Cost	630,230	300,169	263,440
Contributions Made	630,230	300,169	263,440
Actuarial Valuation Date	10/1/2010	10/1/2010	10/1/2010
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll- Closed	Level % of Payroll- Closed	Level % of Payroll- Closed
Remaining Amortization Period	27 Years	30 Years	28 Years
Asset Valuation Method	4 Year Smooth	4 Year Smooth	4 Year Smooth
Actuarial Assumptions:			
Investment Rate of Return	8.0%	8.0%	8.0%
Projected Salary Increases*	6.0%	6.0%	6.0%
* Includes Inflation at	3.0%	3.0%	3.0%

**Three Year Trend Information**

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General	9/30/2012	\$ 630,230	100%	\$ -
	9/30/2011	409,832	100%	-
	9/30/2010	480,493	100%	-
Police Officers	9/30/2012	\$ 300,169	100%	\$ -
	9/30/2011	246,011	100%	-
	9/30/2010	303,235	100%	-
Firefighters	9/30/2012	\$ 263,440	100%	\$ -
	9/30/2011	172,199	100%	-
	9/30/2010	172,163	100%	-

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 8 – PENSION PLANS**

**Combining Statement of Fiduciary Net Assets**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Investments:				
Money Market and Other Cash Equivalents	\$ 314,723	\$ 751,471	\$ 494,738	\$ 1,560,932
Government Bonds and Notes	-	1,527,792	1,220,210	2,748,002
Corporate Bonds and Notes	5,439,402	1,136,315	653,877	7,229,594
Mutual Funds (REIT)	6,873,147	4,833,941	3,545,618	15,252,706
Mutual Funds - Equities	-	219,238	180,637	399,875
Common Stock/Equities	3,763,691	-	-	3,763,691
Total Investments	16,390,963	8,468,757	6,095,080	30,954,800
Receivables	60,940	25,284	18,266	104,490
<b>TOTAL ASSETS</b>	<b>16,451,903</b>	<b>8,494,041</b>	<b>6,113,346</b>	<b>31,059,290</b>
<b>LIABILITIES</b>	<b>128</b>	<b>-</b>	<b>2,025</b>	<b>2,153</b>
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 16,451,775</u>	<u>\$ 8,494,041</u>	<u>\$ 6,111,321</u>	<u>\$ 31,057,137</u>

**Combining Statement of Changes in Fiduciary Net Assets**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ADDITIONS</u>				
CONTRIBUTIONS:				
Employer	\$ 630,230	\$ 241,644	\$ 186,979	\$ 1,058,853
Member	175,065	90,054	45,421	310,540
State on Behalf, through General Fund	-	62,952	60,507	123,459
<b>TOTAL CONTRIBUTIONS</b>	<b>805,295</b>	<b>394,650</b>	<b>292,907</b>	<b>1,492,852</b>
INVESTMENT INCOME:				
Net Appreciation in Fair Value of Investments	2,166,567	1,078,604	817,418	4,062,589
Interest	-	96,667	63,492	160,159
Dividends	534,496	120,240	89,797	744,533
	2,701,063	1,295,511	970,707	4,967,281
Less Investment Management Fee	41,961	47,814	35,220	124,995
<b>NET INVESTMENT INCOME:</b>	<b>2,659,102</b>	<b>1,247,697</b>	<b>935,487</b>	<b>4,842,286</b>
<b>TOTAL ADDITIONS</b>	<b>3,464,397</b>	<b>1,642,347</b>	<b>1,228,394</b>	<b>6,335,138</b>
<u>DEDUCTIONS</u>				
Member Benefits	1,640,201	417,162	452,725	2,510,088
Withdrawals	36,534	798	-	37,332
Administrative Expense	27,419	20,524	17,104	65,047
<b>TOTAL DEDUCTIONS</b>	<b>1,704,154</b>	<b>438,484</b>	<b>469,829</b>	<b>2,612,467</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,760,243</b>	<b>1,203,863</b>	<b>758,565</b>	<b>3,722,671</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year</b>	<b>14,691,532</b>	<b>7,290,178</b>	<b>5,352,756</b>	<b>27,334,466</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year</b>	<b>\$ 16,451,775</b>	<b>\$ 8,494,041</b>	<b>\$ 6,111,321</b>	<b>\$ 31,057,137</b>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 8 – PENSION PLANS**

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

**NOTE 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, 2012, participants consisted of:

Active Employees	156
Retirees Participants	20
Covered Spouses	<u>4</u>
Total	<u><u>180</u></u>

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 1, 2010 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2012. The City's annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 54,652
Interest on net OPEB obligation	5,175
Adjustments to ARC	<u>(4,830)</u>
Annual OPEB cost (expense)	54,997
Contributions made	<u>(20,043)</u>
Increase in net OPEB obligation	34,954
Net OPEB obligation - beginning of year	<u>103,505</u>
Net OPEB obligation - end of year	<u><u>\$ 138,459</u></u>

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2012	\$ 54,997	\$ 20,043	36.4%	\$ 138,459
September 30, 2011	57,188	24,273	42.4%	103,505
September 30, 2010	55,610	19,782	35.6%	70,590

Funded Status

The funded status of the OPEB Plan as of September 30, 2012 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
\$ 454,493	\$ -	\$ 454,493	0.0%	\$ 5,354,492	8.5%

Funding Policy

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

Actuarial Methods and Assumptions

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

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

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

The following actuarial methods and assumptions were used:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of Payroll-Closed
Amortization Period	30 Years
Remaining Amortization Period	28 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions:	
Funding Interest Rate	5%
Payroll Growth/ Inflation	3%
Healthcare Inflation	9%; grading down to 5% in 2015

**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, 2012, the Golf Course Fund had deficit net assets of \$1,041,390. The deficit balance resulted from a large shortfall in anticipated revenues, as well as an increase in expenses, and will be eliminated by rehabilitating the course and incremental increases in revenues, with an aggressive marketing strategy to bring in new customers that will continue playing at the course.

**City of Palatka, Florida**  
**Notes to Financial Statements**  
**September 30, 2012**

**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, 2012 were \$259,367. Future lease payments are as follows:

	Governmental Activities	Business-type Activities
2013	\$ 211,287	\$ 38,051
2014	155,924	38,051
2015	38,851	28,538
Total	<u>\$ 406,062</u>	<u>\$ 104,640</u>

**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Palatka, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
Taxes	\$ 5,596,078	\$ 5,596,078	\$ 5,423,104	\$ (172,974)
Permits, Fees & Special Assessments	885,982	885,982	758,887	(127,095)
Intergovernmental	1,093,092	1,440,700	1,478,768	38,068
Charges for Services	161,618	161,618	209,738	48,120
Fines and Forfeitures	85,692	115,084	106,623	(8,461)
Miscellaneous	225,127	260,645	198,954	(61,691)
<b>TOTAL REVENUES</b>	<b>8,047,589</b>	<b>8,460,107</b>	<b>8,176,074</b>	<b>(284,033)</b>
<b><u>EXPENDITURES</u></b>				
Current:				
General Government	1,128,724	2,309,677	2,330,934	(21,257)
Public Safety	5,245,341	5,352,211	5,192,326	159,885
Transportation	688,139	536,299	548,073	(11,774)
Human Services	162,600	152,600	140,296	12,304
Culture and Recreation	437,368	449,791	465,756	(15,965)
Debt Service:				
Principal Retirement	327,744	327,744	330,468	(2,724)
Interest and Fiscal Charges	148,904	148,904	149,483	(579)
<b>TOTAL EXPENDITURES</b>	<b>8,138,820</b>	<b>9,277,226</b>	<b>9,157,336</b>	<b>119,890</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(91,231)</b>	<b>(817,119)</b>	<b>(981,262)</b>	<b>(164,143)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	355,000	1,144,709	1,088,468	(56,241)
Transfers Out	(263,769)	-	-	-
Capital Lease	-	-	26,009	26,009
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>91,231</b>	<b>1,144,709</b>	<b>1,114,477</b>	<b>(30,232)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>327,590</b>	<b>133,215</b>	<b>(194,375)</b>
<b>FUND BALANCES – BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>2,361,792</b>	<b>2,361,792</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ -</b>	<b>\$ 327,590</b>	<b>\$ 2,495,007</b>	<b>\$ 2,167,417</b>

**City of Palatka, Florida**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual – Downtown Redevelopment Agency Fund**  
**For the Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 452,393	\$ 452,393	\$ 448,522	\$ (3,871)
<u>EXPENDITURES</u>				
Economic Environment	1,078,145	1,078,145	321,296	756,849
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(625,752)	(625,752)	127,226	752,978
<u>OTHER FINANCING USES</u>				
Transfers Out	-	-	(211,231)	(211,231)
NET CHANGE IN FUND BALANCES	(625,752)	(625,752)	(84,005)	541,747
FUND BALANCES - Beginning of Year	625,752	625,752	558,501	(67,251)
FUND BALANCES - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 474,496</u>	<u>\$ 474,496</u>

**City of Palatka, Florida**  
**Notes to Required Supplementary Information**  
**September 30, 2012**

**Notes to Budgetary Comparison Schedules**

The budget is prepared and adopted on the modified accrual basis of accounting.

On or before the first day in August of each year, the City Manager submits to the City Commission a budget for the ensuing fiscal year, along with an accompanying budget message. The general summary of the budget and notice of public hearing is published in the local newspaper. Prior to the last day of September, the budget is legally enacted. All appropriations lapse at the end of the fiscal year.

Florida Statutes provide that it is unlawful to make expenditures that exceed the total amount budgeted for each fund. The City Manager can approve budget transfers within and between operating departments and divisions of the same fund. All interfund transfers require prior approval of the City Commission. Therefore, the fund level is the legal level of control for budget considerations.

Annual budgets are adopted for all governmental funds except the non-major CDBG Special Revenue Fund, which adopts a project-length budget.

**City of Palatka, Florida**  
**Schedules of Funding Progress—Pension Plans**  
**September 30, 2012**

**General Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets (000's)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (000's)</b>	<b>Unfunded AAL (UAAL) (000's)</b>	<b>Funded Ratio</b>	<b>Covered Payroll (000's)</b>	<b>UAAL As A Percent Of Covered Payroll</b>
9/30/2012	\$ 16,035	\$ 21,950	\$ 5,915	73%	\$ 2,823	210%
9/30/2011	14,741	20,124	5,383	73%	2,851	189%
9/30/2010	15,717	19,810	4,093	79%	2,858	143%
9/30/2009	16,053	19,084	3,031	84%	3,493	87%
9/30/2008	16,024	16,624	600	96%	3,512	17%
9/30/2007	15,435	16,116	733	96%	3,594	20%

**Police Officers' Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets (000's)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (000's)</b>	<b>Unfunded AAL (UAAL) (000's)</b>	<b>Funded Ratio</b>	<b>Covered Payroll (000's)</b>	<b>UAAL As A Percent Of Covered Payroll</b>
9/30/2012	\$ 8,466	\$ 9,433	\$ 966	90%	\$ 1,505	64%
9/30/2011	8,094	9,178	1,084	88%	1,451	79%
9/30/2010	8,370	9,401	1,032	89%	1,630	63%
9/30/2009	8,240	9,126	886	90%	1,750	51%
9/30/2008	8,203	8,103	(100)	101%	1,708	(6)%
9/30/2007	7,847	7,921	74	99%	1,629	5%

**Firefighters' Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets (000's)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (000's)</b>	<b>100% AAL (UAAL) (000's)</b>	<b>Funded Ratio</b>	<b>Covered Payroll (000's)</b>	<b>UAAL As A Percent Of Covered Payroll</b>
9/30/2012	\$ 5,995	\$ 8,360	\$ 2,365	72%	\$ 757	312%
9/30/2011	5,739	7,820	2,081	73%	713	292%
9/30/2010	6,018	7,376	1,358	82%	794	171%
9/30/2009	6,130	7,412	1,282	83%	834	154%
9/30/2008	6,269	7,235	966	87%	718	135%
9/30/2007	6,150	7,241	1,091	85%	646	169%

**City of Palatka, Florida**  
**Schedules of Contributions From Employer and Other Contributing Entities—Pension Plans**  
**September 30, 2012**

**General Plan**

**Employer Contributions**

<u>Year Ended</u>	<u>Annual</u>		
	<u>Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2012	\$ 630,230	\$ 630,230	100.00%
9/30/2011	409,832	409,832	100.00%
9/30/2010	480,493	480,493	100.00%
9/30/2009	641,357	641,357	100.00%
9/30/2008	559,533	559,533	100.00%
9/30/2007	602,616	602,616	100.00%

**Police Officers' Plan**

<u>Year Ended</u>	<u>Employer Contributions</u>			<u>State Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2012	\$ 237,217	\$ 237,217	100.00%	\$ 62,952	\$ 62,952	100.00%
9/30/2011	246,011	246,011	100.00%	61,450	61,450	100.00%
9/30/2010	303,235	303,235	100.00%	62,976	62,976	100.00%
9/30/2009	236,148	236,148	100.00%	66,457	66,457	100.00%
9/30/2008	297,845	297,845	100.00%	74,734	74,734	100.00%
9/30/2007	256,341	256,341	100.00%	77,732	77,732	100.00%

**Firefighters' Plan**

<u>Year Ended</u>	<u>Employer Contributions</u>			<u>State Contributions</u>		
	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
9/30/2012	\$ 202,933	\$ 202,933	100.00%	\$ 60,507	\$ 60,507	100.00%
9/30/2011	172,199	172,199	100.00%	89,277	89,277	100.00%
9/30/2010	172,163	172,163	100.00%	80,405	80,405	100.00%
9/30/2009	146,114	146,114	100.00%	71,776	71,776	100.00%
9/30/2008	124,076	124,076	100.00%	61,091	61,091	100.00%
9/30/2007	121,177	121,177	100.00%	72,110	72,110	100.00%

**City of Palatka, Florida**  
**Other Postemployment Benefits Plan**  
**September 30, 2012**

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
10/1/2010	\$ -	\$ 454,493	\$ 454,493	0.0%	\$ 5,354,492	8.5%
10/1/2008	-	483,795	483,795	0.0%	8,830,792	5.5%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
9/30/2012	\$ 54,997	36.4%
9/30/2011	57,188	42.4%
9/30/2010	55,610	35.6%

Notes:

- 1) See Note 9 to the financial statements for detailed information on the City's OPEB Plan.

**SUPPLEMENTARY INFORMATION**

## **FIDUCIARY FUNDS**

### **PENSION TRUST FUNDS**

Pension Trust Funds are used to account for public employee retirement systems.

General Retirement Fund –To account for the accumulation of resources to be used for pension payments to retired City employees.

Police Officers' Retirement Fund – To account for the accumulation of resources to be used for pension payments to participants of the City's Police Officers' Retirement Plan.

Firefighters' Retirement Fund – To account for the accumulation of resources to be used for pension payments to participants of the City's Firefighters' Retirement Plan.

**City of Palatka, Florida**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**September 30, 2012**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Investments:				
Money Market and Other				
Cash Equivalents	\$ 314,723	\$ 751,471	\$ 494,738	\$ 1,560,932
Government Bonds and Notes	-	1,527,792	1,220,210	2,748,002
Corporate Bonds and Notes	5,439,402	1,136,315	653,877	7,229,594
Mutual Funds - Equities	6,873,147	4,833,941	3,545,618	15,252,706
Mutual Funds (REIT)	-	219,238	180,637	399,875
Common Stock/Equities	3,763,691	-	-	3,763,691
Receivables	60,940	25,284	18,266	104,490
TOTAL ASSETS	16,451,903	8,494,041	6,113,346	31,059,290
LIABILITIES	128	-	2,025	2,153
<u>NET ASSETS</u>				
Held in Trust for Pension Benefits	<u>\$ 16,451,775</u>	<u>\$ 8,494,041</u>	<u>\$ 6,111,321</u>	<u>\$ 31,057,137</u>

**City of Palatka, Florida**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**For the Year Ended September 30, 2012**

	<u>General Retirement Fund</u>	<u>Police Officers' Retirement Fund</u>	<u>Firefighters' Retirement Fund</u>	<u>Total</u>
<b><u>ADDITIONS</u></b>				
CONTRIBUTIONS:				
Employer	\$ 630,230	\$ 241,644	\$ 186,979	\$ 1,058,853
Member	175,065	90,054	45,421	310,540
State on Behalf, through General Fund	-	62,952	60,507	123,459
<b>TOTAL CONTRIBUTIONS</b>	<b>805,295</b>	<b>394,650</b>	<b>292,907</b>	<b>1,492,852</b>
INVESTMENT INCOME:				
Net Appreciation in Fair Value of Investments	2,166,567	1,078,604	817,418	4,062,589
Interest	-	96,667	63,492	160,159
Dividends	534,496	120,240	89,797	744,533
	<u>2,701,063</u>	<u>1,295,511</u>	<u>970,707</u>	<u>4,967,281</u>
Less Investment Management Fee	41,961	47,814	35,220	124,995
<b>NET INVESTMENT INCOME:</b>	<b>2,659,102</b>	<b>1,247,697</b>	<b>935,487</b>	<b>4,842,286</b>
<b>TOTAL ADDITIONS</b>	<b>3,464,397</b>	<b>1,642,347</b>	<b>1,228,394</b>	<b>6,335,138</b>
<b><u>DEDUCTIONS</u></b>				
Member Benefits	1,640,201	417,162	452,725	2,510,088
Withdrawals	36,534	798	-	37,332
Administrative Expense	27,419	20,524	17,104	65,047
<b>TOTAL DEDUCTIONS</b>	<b>1,704,154</b>	<b>438,484</b>	<b>469,829</b>	<b>2,612,467</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,760,243</b>	<b>1,203,863</b>	<b>758,565</b>	<b>3,722,671</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, Beginning of Year</b>	<b>14,691,532</b>	<b>7,290,178</b>	<b>5,352,756</b>	<b>27,334,466</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, End of Year</b>	<b>\$ 16,451,775</b>	<b>\$ 8,494,041</b>	<b>\$ 6,111,321</b>	<b>\$ 31,057,137</b>

**STATISTICAL SECTION**  
(unaudited)

## Statistical Section

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	<b>47</b>
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>51</b>
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
<b>Debt Capacity</b>	<b>55</b>
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>60</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
<b>Operating Information</b>	<b>62</b>
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

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

Table 1  
City of Palatka, Florida

Net Assets by Component - Last Ten Fiscal Years

	Fiscal Years Ending September 30 -----									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$4,844,714	\$5,146,607	\$5,387,086	\$5,506,649	\$10,466,693	\$10,614,552	\$11,281,907	\$11,915,772	\$12,545,081	\$13,191,795
Restricted	\$268,690	\$335,292	\$416,950	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476
Unrestricted	<u>\$1,224,152</u>	<u>\$1,731,832</u>	<u>\$1,460,887</u>	<u>\$1,496,520</u>	<u>\$1,328,481</u>	<u>\$1,693,797</u>	<u>\$1,303,783</u>	<u>\$1,301,177</u>	<u>\$1,968,903</u>	<u>\$2,029,287</u>
<b>Total Governmental Activities Net Assets</b>	<b><u>\$6,337,556</u></b>	<b><u>\$7,213,731</u></b>	<b><u>\$7,264,923</u></b>	<b><u>\$7,602,006</u></b>	<b><u>\$12,837,915</u></b>	<b><u>\$13,745,608</u></b>	<b><u>\$14,178,626</u></b>	<b><u>\$14,345,344</u></b>	<b><u>\$15,090,686</u></b>	<b><u>\$15,731,558</u></b>
<b>Business-Type Activities</b>										
Invested in Capital Assets, Net of Related Debt	\$14,199,619	\$15,138,704	\$15,725,064	\$17,072,755	\$18,066,125	\$15,276,203	\$23,384,736	\$31,509,858	\$32,510,103	\$38,156,884
Restricted	\$1,542,942	\$806,035	\$830,601	\$779,907	\$773,851	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972
Unrestricted	<u>\$88,458</u>	<u>\$943,366</u>	<u>\$655,193</u>	<u>-\$17,020</u>	<u>\$802,248</u>	<u>\$8,827,626</u>	<u>\$7,441,249</u>	<u>\$969,128</u>	<u>\$486,050</u>	<u>-\$222,895</u>
<b>Total Business-Type Activities Net Assets</b>	<b><u>\$15,831,019</u></b>	<b><u>\$16,888,105</u></b>	<b><u>\$17,210,858</u></b>	<b><u>\$17,835,642</u></b>	<b><u>\$19,642,224</u></b>	<b><u>\$24,896,537</u></b>	<b><u>\$31,636,469</u></b>	<b><u>\$32,998,190</u></b>	<b><u>\$33,382,940</u></b>	<b><u>\$38,261,961</u></b>
<b>Primary Government</b>										
Invested in Capital Assets, Net of Related Debt	\$19,044,333	\$20,285,311	\$21,112,150	\$22,579,404	\$28,532,818	\$25,890,755	\$34,666,643	\$43,425,630	\$45,055,184	\$51,348,679
Restricted	\$1,811,632	\$1,141,327	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448
Unrestricted	<u>\$1,312,610</u>	<u>\$2,675,198</u>	<u>\$2,116,080</u>	<u>\$1,479,500</u>	<u>\$2,130,729</u>	<u>\$10,521,423</u>	<u>\$8,745,032</u>	<u>\$2,270,305</u>	<u>\$2,454,953</u>	<u>\$1,806,392</u>
<b>Total Primary Government Net Assets</b>	<b><u>\$22,168,575</u></b>	<b><u>\$24,101,836</u></b>	<b><u>\$24,475,781</u></b>	<b><u>\$25,437,648</u></b>	<b><u>\$32,480,139</u></b>	<b><u>\$38,642,145</u></b>	<b><u>\$45,815,095</u></b>	<b><u>\$47,343,534</u></b>	<b><u>\$48,473,626</u></b>	<b><u>\$53,993,519</u></b>

Table 2  
City of Palatka, Florida  
Changes in Net Assets - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities:										
General Government	\$805,254	\$879,252	\$957,828	\$882,002	\$677,251	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179
Public Safety	\$4,217,475	\$4,614,844	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601	\$6,005,490	\$5,968,153	\$5,611,920	\$5,336,015
Physical Environment	-	-	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-
Transportation	\$568,028	\$631,355	\$1,142,443	\$1,382,910	\$1,282,350	\$973,566	\$1,129,653	\$697,212	\$681,907	\$577,407
Economic Environment	\$50,538	\$66,979	\$63,715	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296
Human Services	\$147,360	\$186,242	\$176,399	\$212,165	\$227,525	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327
Culture and Recreation	\$341,136	\$540,808	\$443,796	\$505,841	\$561,238	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572
Interest on Long-Term Debt	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904
<b>Total Governmental Activities Expenses</b>	<b>\$6,164,807</b>	<b>\$6,950,105</b>	<b>\$7,701,947</b>	<b>\$8,767,035</b>	<b>\$9,573,034</b>	<b>\$9,585,412</b>	<b>\$10,002,275</b>	<b>\$9,885,034</b>	<b>\$9,439,276</b>	<b>\$8,862,700</b>
Business-type Activities:										
Airport	\$617,672	\$654,561	\$659,324	\$854,457	\$974,382	\$1,127,150	\$1,273,476	\$1,593,744	\$1,627,231	\$1,626,167
Water	\$3,113,053	\$3,239,058	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295	\$4,750,830	\$4,784,639
Golf	\$803,795	\$773,144	\$803,434	\$933,767	\$1,004,007	\$1,014,105	\$908,883	\$982,862	\$1,017,307	\$1,005,000
Sanitation	\$1,227,770	\$1,273,168	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689	\$1,393,713	\$1,347,455	\$1,359,544	\$1,379,559
<b>Total Business-type Activities Expenses</b>	<b>\$5,762,290</b>	<b>\$5,939,931</b>	<b>\$6,405,360</b>	<b>\$6,871,457</b>	<b>\$7,218,931</b>	<b>\$7,957,391</b>	<b>\$8,126,436</b>	<b>\$8,902,356</b>	<b>\$8,754,912</b>	<b>\$8,795,365</b>
<b>Total Primary Government Expenses</b>	<b>\$11,927,097</b>	<b>\$12,890,036</b>	<b>\$14,107,307</b>	<b>\$15,638,492</b>	<b>\$16,791,965</b>	<b>\$17,542,803</b>	<b>\$18,128,711</b>	<b>\$18,787,390</b>	<b>\$18,194,188</b>	<b>\$17,658,065</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	\$102,144	\$115,774	\$108,424	\$102,416	\$100,431	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185
Public Safety	\$230,062	\$316,470	\$279,116	\$322,191	\$234,747	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578
Other	\$170,592	\$152,957	\$179,865	\$167,965	\$198,985	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434
Operating Grants and Contributions	\$314,102	\$777,845	\$573,201	\$832,506	\$912,670	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019
Capital Grants and Contributions	\$267,530	\$1,816,727	\$765,763	\$874,390	\$1,463,953	\$1,090,723	\$1,288,072	\$2,016,675	\$1,299,627	\$1,677,074
<b>Total Governmental Activities Program Revenue</b>	<b>\$1,084,430</b>	<b>\$3,179,773</b>	<b>\$1,906,369</b>	<b>\$2,299,468</b>	<b>\$2,910,786</b>	<b>\$2,329,954</b>	<b>\$3,016,522</b>	<b>\$3,941,134</b>	<b>\$3,302,841</b>	<b>\$3,110,290</b>
Business-type Activities:										
Charges for Services :										
Airport	\$275,335	\$305,496	\$386,036	\$567,999	\$506,385	\$709,468	\$572,594	\$704,750	\$895,300	\$851,615
Water	\$2,993,651	\$3,089,418	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813	\$3,628,361	\$3,780,615	\$3,878,206	\$3,976,734
Golf	\$645,426	\$531,170	\$711,672	\$762,061	\$751,903	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578
Sanitation	\$1,297,709	\$1,329,226	\$1,426,784	\$1,430,572	\$1,518,191	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053
Operating Grants and Contributions	\$20,095	\$61,500	\$139,118	-	\$7,000	-	-	-	-	-
Capital Grants and Contributions	\$1,293,561	\$929,654	\$981,176	\$1,423,874	\$2,451,986	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111
<b>Total Business-type Activities Program Revenue</b>	<b>\$6,525,777</b>	<b>\$6,246,464</b>	<b>\$6,779,585</b>	<b>\$7,298,393</b>	<b>\$8,694,853</b>	<b>\$12,881,813</b>	<b>\$14,703,865</b>	<b>\$9,042,261</b>	<b>\$9,165,866</b>	<b>\$13,579,091</b>
<b>Total Primary Government Program Revenue</b>	<b>\$7,610,207</b>	<b>\$9,426,237</b>	<b>\$8,685,954</b>	<b>\$9,597,861</b>	<b>\$11,605,639</b>	<b>\$15,211,767</b>	<b>\$17,720,387</b>	<b>\$12,983,395</b>	<b>\$12,468,707</b>	<b>\$16,689,381</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(\$5,080,377)	(\$3,770,332)	(\$5,795,578)	(\$6,467,567)	(\$6,662,248)	(\$7,255,458)	(\$6,985,753)	(\$5,943,900)	(\$6,136,435)	(\$5,752,410)
Business-type Activities	\$763,487	\$306,533	\$374,225	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726
<b>Total Primary Government Net Expense</b>	<b>(\$4,316,890)</b>	<b>(\$3,463,799)</b>	<b>(\$5,421,353)</b>	<b>(\$6,040,631)</b>	<b>(\$5,186,326)</b>	<b>(\$2,331,036)</b>	<b>(\$408,324)</b>	<b>(\$5,803,995)</b>	<b>(\$5,725,481)</b>	<b>(\$968,684)</b>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental Activities:										
Taxes:										
Property Taxes	\$2,117,963	\$2,440,143	\$2,765,692	\$3,334,384	\$3,805,051	\$3,942,201	\$3,836,383	\$3,774,261	\$3,743,535	\$3,497,854
Sales Tax and Other State Shared Revenue	\$765,778	\$794,003	\$848,661	\$888,738	\$894,912	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613
Franchise Fees	\$547,816	\$611,540	\$684,678	\$911,188	\$915,447	\$898,638	\$931,985	\$879,660	\$886,166	\$662,190
Other Taxes	\$2,028,649	\$1,282,812	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411	\$1,409,048	\$1,189,645	\$1,035,332
Investment Earnings	\$27,686	\$30,041	\$50,519	\$64,090	\$62,975	\$81,319	\$55,790	\$5,689	\$1,384	\$181
Miscellaneous	\$44,862	\$57,250	\$54,804	\$79,721	\$85,774	\$50,031	\$31,900	\$60,637	\$149,036	\$83,791
Transfers	\$184,832	-\$569,282	\$135,297	\$22,214	\$142,873	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321
<b>Total Governmental Activities</b>	<b>\$5,717,586</b>	<b>\$4,646,507</b>	<b>\$5,846,770</b>	<b>\$6,804,650</b>	<b>\$7,650,391</b>	<b>\$8,163,151</b>	<b>\$7,418,771</b>	<b>\$6,110,618</b>	<b>\$6,881,777</b>	<b>\$6,393,282</b>
Business-type Activities:										
Investment Earnings	\$7,322	\$6,749	\$11,071	\$19,859	\$17,786	\$421,634	\$56,140	\$188,945	\$446	\$450
Gain on Sale of Assets	-	-	-	-	-	-	\$22,174	-	-	-
Miscellaneous	(\$2,587)	\$174,522	\$72,754	\$200,203	\$455,747	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166
Transfers	(\$184,832)	\$569,282	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)	\$803,896	(\$175,000)	(\$352,321)
<b>Total Business-type Activities</b>	<b>(\$180,097)</b>	<b>\$750,553</b>	<b>(\$51,472)</b>	<b>\$197,848</b>	<b>\$330,660</b>	<b>\$329,891</b>	<b>\$162,503</b>	<b>\$1,221,816</b>	<b>(\$26,204)</b>	<b>\$95,295</b>
<b>Total Primary Government</b>	<b>\$5,537,489</b>	<b>\$5,397,060</b>	<b>\$5,795,298</b>	<b>\$7,002,498</b>	<b>\$7,981,051</b>	<b>\$8,493,042</b>	<b>\$7,581,274</b>	<b>\$7,332,434</b>	<b>\$6,855,573</b>	<b>\$6,488,577</b>
<b>Changes in Net Assets</b>										
Governmental Activities	\$637,209	\$876,175	\$51,192	\$337,083	\$988,143	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872
Business-type Activities	\$583,390	\$1,057,086	\$322,753	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932	\$1,361,721	\$384,750	\$4,879,021
<b>Total Primary Government</b>	<b>\$1,220,599</b>	<b>\$1,933,261</b>	<b>\$373,945</b>	<b>\$961,867</b>	<b>\$2,794,725</b>	<b>\$6,162,006</b>	<b>\$7,172,950</b>	<b>\$1,528,439</b>	<b>\$1,130,092</b>	<b>\$5,519,893</b>

Table 3  
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Fund</b>										
Nonspendable	-	-	-	-	-	-	-	-	\$867,346	\$1,296,287
Restricted	-	-	-	-	-	-	-	-	\$511,570	\$483,518
Committed	-	-	-	-	-	-	-	-	\$17,246	\$106,948
Assigned	-	-	-	-	-	-	-	-	\$107,416	\$0
Unassigned	-	-	-	-	-	-	-	-	\$858,214	\$608,254
Reserved	\$0	\$0	\$0	\$0	\$1,269,605	\$0	\$0	\$414,758	-	-
Unreserved	\$1,446,537	\$1,801,421	\$1,785,860	\$1,767,288	\$414,620	\$2,006,861	\$1,682,108	\$1,262,722	-	-
<b>Total General Fund</b>	<b><u>\$1,446,537</u></b>	<b><u>\$1,801,421</u></b>	<b><u>\$1,785,860</u></b>	<b><u>\$1,767,288</u></b>	<b><u>\$1,684,225</u></b>	<b><u>\$2,006,861</u></b>	<b><u>\$1,682,108</u></b>	<b><u>\$1,677,480</u></b>	<b><u>\$2,361,792</u></b>	<b><u>\$2,495,007</u></b>
<b>All Other Governmental Funds</b>										
Nonspendable	-	-	-	-	-	-	-	-	\$0	\$0
Restricted	-	-	-	-	-	-	-	-	\$576,702	\$510,476
Committed	-	-	-	-	-	-	-	-	\$0	\$0
Assigned	-	-	-	-	-	-	-	-	\$0	\$0
Unassigned	-	-	-	-	-	-	-	-	\$0	\$0
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Unreserved, reported in:										
Special Revenue Funds	\$338,928	\$408,727	\$490,642	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	-	-
<b>Total All Other Governmental Funds</b>	<b><u>\$338,928</u></b>	<b><u>\$408,727</u></b>	<b><u>\$490,642</u></b>	<b><u>\$681,477</u></b>	<b><u>\$1,042,741</u></b>	<b><u>\$1,437,259</u></b>	<b><u>\$1,592,936</u></b>	<b><u>\$1,128,395</u></b>	<b><u>\$576,702</u></b>	<b><u>\$510,476</u></b>

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$4,694,428	\$5,350,377	\$5,844,778	\$6,939,634	\$7,681,577	\$8,090,897	\$7,445,473	\$7,232,476	\$6,342,763	\$5,871,626
License and Permits	\$199,014	\$303,236	\$194,268	\$219,316	\$199,194	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887
Intergovernmental	\$1,434,787	\$2,246,481	\$1,339,897	\$1,414,018	\$2,052,538	\$1,521,038	\$2,124,532	\$2,914,885	\$2,050,177	\$2,029,005
Charges for Services	\$144,096	\$118,285	\$156,139	\$138,910	\$196,549	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738
Fines and Forfeitures	\$86,905	\$127,217	\$146,437	\$151,038	\$75,607	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623
Miscellaneous	\$65,376	\$81,166	\$115,696	\$225,377	\$227,782	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412
<b>Total Revenues</b>	<b>\$6,624,606</b>	<b>\$8,226,762</b>	<b>\$7,797,215</b>	<b>\$9,088,293</b>	<b>\$10,433,247</b>	<b>\$10,300,484</b>	<b>\$10,358,872</b>	<b>\$10,855,648</b>	<b>\$10,021,385</b>	<b>\$9,195,291</b>
<b>Expenditures</b>										
General Government	\$726,687	\$726,240	\$799,618	\$869,487	\$1,022,291	\$3,900,803	\$1,442,668	\$1,608,841	\$1,973,380	\$2,330,934
Public Safety	\$4,073,172	\$4,539,971	\$4,891,385	\$5,571,450	\$7,546,297	\$6,127,251	\$5,875,853	\$5,952,155	\$5,572,424	\$5,192,326
Physical Environment	-	\$716,608	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-
Transportation	\$638,457	\$614,119	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073
Economic Environment	\$50,538	\$66,979	\$129,128	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296
Human Services	\$147,126	\$179,312	\$226,867	\$217,471	\$257,208	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296
Culture and Recreation	\$673,638	\$915,684	\$454,624	\$571,372	\$708,890	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756
Debt Service										
Principal Retirement	\$200,382	\$159,867	\$155,134	\$148,626	\$146,794	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468
Interest and Fiscal Charges	\$35,016	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483
<b>Total Expenditures</b>	<b>\$6,545,016</b>	<b>\$7,949,405</b>	<b>\$7,866,158</b>	<b>\$8,938,244</b>	<b>\$11,695,518</b>	<b>\$13,040,042</b>	<b>\$10,654,475</b>	<b>\$10,520,921</b>	<b>\$10,063,766</b>	<b>\$9,506,632</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$79,590</b>	<b>\$277,357</b>	<b>(\$68,943)</b>	<b>\$150,049</b>	<b>(\$1,262,271)</b>	<b>(\$2,739,558)</b>	<b>(\$295,603)</b>	<b>\$334,727</b>	<b>(\$42,381)</b>	<b>(\$311,341)</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds From Borrowing	\$38,000	-	-	-	\$1,379,225	\$3,243,802	-	-	-	-
Capital Leases	\$44,281	-	-	-	-	-	-	-	-	\$26,009
Transfers In	\$291,480	\$284,974	\$282,766	\$332,837	\$247,957	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468
Transfers Out	(\$106,648)	(\$137,648)	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)
Debt Issued	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$267,113</b>	<b>\$147,326</b>	<b>\$135,297</b>	<b>\$22,214</b>	<b>\$1,540,472</b>	<b>\$3,456,712</b>	<b>\$126,527</b>	<b>-\$803,896</b>	<b>\$175,000</b>	<b>\$378,330</b>
<b>Net Change in Fund Balances</b>	<b>\$346,703</b>	<b>\$424,683</b>	<b>\$66,354</b>	<b>\$172,263</b>	<b>\$278,201</b>	<b>\$717,154</b>	<b>(\$169,076)</b>	<b>(\$469,169)</b>	<b>\$132,619</b>	<b>\$66,989</b>
<b>Acquisitions of Capital Assets</b>	<b>\$557,249</b>	<b>\$504,593</b>	<b>\$356,524</b>	<b>\$275,970</b>	<b>\$2,459,657</b>	<b>\$3,359,965</b>	<b>\$1,021,747</b>	<b>\$1,051,693</b>	<b>\$1,165,834</b>	<b>\$1,157,811</b>
<b>Debt Service as a Percentage of Non-Capital Expenditures</b>	<b>3.93%</b>	<b>2.56%</b>	<b>2.43%</b>	<b>1.99%</b>	<b>1.99%</b>	<b>7.06%</b>	<b>6.78%</b>	<b>5.99%</b>	<b>5.68%</b>	<b>5.75%</b>

Source: Finance Department, audited financial statements

Table 5  
CITY OF PALATKA, FLORIDA

TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN FISCAL YEARS  
September 30, 2012

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	
2002-03	\$197,230,902	\$407,954,372	\$60,338,363	\$91,163,410	\$257,569,265	\$499,117,782	7.300	51.60%
2003-04	\$218,334,521	\$452,698,286	\$56,587,231	\$86,030,561	\$274,921,752	\$538,728,847	7.800	51.03%
2004-05	\$245,544,610	\$493,678,930	\$59,022,315	\$88,864,358	\$304,566,925	\$582,543,288	8.000	52.28%
2005-06	\$268,616,535	\$541,682,448	\$62,032,313	\$89,947,767	\$330,648,848	\$631,630,215	8.000	52.35%
2006-07	\$320,669,058	\$619,824,299	\$69,748,674	\$95,461,683	\$390,417,732	\$715,285,982	8.650	54.58%
2007-08	\$353,141,525	\$701,211,013	\$70,909,071	\$96,205,495	\$424,050,596	\$797,416,508	8.650	53.18%
2008-09	\$362,073,552	\$741,200,986	\$71,887,265	\$95,849,300	\$433,960,817	\$837,050,286	8.500	51.84%
2009-10	\$349,743,213	\$743,823,588	\$65,330,966	\$95,725,559	\$415,074,179	\$839,549,147	8.650	49.44%
2010-11	\$350,826,549	\$745,957,201	\$61,172,680	\$93,443,957	\$411,999,229	\$839,401,158	8.650	49.08%
2011-12	\$331,832,689	\$691,859,577	\$57,098,415	\$89,429,756	\$388,931,104	\$781,289,333	8.650	49.78%

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

Source: Putnam County Property Appraiser

Table 6  
City of Palatka, Florida

Property Tax Levies and Collections  
Last Ten Fiscal Years  
September 30, 2012

<b>Fiscal Year</b>	<b><u>Total Tax Levy</u></b>	<b><u>Current Tax Collections</u></b>	<b>Percent of <u>Levy</u></b>	<b><u>Delinquent Tax Collections</u></b>	<b><u>Total Tax Collections</u></b>	<b><u>% of Total Collections to Levy</u></b>
2003	\$1,880,256	\$1,754,044	0.9329	\$5,427	\$1,759,471	0.9358
2004	\$2,144,390	\$1,990,690	0.9283	\$10,232	\$2,000,922	0.9331
2005	\$2,436,535	\$2,290,702	0.9401	\$14,777	\$2,305,479	0.9462
2006	\$2,645,191	\$2,529,526	0.9563	\$59,668	\$2,589,194	0.9788
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768
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

Source: Putnam County Tax Collector

Table 7  
City of Palatka

Property Tax Rates - Direct and Overlapping Governments  
Last Ten Fiscal Years  
September 30, 2012

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
2003	7.800	0.000	7.800	8.8000	0.0000	8.8000	8.644	0.760	9.404	0.462	26.466
2004	8.000	0.000	8.000	9.2000	0.0000	9.2000	8.466	0.800	9.266	0.462	26.182
2005	8.000	0.000	8.000	9.2000	0.0000	9.2000	8.310	0.800	9.110	0.462	26.772
2006	8.650	0.000	8.650	9.2000	0.0000	9.2000	7.934	0.600	8.534	0.462	26.846
2007	8.500	0.000	8.500	9.2000	0.0000	9.2000	7.774	0.500	8.274	0.462	24.982
2008	8.500	0.000	8.500	8.5765	0.0000	8.5765	7.494	0.000	7.494	0.4158	24.986
2009	8.650	0.000	8.650	8.5765	0.0000	8.5765	7.705	0.000	7.705	0.4158	25.455
2010	8.650	0.000	8.650	8.5765	0.0000	8.5765	7.813	0.000	7.813	0.4158	25.503
2011	8.650	0.000	8.650	8.5765	0.0000	8.5765	7.457	0.000	7.457	0.4158	25.099
2012	8.650	0.000	8.650	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078

Source: Florida Department of Revenue, St. Johns River Water Management Dis

Table 8  
City of Palatka, Florida

Principal Taxpayers  
Current and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2012</u>			<u>Fiscal Year 2003</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>
Putnam Community Medical Center	\$14,448,614	1	3.71%	\$13,661,362	1	4.97%
Wal-Mart Inc.	\$11,869,249	2	3.05%	\$13,036,168	2	4.74%
Revenue Properties Town & Country	\$8,049,018	3	2.07%	-	-	-
Florida Power & Light	\$6,657,610	4	1.71%	\$7,825,952	4	2.85%
Home Depot U.S.A., Inc.	\$6,122,419	5	1.57%	-	-	-
BellSouth Telecommunications	\$6,076,759	6	1.56%	\$10,388,431	3	3.78%
Lowe's Home Centers, Inc.	\$5,841,381	7	1.50%	-	-	-
Southern Medical Associates, Inc	\$5,013,837	8	1.29%	\$6,223,743	6	2.26%
STAG II Palatka LLC	\$3,939,144	9	1.01%	-	-	-
Palatka Mall, LLC	\$3,837,851	10	0.99%	\$4,333,143	9	1.58%
<b>Total</b>	<b>\$71,855,882</b>		<b>18.48%</b>	<b>\$55,468,799</b>		<b>20.18%</b>

Source: Putnam County Property Appraiser

Table 9  
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding  
Last Ten Fiscal Years  
September 30, 2012

<b>Fiscal year</b>	<b>Tax Increment Bond</b>	<b>Road Improvement Bond</b>	<b>Total</b>	<b>Net GBD to Personal Income</b>	<b>Net GBD Per Capita</b>
2003	\$260,867	\$360,225	\$621,092	0.29%	\$59
2004	\$223,600	\$314,035	\$537,635	0.24%	\$50
2005	\$186,333	\$265,155	\$451,488	0.19%	\$41
2006	\$149,067	\$213,472	\$362,539	0.14%	\$31
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9
2009	\$0	\$37,498	\$37,498	0.01%	\$3
2010	\$0	\$0	\$0	0.00%	\$0
2011	\$0	\$0	\$0	0.00%	\$0
2012	\$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, 2012

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, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Putnam County School District			
SBE 2004-A	\$340,000	11.16%	\$37,932
SBE 2005-A New Money	\$55,000	11.16%	\$6,136
SBE 2005-A Refunding	\$185,000	11.16%	\$20,639
SBE 2005-B	\$195,000	11.16%	\$21,755
SBE 2008-A	\$595,000	11.16%	\$66,380
SBE 2009-A Refunding	\$120,000	11.16%	\$13,388
SBE 2011-A Refunding	\$625,000	11.16%	\$69,727
Putnam County Board of County Commissioners			
Bell South Phone System	\$204,835	11.16%	\$22,852
Caterpillar - Loader	\$18,628	11.16%	\$2,078
Caterpillar - Excavator	\$66,615	11.16%	\$7,432
Caterpillar - Grader	\$70,876	11.16%	\$7,907
Leasing 2 Air Packs	\$283,493	11.16%	\$31,628
Suntrust Vehicles	\$297,232	11.16%	\$33,160
Property - Computers	\$314,334	11.16%	\$35,068
<b>Debt repaid with non-ad valorem taxes</b>			
Putnam County Board of County Commissioners			
Communications Improvemen	\$800,607	13.95%	\$111,661
Office of Tourism, Trade & Economic Development	\$9,305	13.95%	\$1,298
MSBU Special Assessments	\$962,171	13.95%	\$134,194
MSBU Special Assessments	\$315,118	13.95%	\$43,949
<b>Debt repaid with sales surtax revenue</b>			
Putnam County Board of County Commissioners			
Better Place Plan	\$5,670,000	15.37%	\$871,553
Better Place Plan	\$2,265,000	15.37%	\$348,160
<i>Subtotal, overlapping debt</i>			\$1,886,897
<b>City direct debt</b>			<u>\$2,751,937</u>
<b>Total direct and overlapping debt</b>			<u><u>\$4,638,834</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-advaleorem 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			
2003	\$191,100	\$621,092	\$39,376	\$86,282	\$7,093,787	\$51,944	\$8,083,581	3.80%	\$770
2004	\$137,206	\$537,635	\$16,860	\$658,257	\$6,880,708	\$195,163	\$8,425,829	3.76%	\$779
2005	\$85,079	\$451,488	-	\$883,935	\$6,649,458	\$164,416	\$8,234,376	3.47%	\$742
2006	\$25,402	\$362,539	-	\$1,487,045	\$6,414,918	\$127,900	\$8,417,804	3.34%	\$736
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	8.73%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.52%	\$1,763
2011	\$3,056,396	-	-	\$7,761,469	\$7,346,458	-	\$18,164,323	6.22%	\$1,720
2012	\$2,728,652	-	\$23,285	\$7,138,784	\$7,213,044	\$20,260	\$17,124,025	5.94%	\$1,678

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	<u>Airport</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>			<u>Utility</u>	<u>Gross</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>		
	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>	
2003	\$275,335	\$254,434	\$20,901	\$29,751	\$5,169	60.00%	\$3,104,778	\$2,172,018	\$932,760	\$175,000	\$323,503	187.11%	
2004	\$305,496	\$287,618	\$17,878	\$11,381	\$4,115	115.37%	\$3,182,217	\$2,293,009	\$889,208	\$185,000	\$319,711	176.18%	
2005	\$386,028	\$386,746	(\$718)	\$17,369	\$3,503	-103.44%	\$3,216,565	\$2,474,061	\$742,504	\$220,783	\$319,403	137.45%	
2006	\$567,999	\$558,239	\$9,760	\$14,375	\$2,691	57.19%	\$3,299,223	\$2,678,856	\$620,367	\$244,495	\$312,594	111.36%	
2007	\$506,385	\$637,292	(\$130,907)	\$14,375	\$1,899	-904.40%	\$3,801,745	\$2,806,060	\$995,685	\$320,093	\$301,834	160.10%	
2008	\$711,499	\$751,145	(\$39,646)	\$13,551	\$1,257	-367.73%	\$3,714,949	\$2,767,208	\$947,741	\$335,698	\$700,862	91.43%	
2009	\$597,590	\$768,310	(\$170,720)	\$148,564	\$104,919	-167.35%	\$3,891,996	\$2,998,960	\$893,036	\$346,314	\$839,404	75.32%	
2010	\$730,486	\$866,960	(\$136,474)	\$133,333	\$98,103	-158.97%	\$3,886,540	\$3,024,702	\$861,838	\$18,876,104	\$951,673	4.35%	
2011	\$919,491	\$855,822	\$63,669	\$133,333	\$91,056	-71.63%	\$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	-96.59%	\$3,934,698	\$2,991,037	\$943,661	\$372,266	\$443,637	115.66%	

Golf Revenue Bonds						Infrastructure Surtax Revenue Note				
Fiscal Year	<u>Golf</u>	<u>Less</u>	<u>Net</u>	<u>Debt Service</u>			Sales Surtax	<u>Debt Service</u>		
	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>		<u>Principal</u>	<u>Interest</u>	<u>Coverage</u>
2003	\$645,426	\$741,808	(\$96,382)	\$43,740	\$21,376	-248.02%	\$0	\$0	\$0	n/a
2004	\$618,037	\$707,727	(\$89,690)	\$46,190	\$18,926	-237.74%	\$0	\$0	\$0	n/a
2005	\$711,672	\$685,303	\$26,369	\$48,880	\$16,236	40.49%	\$0	\$0	\$0	n/a
2006	\$762,181	\$815,457	(\$53,276)	\$51,683	\$13,433	-181.82%	\$0	\$0	\$0	n/a
2007	\$782,670	\$934,609	(\$151,939)	\$54,622	\$10,493	-333.33%	\$0	\$0	\$0	n/a
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-207.88%	\$802,482	\$0	\$0	n/a
2009	\$726,513	\$722,239	\$4,274	\$28,125	\$111,586	3.06%	\$732,946	\$266,667	\$166,080	169.37%
2010	\$624,462	\$800,372	(\$175,910)	\$62,033	\$107,431	-103.80%	\$715,264	\$266,667	\$152,240	170.75%
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%

Source: Finance department, audited financial statements

Table 14  
City of Palatka, Florida

Demographic Statistics  
Last Ten Fiscal Years  
September 30, 2012

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income(million of dollars) (2)</b>	<b>Per Capita Personal Income (3)</b>	<b>School (4) Enrollment</b>	<b>Unemployment Rate (5)</b>
2003	10,510	\$224	\$21,271	5623	5.7%
2004	10,820	\$235	\$21,699	5716	5.5%
2005	11,100	\$255	\$23,002	5371	4.5%
2006	11,417	\$276	\$24,177	5508	3.8%
2007	11,470	\$286	\$24,907	5555	4.8%
2008	11,264	\$290	\$25,712	4101	7.2%
2009	11,133	\$300	\$26,923	4768	12.3%
2010	10,926	\$295	\$27,024	4860	13.8%
2011	10,558	\$292	\$27,644	5642	11.6%
2012	10,203	\$289	\$28,278	5585	11.8%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2003-2010, 2012), 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 2003 - 2011 are based on per capita personal income data.  
Figures from 2012 are projected estimates based on trend analysis calculations.
- (4) District School Board of Putnam County
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15  
City of Palatka, Florida

Principal Employers  
Current and Nine Years Ago

<b>Employer</b>	<b>Fiscal Year 2012-----</b>			<b>Fiscal Year 2003 -----</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Putnam County School District	1,680	1	32.93%	684	2	13.02%
St. Johns River Water Management	700	2	13.72%	686	1	13.05%
Putnam County Government	600	3	11.76%	656	3	12.48%
Putnam Community Medical Center	520	4	10.19%	533	4	10.14%
St. Johns River Community College	270	5	5.29%	225	7	4.28%
Putnam County Sheriff's Office	260	6	5.10%	-	-	-
Putnam Health Care Center	220	7	4.31%	-	-	-
Alorica	180	8	3.53%	500	6	9.51%
City of Palatka	140	9	2.74%	173	9	3.29%
The Arc of Putnam County	100	10	1.96%	-	-	-
<b>Total</b>	<b>4,670</b>		<b>91.54%</b>	<b>3,457</b>		<b>65.78%</b>

Note: Percentages were derived from 50% of population of the City of Palatka  
Source: Individual employers/Chamber of Commerce

Table 16  
City of Palatka, Florida

Operating Indicators by Function/Program  
Last Ten Fiscal Years

<b>Function/Program</b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>General Government:</b>										
Building permits issued	846	821	982	884	804	621	80	596	618	595
Building inspections conducted	1931	2280	1905	1843	1987	1543	1499	1359	1360	1257
Code enforcements	382	417	532	281	547	311	701	200	165	184
Occupational license issued	973	1016	1014	904	1072	1013	1258	1092	1220	1078
<b>Police:</b>										
Calls for service	26,683	27,132	30,595	36,196	32,350	31,933	31,264	34,559	29,847	32,709
Physical arrests	2,185	1,507	1,989	2,264	2,003	1,798	1,450	1,528	1,119	1,047
Citations	3,282	1,568	1,989	2,747	2,299	1,217	1,269	2,060	1,616	1,660
<b>Fire:</b>										
Emergency responses	1,660	2,189	1,987	1,958	2,063	2,590	2,610	2,412	2,687	2,498
Fires extinguished	999	1,093	1,020	923	721	457	538	98	10	41
<b>Refuse collection:</b>										
Customers	4,985	5,100	4,998	5,062	5,027	4,935	3,469	3,850	3,819	3,869
<b>Other public works:</b>										
Street resurfaced (miles)	2.5	2.5	6	0.0	1.2	0.0	0.0	0.0	0.0	0.0
Potholes repaired	175	150	125	100	100	98	100	100	110	58
<b>Parks and recreation:</b>										
Community center rentals	55	69	75	68	68	142	147	197	58	83
<b>Human Services:</b>										
Interments	131	124	113	150	145	133	103	146	122	107
<b>Water:</b>										
Water main breaks	12	12	12	12	30	16	10	7	16	7
Average daily consumption (thousands of gallons)	1,887	1,727	1,905	2,366	1,735	2,229	2,030	2,000	2,044	1,811
Peak daily consumption (thousands of gallons)	2,883	2,359	2,757	3,189	2,300	2,997	2,870	2,720	2,757	2,908
<b>Wastewater:</b>										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	2,500	2,500	1,940	1,490	2,040
<b>Airport:</b>										
Rentals-T Hangars	49	49	49	49	49	49	54	54	54	54
Building	2	2	2	2	2	1	1	1	1	1
Land leases	2	2	2	2	2	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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	25	25	26	24	22	22	24	24
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	17	17	20	20	20	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	71.18	71.18
Traffic signals	16	16	16	16	22	22	22	22	22	21
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26	26.67
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Community Centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	103	104	105	106	106	106	106	108	108	108
Fire hydrants	440	445	450	455	455	565	570	578	578	578
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:										
Sanitary sewers (miles)	73	74	75	76	80	80	80	80	80	80
Storm sewers (miles)	60	60	60	60	60	60	60	60	60	60
Treatment capacity(millions of gals.)	912	912	912	912	912	1095	1095	1278	1278	1278
Golf Courses:										
Acreage	99	99	99	99	99	99	99	99	99	99
Airports:										
Runways	3	3	3	3	3	3	3	3	3	3

Source:  
Individual departments of the city

Table 18  
City of Palatka, Florida

Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

<u>Function</u>	Full-Time Equivalent Employees(FTE) as of September 30 -----									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Government</b>										
General Administration	8	8	9	9	8	8	9	8	8	8
Attorney	1	1	1	1	1	1	1	1	1	1
General Service Director	0	0	0	1	0	0	0	0	0	0
Mainstreet	1	0	1	1	0	0	1	0	1	1
<b>Public Safety</b>										
Building & Zoning	6	6	6	7	7	6	4	5	4	4
Police Officers	35	33	32	39	39	39	37	36	34	35
Police Clerical	7	8	8	7	7	7	6	6	7	7
Firefighters	17	17	17	20	20	20	23	23	23	23
<b>Transportation</b>										
Streets	9	9	9	9	9	7	6	6	6	6
<b>Human Services</b>										
Cemeteries	4	4	5	5	5	5	4	3	2	2
Culture/Recreation	5	6	6	7	7	7	8	7	5	5
<b>Business Type Activities:</b>										
Airport	3	3	4	4	4	4	3	3	2	3
Water	36	37	36	37	37	37	33	33	31	32
Golf	7	8	8	7	10	9	8	0	0	0
Sanitation	20	19	19	19	19	19	16	14	14	13

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, 2012, and have issued our report thereon dated March 27, 2013.

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

### Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective action have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the accompanying Schedule of Findings and Questioned Costs.

### Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the City has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554. However, as described in condition 12-1 in the accompanying Schedule of Findings and Questioned Costs, there was immaterial noncompliance with certain rate covenants for the Golf and Airport Funds. In addition, the Golf Course Fund incurred net losses of \$410,189 and \$404,090 for 2012 and 2011, respectively. As of September 30, 2012, the Golf Course Fund had approximately \$1,387,000 deficit in unrestricted net assets and \$1,041,000 deficit in total net assets. Other available unassigned and unrestricted resources of the City were sufficient to offset the deficit, but continued use of those resources

strains the general operating reserves of the City. The September 30, 2012 unassigned General Fund fund balance represents only approximately 0.8 months of general operating expenditures, which is below recommended reserves. The City's financial condition should be monitored in the upcoming year to build reserves, ensure that covenants will be met and to prevent reoccurrence of the deficits in the future.

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, 2012, 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, 2012.

Investment of Public Funds

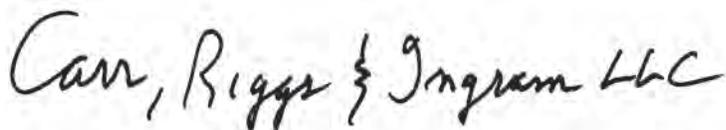
As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. Our audit did not reveal any noncompliance with the provisions of Section 218.415, Florida Statutes.

Other Matters

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

This management letter is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

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

March 27, 2013  
Palatka, Florida

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

The Honorable Mayor and City Commissioners  
City of Palatka, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 27, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

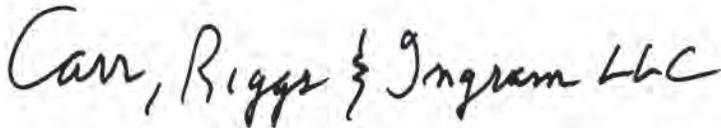
To the Honorable Mayor and City Commissioners  
City of Palatka, Florida  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted instances of immaterial noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as item 12-1.

The City's response to the finding identified in our audit is described in its accompanying letter of response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2013  
Palatka, Florida

**City of Palatka, Florida**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

<u>Federal Awards</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF COMMERCE/NATIONAL TELECOMM</u>			
Passed Through Alachua County:			
Public Safety Interoperable Communications	11.555	-	25,100
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Passed Through State Department of Community Affairs:			
Community Development Block Grant	14.228	11DB-L4-04-64-02-C02	550,237
Economic Development Initiative	14.251	B-10-SP-FL-0128	192,526
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Crime Victim Assistance	16.575	V11045	36,492
Public Safety Partnership and Community Policing Grant	16.710	2009-RK-WX-0247	33,073
Passed Through Florida Department of Law Enforcement:			
Byrne Justice Assistance Grant Program	16.738	2012-JAGC-PUTN-1-C4-027	21,337
Byrne Justice Assistance Grant Program	16.738	2011-DJ-BX-2106	14,118
ARRA-Byrne Justice Assistance Grant Program	16.804	2009-SB-B9-0645	15,116
Cluster Total			<u>50,571</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
FAA Airport Improvement Program	20.106	AIP 3-12-0061-022-2012	121,500
FAA Airport Improvement Program	20.106	AIP 3-12-0061-021-2011	3,367,076
Program Total			<u>3,488,576</u>
Passed Through Florida Department of Transportation:			
Highway Planning and Construction	20.205	AQ605	250,000
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed Through Florida Energy and Climate Commission:			
ARRA-State Energy Program	81.041	ARS027	1,119,425
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
Office of National Drug Control and Policy			
Passed Through St. Johns County:			
High Intensity Drug Trafficking Areas Program	95.001	--	8,068
Assistance to Firefighters Grant	97.044	EMW-2008-FF-00811	53,640
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 5,807,708</u></u>

**City of Palatka, Florida**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended September 30, 2012**

(Concluded)

<u>State Financial Assistance</u>	<u>State CSFA Number</u>	<u>Contract/Grant Number</u>	<u>State Expenditures</u>
<u>STATE DEPARTMENT OF TRANSPORTATION</u>			
Aviation Development Grant – Master Plan	55.004	AQ838	120,000
Aviation Development Grant – Building B-2	55.004	AQ837	40,380
Aviation Development Grant – Equipment Building	55.004	AQ825	67,292
Aviation Development Grant – Security Access Control	55.004	AQ418	59,770
Aviation Development Grant – Runway 9/27	55.004	AQ799	88,607
Aviation Development Grant – Main Access Road	55.004	AQG14	255,753
Aviation Development Grant – Taxiway/Drainage	55.004	AQS66	<u>6,750</u>
 TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			 <u><u>\$ 638,552</u></u>

**Note 1. Significant Accounting Policies**

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

**Note 2. Subrecipients**

The City did not provide awards to subrecipients.

## **Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Project and on Internal Control Over Compliance**

The Honorable Mayor and  
City Commissioners  
City of Palatka, Florida

### Compliance

We have audited the compliance of the City of Palatka, Florida (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the State Projects Compliance Supplement, that could have a direct and material effect on each of its major federal programs and state project for the year ended September 30, 2012. The City's major federal programs and state project are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs and state project are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its major state project for the year ended September 30, 2012.

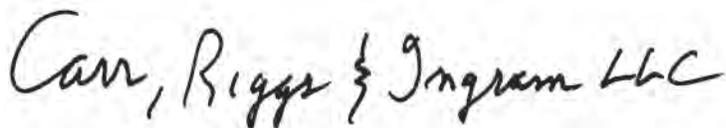
Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of the Honorable Mayor and City Commissioners, management, and oversight agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 27, 2013  
Palatka, Florida

**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2012**

**Part I – Summary of Auditors’ Results**

1. The independent auditors’ report on the financial statements was unqualified.
2. The audit did not report 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 not report any significant deficiencies in internal control over compliance with requirements applicable to the major federal award programs or major state project.
5. The report on compliance with requirements applicable to the major federal award programs and state project expressed an unqualified opinion.
6. No findings were disclosed relative to the major federal programs or state project.
7. The City’s major federal programs and state project were:

	<u>Federal CFDA Number</u>
FAA Airport Improvement Program	20.106
State Energy Program	81.041
	<u>State CSFA Number</u>
Aviation Development Grant	55.004

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs/projects.
9. The City did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

(Continued)

**City of Palatka, Florida**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2012**

**Part II – Financial Statement Findings Section**

12-1 (Reported in previous audit reports as items 11-2 and 10-2.)

*Condition* – As of September 30, 2012, rate covenants on certain debt obligations of the Golf Course and Airport Funds were not met.

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

**Part III – Findings and Questioned Costs – Federal Awards**

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.

**City of Palatka, Florida  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2012**

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

VERNON MYERS  
MAYOR - COMMISSIONER

MARY LAWSON BROWN  
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS  
COMMISSIONER

PHIL LEARY  
COMMISSIONER

JAMES NORWOOD, JR.  
COMMISSIONER



MICHAEL J. CZYMBOR  
CITY MANAGER

BETSY JORDAN DRIGGERS  
CITY CLERK

MATTHEW D. REYNOLDS  
FINANCE DIRECTOR

GARY S. GETCHELL  
CHIEF OF POLICE

MICHAEL LAMBERT  
CHIEF FIRE DEPT

DONALD E. HOLMES  
CITY ATTORNEY

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

March 27, 2013

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

Dear Mr. Martin:

I write to you in response to the findings noted in the audit of the City of Palatka, prepared by Carr, Riggs & Ingram for the year ended in September 30, 2012.

### **Part II – Financial Statement Findings Section**

12-1 *Condition* – As of September 30, 2012, rate covenants on certain debt obligations of the Golf Course and Airport Funds were not met. Similar findings were reported in previous audit reports as items 10-2 and 11-2.

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

*Resolution* – The City has increased hangar rentals rates for the Airport Fund to increase revenues and has also contracted for a lower price to purchase fuel for re-sale which will increase the net profit on the sale of aviation fuel. The City has strived to increase revenues in the Golf Course Fund by increasing fees across the board at the course. The conditions of the course have improved drastically over the past several months which caused the course to realize a steady growth in the rounds played as well as memberships which will generate higher revenues than in previous years.

### **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 style with a long, sweeping tail on the final letter.

Matthew D. Reynolds  
Finance Director