

City of Palatka, Florida
Comprehensive Annual
Financial Report
For the Year Ended September 30, 2019

PREPARED BY:
LOGAN BECKER
FINANCE DIRECTOR

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September 30, 2019**

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MARY LAWSON BROWN
VICE MAYOR –
COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE M. WILLIAMS
COMMISSIONER



TERRILL HILL
MAYOR-COMMISSIONER

DONALD E. HOLMES
CITY MANAGER

LOGAN B. BECKER
FINANCE DIRECTOR

JASON SHAW
CHIEF OF POLICE

KEITH 'JR' GRIMES
CHIEF FIRE DEPT.

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

June 29, 2020

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, 2019.

This report was completed by the Finance Director and City Manager, with close cooperation of the external auditors, Carr, Riggs & Ingram, LLC, and represents the official report of the financial operations and condition of the City of Palatka to its citizens. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal should be read in conjunction with Management's Discussion and Analysis, which can be found beginning on page xvi.

THE REPORTING ENTITY

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,723 residents by providing a full range of municipal services including General Administration, Public Safety, Planning and Zoning, and Community Enrichment and Development. In addition, the City owns a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility systems.

THE REPORTING ENTITY (Concluded)

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

ECONOMIC CONDITION

Palatka's population is 10,723 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2019. During the budget planning for fiscal year 2019-20, the City proposed a General Fund operating budget that was 12% more than the previous year increasing from \$12.279 million to \$13.757 million. The City is currently in year five (5) of implementing a fire service special assessment that resulted in revenues of \$1,319,178 in FY2019. The millage rate remained at 6.4000 mills for the fourth consecutive year. Other revenue sources such as state shared revenues, sales taxes, fuel taxes, and utility taxes increased from the prior year, while franchise fees and communication service taxes decreased from the prior year. The annual transfer from the Palatka Gas Authority was \$176,382 in FY2019 as a result of the same formula used for franchise fees, 5.9% of gross revenues.

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

For the year-ended September 30, 2019, the General Fund total fund balance was \$3,215,419, an increase of just under a million dollars over last year end.

Approximately five percent (5%) of the General Fund total fund balance is non-spendable due to advances to other funds, therefore the City will not have this portion available for use in the immediate future. Restricted and committed fund balances comprise an additional ten percent (10%) of the total fund balance. The remaining unassigned fund balance is 28.6% of the total general fund expenditures, which totals \$2,721,383. This balance is 44% higher than last year and exceeds the minimum balance recommended by the GFOA of approximately 16.67% or two months worth of operating expenditures. The net position of the Enterprise Funds increased by approximately 1.7%.

The City's golf course continues to operate at a financial deficit with money from the general fund being budgeted as a transfer to offset this deficit. In February 2017, the City entered into a franchise lease agreement for the day to day operations of its historic golf course to minimize the operating deficit and reduce the annual transfer. This Franchise Agreement has proven a minimization of operational deficit and resulted in a revenue share of \$7,430 in FY2019.

MAJOR INITIATIVES

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

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

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

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

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

CURRENT PROJECTS

The City's Riverfront property redevelopment and revitalization efforts continue to be a critical and vital improvement project in order to reinvigorate the downtown and CityThe 100 Block remains partially complete with existing ground floor space vacant; the upstairs residential space occupied; and plans still not solidified for the vacant infill lot.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately six point one million dollars (\$6.1 million) of improvements to the Riverfront Park Downtown Area including; road way, storm drainage, parking facilities, landscaping, playground, restroom and shower facilities, and appurtenant facilities. The funding for these improvements has come from the downtown tax increment fund and infrastructure surtax revenues as well as significant grant dollars from various State and Federal sources. The City is in negotiations with a vendor to operate the marina and provide an enhanced level of service and maintenance. The City expects to share in a portion of the vendor's earned revenue.

Public infrastructure and streetscape improvements continue to radiate outward from the Riverfront with the planned improvements to St. Johns Avenue and on-going improvements in the South Historic District.

The City received \$1 million in SJRWMD funding for potable line replacement in the North Historic District and Palatka Heights. This funding has been matched with State Revolving Loan Funds from FDEP and Tax Increment Funds. Since starting in 2018 the City has replaced approximately 29,000 lf of potable water main.

**MAJOR INITIATIVES
(Continued)**

CURRENT PROJECTS (continued)

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

The City has leveraged grant funds from St John's Water Management District and Florida Department of Economic Opportunity CDBG along with Department of Environmental Protection State Revolving Fund Loans to continue the replacement of potable water lines in the Downtown core. Restructured utility rates have provided the necessary debt service payment and funding necessary for engineering and permitting.

A St. Johns River Water Management District grant for \$1.2 million was awarded for the development of a 200+ acre reclaimed disposal site adjacent to the treatment plant. The City finalized an agricultural lease for the 200 acre site that will ensure the beneficial use of reclaimed water and bio-solids on site for agricultural purposes. This lease is expected to generate \$20,000/year.

The City received a \$1.3 million in a State Appropriation for streetscape, pedestrian and cyclist safety improvements on St. Johns Avenue from 5th Street to 13th Street. This project is currently under design through an US EPA Brownfields Grant building upon work performed in a previous Brownfields Assessment Grant Cycle. The project dovetails with the planned potable line replacement for the area.

Through a partnership with Florida Department of Environmental Protection and Florida Rural Water the City has been able to successfully implement a hydrogen peroxide disinfectant treatment process at the R.C. Willis Water Treatment Plant. The project resulted in approximately \$60,000 in annual saving and partially mitigated the creation of THM's in the drinking water distribution system.

The City continues to upgrade the pavement and drainage systems and add new hangar facilities at the airport with the help of Federal Aviation Administration (FAA) and Florida Department of Transportation (FDOT) grants. The rehabilitation of Taxiways A and B is nearing the completion of phase I of improvements to the pavement, drainage, markings and lighting. Phase II will begin within the next fiscal year along with plans to relocate the North end of Runway 17-35 and the Taxiway C-3 connector. The T-Hangar project is now complete with 100% occupancy generating additional revenue. These improvements have enhanced the City's ability to sustain the airport and provide for further development and economic opportunities there. The City has begun to address on and off airport obstructions with assistance from the FAA and FDOT. These improvements are intended to mitigate existing safety concerns and to prepare the airport for possible runway expansion in the future.

**MAJOR INITIATIVES
(Concluded)**

FUTURE PROJECTS

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

The City has evaluated parts of the City's Waste Water Treatment process that produces bio-solids which currently are sent to the County's landfill for disposal. The City is seeking funding from various sources in order to finance the equipment and processes which would produce a class A bio-solid which could be sold for fill and ground cover. The improvements are expected to cost three million dollars with some of the funding expected to come from State and Federal sources.

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

The City continues to field locate all water and sewer assets to maintain the Geographic Information System (GIS) asset management system. The City has submitted two (2) legislative appropriation requests totaling \$3.9 million for potable (drinking) water main line replacement and Wastewater Treatment Plant upgrades. The City plans to replace 40,000 linear feet of potable main lines in the next 3-5 years.

The City anticipates being able to fund 18 miles of potable water main replacement within the next two to three years using multiple State and local funding sources. The City will continue to evaluate any appropriate water and sanitary sewer extensions to the present system to serve new areas and customers outside of the current service limits.

Building off the hydrogen peroxide pilot, the R.C. Willis Water Treatment Plant plans to implement activated carbon filtration. This, along with the wholesale replacement of aging distribution pipes, hydrogen peroxide and other improvements, will further mitigate the formation of THM's in the drinking water system.

Other future projects include two (2) stormwater infrastructure projects to pretreat stormwater runoff prior to it entering the St. Johns River system and the replacement of more than 3,000 linear feet of sidewalks throughout the City in effort to improve walkability and quality of life for our residents.

The City continues to work with Putnam County and Chamber of Commerce representatives to expand utility services in order to promote and facilitate economic development. The City continues to meet with Putnam County to discuss annexation of enclaves around the City and potential utility boundary service areas which could spark and promote economic development in the region. City staff continues to work with Putnam County staff to coordinate joint infrastructure projects and partner on securing funding for improvements within City/County right-of-ways.

FINANCIAL POLICIES

INTERNAL CONTROL STRUCTURE

The City's general governmental fund operations are accounted for by using the modified accrual basis of accounting, with revenues being recognized when they become measurable and available. Expenditures are recorded when goods or services are received and the related liability is incurred. The City's enterprise funds and government wide activities are reported on the accrual basis of accounting.

The City Manager serves as the chief administrative officer of the City. The Finance Director is the financial officer for the City and is responsible for financial accounting and reporting. The Finance Director, in conjunction with the City Manager, 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.

The evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the internal control structure. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

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.

BUDGETARY CONTROL

Budgetary control is maintained at the fund level. The Finance Director may authorize budget transfers between major categories within the departments and between departments and divisions within the same fund. All interfund transfers and budget amendments require prior approval of the City Commission. The Finance Director monitors departmental expenditures on a monthly basis. The City Commission is provided with a quarterly budget status report. Encumbrances lapse at year's end.

Honorable Mayor and
Members of the City Commission
City of Palatka, Florida
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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 auditors' opinion is included in the financial section of this report.

AWARDS

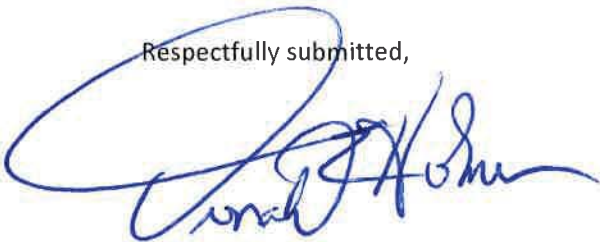
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palatka for its comprehensive annual financial report for the fiscal year ended September 30, 2018. This was the twenty-seventh year in a row that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

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

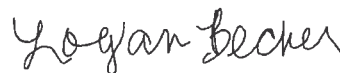
ACKNOWLEDGMENTS

The preparation of this report was accomplished through the efforts and dedication of the City's financial staff. We would also like to thank the members of the City Commission for their interest and support in planning and conducting the fiscal operations of the City of Palatka.

Respectfully submitted,



Donald E. Holmes
City Manager



Logan B. Becker
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, 2018 is presented on the following page.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Palatka
Florida**

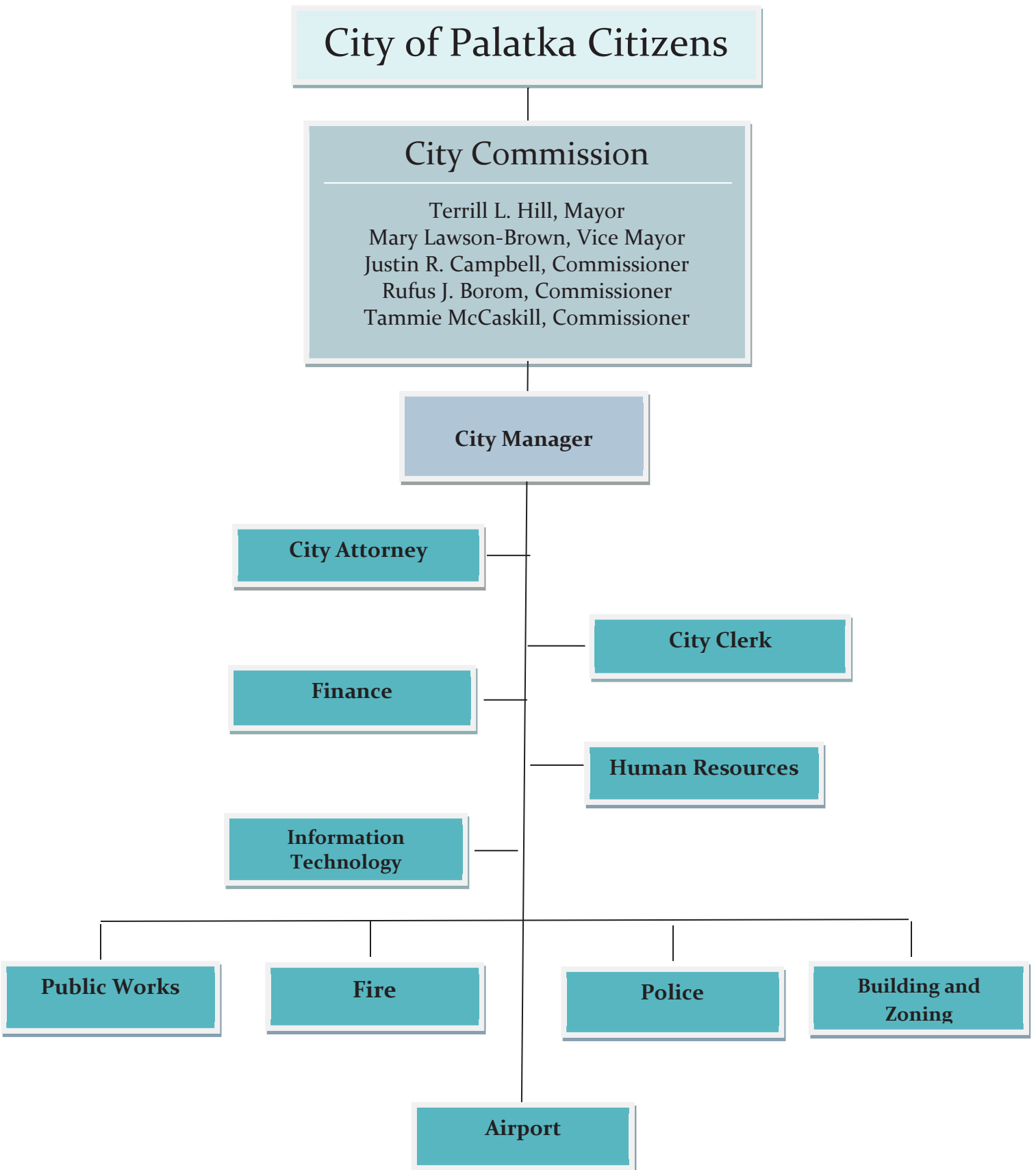
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

City of Palatka
Organizational Chart



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

ELECTED OFFICIALS

Mayor-Commissioner	Terrill Hill
Vice Mayor-Commissioner	Mary Lawson Brown
Commissioner	Tammie McCaskill
Commissioner	Rufus Borom
Commissioner	Justin Campbell

APPOINTED OFFICIALS, as of September 30, 2019

Interim City Manager	Elmon Garner
City Clerk	Betsy Jordan Driggers
Finance Director	Logan B. Becker
City Attorney	Donald E. Holmes
Police Chief	Jason L. Shaw, Sr.
Fire Chief	Keith "JR" Grimes

DEPARTMENT SUPERINTENDENTS

Airport	John Youell
Planning Director	Dean Mimms
Golf	Andy Heartz
Public Works	Jonathan Griffith
Sanitation and Garage Maintenance	Ed Chandler
Streets	Shawn Ladd
Water Treatment Plant	Kayla Wylie
Wastewater Treatment Plant	Brian McCann
Water/Sewer Distribution	Rhett McCamey
Palatka Gas Authority	Brett Dennis

AUDITORS

Carr, Riggs & Ingram, LLC



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
June 29, 2020

City of Palatka
Management's Discussion and Analysis
September 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

Financial Highlights

- The net position of the City at the close of the fiscal year was \$50,111,048. The total unrestricted net position of the City ended the fiscal year at \$(3,861,419).
- The City's total net position increased by \$628,281 (1.27%). Governmental net position decreased by \$23,409 (0.18%) and the Enterprise funds net position increased by \$651,690 (1.80%).
- The total net position of each Enterprise fund was: Water \$17,800,404, Sanitation \$(101,739), Golf \$1,025,558 and Airport \$18,085,289.
- As of September 30, 2019, the City's governmental funds reported combined ending fund balances of \$4,292,903, an increase of \$1,152,379 (36.69%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$2,721,383 or 28.6% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$513,132. Better Place Plan fund balance was \$564,352.
- Net position of the General, Police Officers', and Firefighters' Pension Trust Funds changed by \$(40,759), \$1,994, and \$196,418 respectively.

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 financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison schedules have been provided for the General fund and the Downtown Redevelopment Agency special revenue fund in the required supplementary information section and for the Better Place Plan fund and the other nonmajor governmental fund in the supplementary information section.

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

Proprietary Funds

The City maintains several enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Golf Course, Airport and Sanitation operations, as does the independent Component Unit Palatka 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 and 12 of this report.

Notes to 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 financial statements can be found on pages 13 – 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's net liabilities, contributions and investment returns relating to its pension plans and the City's total liability for other postemployment benefits (OPEB) to its employees. Required supplementary information can be found on pages 47 - 57 of this report.

Supplementary information can be found beginning on page 58 of this report immediately following the required supplementary information.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palatka, assets and deferred outflows exceeded liabilities and deferred inflows by \$50.1 million at the close of the most recent fiscal year. There were deferred inflows of \$522,149 and deferred outflows of \$2,310,149.

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

City of Palatka
Summary of Net Position
September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 4,632,778	\$ 3,518,786	\$ 2,977,329	\$ 2,749,523	\$ 7,610,107	\$ 6,268,309
Capital assets	17,192,683	17,572,194	49,589,448	48,270,946	66,782,131	65,843,140
Total assets	21,825,461	21,090,980	52,566,777	51,020,469	74,392,238	72,111,449
Deferred outflows:						
Deferred outflows - pension	1,704,365	1,491,790	554,353	395,774	2,258,718	1,887,564
Deferred outflows - OPEB	33,322	-	18,109	-	51,431	-
Total deferred outflows	1,737,687	1,491,790	572,462	395,774	2,310,149	1,887,564
Liabilities:						
Long-term liabilities	9,526,894	8,916,343	16,133,114	14,989,092	25,660,008	23,905,435
Other liabilities	224,514	258,049	184,668	254,403	409,182	512,452
Total liabilities	9,751,408	9,174,392	16,317,782	15,243,495	26,069,190	24,417,887
Deferred inflows:						
Deferred inflows - pension	488,288	56,031	-	-	488,288	56,031
Deferred inflows - OPEB	21,916	27,402	11,945	14,926	33,861	42,328
Total deferred inflows	510,204	83,433	11,945	14,926	522,149	98,359
Net position:						
Net investment in capital assets	15,588,396	15,939,443	37,042,784	36,963,783	52,631,180	52,903,226
Restricted	1,333,192	1,021,993	8,095	8,095	1,341,287	1,030,088
Unrestricted	(3,620,052)	(3,636,491)	(241,367)	(814,056)	(3,861,419)	(4,450,547)
Total net position	\$ 13,301,536	\$ 13,324,945	\$ 36,809,512	\$ 36,157,822	\$ 50,111,048	\$ 49,482,767

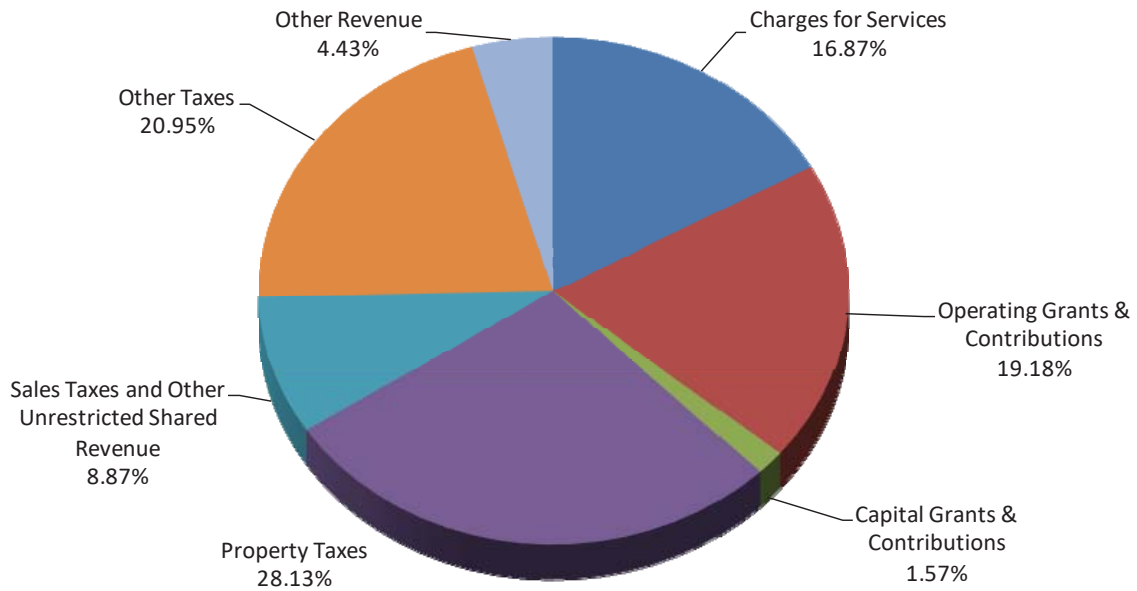
An additional portion of the City's net position \$1.34 million (2.68%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a negative amount of \$3.86 million.

Change in Net Position

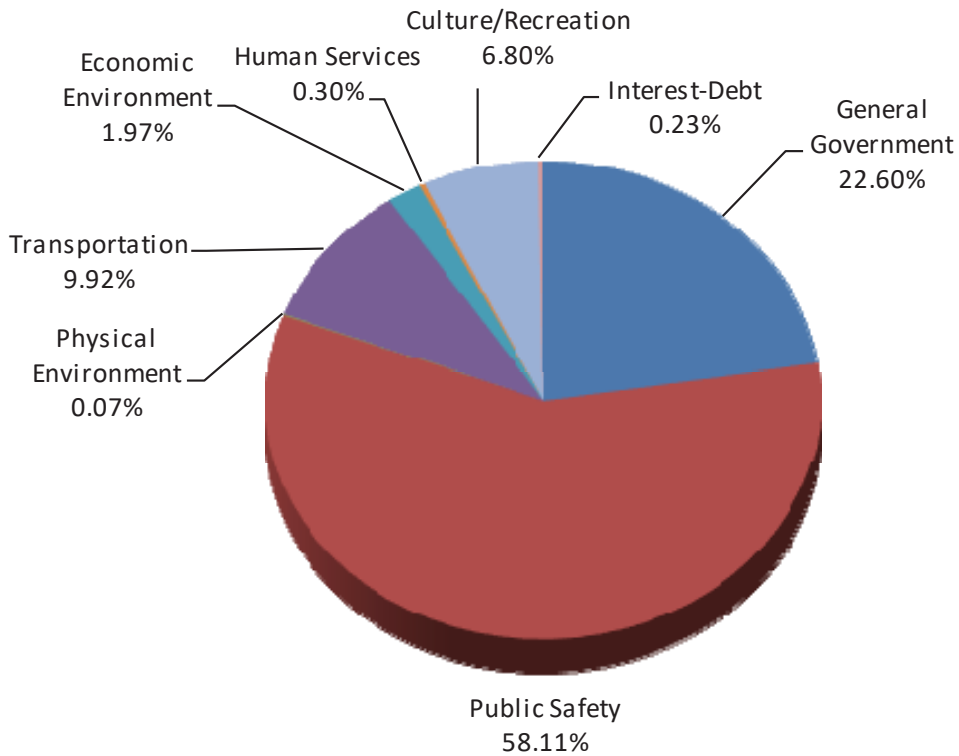
The City's total net position increased \$628,281 over the previous year as a result of a decrease of \$23,409 from governmental activities and an increase of \$651,690 from business-type activities.

City of Palatka						
Changes in Net Position						
For the Years Ended September 30, 2019 and 2018						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,795,912	\$ 2,136,282	\$ 9,204,726	\$ 8,743,541	\$ 11,000,638	\$ 10,879,823
Operating grants & contributions	2,041,573	1,033,856	-	-	2,041,573	1,033,856
Capital grants & contributions	167,338	2,758,409	2,360,920	454,178	2,528,258	3,212,587
General revenues:						
Property taxes	2,993,993	2,817,740	-	-	2,993,993	2,817,740
Sales taxes and other unrestricted shared revenues	944,007	919,960	-	-	944,007	919,960
Other taxes	2,229,601	2,267,722	-	-	2,229,601	2,267,722
Other revenue	471,265	336,730	17,951	11,006	489,216	347,736
Total Revenues	10,643,689	12,270,699	11,583,597	9,208,725	22,227,286	21,479,424
Expenses:						
General government	2,551,615	2,727,715	-	-	2,551,615	2,727,715
Public safety	6,560,527	6,269,939	-	-	6,560,527	6,269,939
Physical environment	7,379	626,037	-	-	7,379	626,037
Transportation	1,120,143	381,563	-	-	1,120,143	381,563
Economic environment	222,250	78,587	-	-	222,250	78,587
Human services	34,219	69,468	-	-	34,219	69,468
Culture/recreation	767,710	1,529,633	-	-	767,710	1,529,633
Interest on long-term debt	26,173	35,048	-	-	26,173	35,048
Water	-	-	6,377,706	5,126,552	6,377,706	5,126,552
Sanitation	-	-	1,925,934	1,965,515	1,925,934	1,965,515
Golf course	-	-	313,114	184,179	313,114	184,179
Airport	-	-	1,692,235	1,658,643	1,692,235	1,658,643
Total Expenses	11,290,016	11,717,990	10,308,989	8,934,889	21,599,005	20,652,879
Incr/(decr) in net position before transfers	(646,327)	552,709	1,274,608	273,836	628,281	826,545
Transfers	622,918	374,746	(622,918)	(374,746)	-	-
Increase/(decrease) in net position	(23,409)	927,455	651,690	(100,910)	628,281	826,545
Net position-beg of year, previously reported	13,324,945	12,625,306	36,157,822	36,346,393	49,482,767	48,971,699
Restatement	-	(227,816)	-	(87,661)	-	(315,477)
Net position-beginning of year, as restated	13,324,945	12,397,490	36,157,822	36,258,732	49,482,767	48,656,222
Net Position-End of Year	\$ 13,301,536	\$ 13,324,945	\$ 36,809,512	\$ 36,157,822	\$ 50,111,048	\$ 49,482,767

**Revenues by Source – Governmental Activities
For the Year Ended September 30, 2019**



**Expenses by Function – Governmental Activities
For the Year Ended September 30, 2019**



Business-type Activities

Business-type activities increased the City’s net position by \$651,690. Key elements of this increase were as follows:

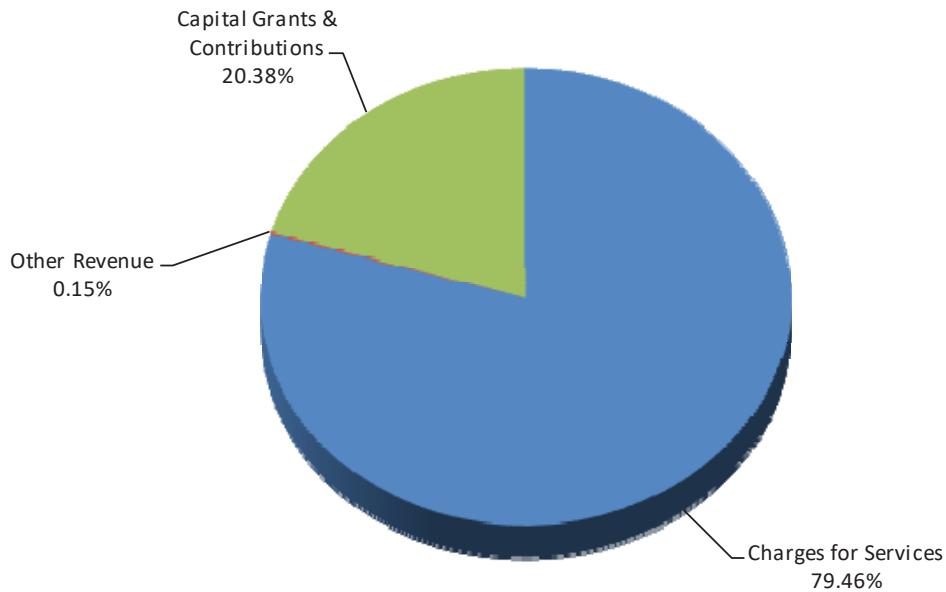
The Water fund had an operating loss of \$(7,910) in addition to net nonoperating expenses of \$347,166 resulting in loss of \$(355,076) before capital contributions and transfers. After capital contributions and transfers, the net position increased by \$954,650. The primary component of the \$2.1 million of capital contributions is related to water management projects. The net position at the end of the fiscal year in the Water fund totaled \$17,800,404.

The Sanitation fund net position increased by \$7,294, effectively breaking even for the year. The net position at the end of the fiscal year in the Sanitation fund was a deficit of \$101,739.

The Golf Course fund net position increased by \$3,004, effectively breaking even for the year, primarily due to transfers of \$221,595 from the General Fund. The net position at the end of the fiscal year in the Golf Course fund was \$1,025,558.

The Airport fund received capital contributions of \$292,910 for various capital projects throughout the fiscal year. These funds were used for projects that included pavement, marking, and lighting rehabilitation of taxiways, taxi lanes, and runways. The operating loss for the Airport which includes depreciation totaled \$739,696. This loss combined with nonoperating expense was partially offset by the capital contributions and transfers, bringing the change in net position of the fund to \$(313,258). The net position at the end of the fiscal year in the Airport fund totaled \$18,085,289.

**Revenues by Source – Business-type Activities
For the Year Ended September 30, 2019**



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 \$4,292,903, an increase of \$1,152,379 (36.69%) in comparison to the prior year. This total includes a nonspendable fund balance of \$162,742, a restricted fund balance of \$1,335,542, a committed fund balance of \$73,236 and an unassigned fund balance of \$2,721,383, 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 \$3,215,419, an increase of \$865,804, from the prior year.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes increased by \$192,136 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.4000 mills, and generated \$2,993,993 which was an increase of \$176,253 from the prior year. The City is in its fourth year of implementing a special assessment for fire protection services that generated \$1,319,178 in revenue.

Total revenues for the General Fund increased by \$39,841 from the prior year, which is essentially status quo.

The General Fund had an increase of \$455,995 in expenditures, which is approximately 5% over the prior year, primarily in general government and transportation.

Unassigned fund balance in the General Fund increased by \$862,211 (29%) from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$513,132, an increase of \$59,666 from the prior year. This increase was the result of a reduced transfer out compared to the prior year.

The Better Place Plan fund ended the fiscal year with a fund balance of \$564,352, an increase of \$226,909 from the prior year. This increase was due to a reduction in expenditures.

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 Fund, 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, 2019, total proprietary fund net position amounted to \$36,809,512.

Water Fund

The Water Fund accounts for operations of the City's water and sewer systems. Operating revenue increased by \$57,468 or 1.0% from the prior year. Operating expenses increased by a total of \$1.3 million or 26.6% from the prior year, primarily related to maintenance and repair projects. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to a negative \$603,638.

Sanitation Fund

There was an increase in operating revenue of \$308,643 or 16.6% from the prior year. Expenses decreased by \$40,949 or 2.1% from the prior year. Unrestricted net position at end of the fiscal year was negative \$305,852.

Golf Course Fund

The City entered into a franchise agreement in February 2017 for operation of the golf course. Operating revenues increased by \$29,592 from the prior year. Operating expenses also increased by \$134,727, primarily due to increased depreciation expense, exceeding operating revenues by \$187,872. Unrestricted net position for the golf course fund ended the fiscal year at \$892,896.

Airport Fund

Operating revenue increased by \$65,482 and operating expenses increased by \$37,480 over the prior year. This resulted in a continued negative unrestricted net position balance of \$224,773 at fiscal year-end.

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

General Fund Budgetary Highlights

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$427,469 more than budgeted, primarily composed of unbudgeted refunds from prior year health insurance claims paid and sale of surplus equipment. The only significant variance in actual versus final budget expenditures was that \$4.3 million reserved for contingencies was unspent.

The only significant amendment to the budget was for a grant-funded road reconstruction project.

Capital Assets and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) September 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Improvements	\$ 3,822,892	\$ 3,366,424	\$ 4,948,677	\$ 4,932,786	\$ 8,771,569	\$ 8,299,210
Buildings and Improvements	3,407,167	4,011,476	15,439,295	16,227,033	18,846,462	20,238,509
Infrastructure	6,820,429	7,035,787	-	-	6,820,429	7,035,787
Furniture and Equipment	2,101,338	2,079,417	2,341,772	2,588,038	4,443,110	4,667,455
Intangibles	31,569	56,474	-	-	31,569	56,474
Water/Sewer Distribution System	-	-	6,750,491	4,705,390	6,750,491	4,705,390
Plant Assets and Equipment	-	-	19,227,998	18,522,252	19,227,998	18,522,252
Construction in Progress	1,009,288	1,022,616	881,215	1,295,447	1,890,503	2,318,063
Total	\$ 17,192,683	\$ 17,572,194	\$ 49,589,448	\$ 48,270,946	\$ 66,782,131	\$ 65,843,140

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, 2019, the governmental capital assets of the City amounted to \$17,192,683, net of depreciation. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at estimated acquisition value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019, (net of accumulated depreciation) amounts to \$66,782,131. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress.

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

- Construction of South District Stormwater Improvements
- Hank Bryan and Booker Park Improvements
- Taxiway A Edge Lighting at Airport
- Airport Security Fencing
- Phase V North Side Potable Line Replacement
- Palatka Heights Potable Line Replacement
- State Road 20 Road Improvements
- Beneficial Reclaimed Water Project

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

Long-term Debt

At the end of the current fiscal year, the City had total debt outstanding of \$13,402,896.

	City of Palatka					
	Long-term Debt Obligations					
	For the Years Ended September 30, 2019 and 2018					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue Bonds	\$ -	\$ -	\$ 6,265,000	\$ 6,445,000	\$ 6,265,000	\$ 6,445,000
Notes Payable	530,628	623,854	4,613,953	4,231,390	5,144,581	4,855,244
Capital Lease Obligations	1,073,659	1,008,897	801,800	630,775	1,875,459	1,639,672
Water/Sewer Agreements	-	-	117,856	117,856	117,856	117,856
Total	\$ 1,604,287	\$ 1,632,751	\$ 11,798,609	\$ 11,425,021	\$ 13,402,896	\$ 13,057,772

The City's total long-term debt increased \$345,124 from the prior year, due to the scheduled repayments of principal, along with the issuance of the following new debt:

- Governmental activities:
 - \$253,966 loan for a road project
 - \$266,559 capital lease for vehicles
- Business-type activities:
 - \$425,554 draw on State Revolving Loan Fund for water projects
 - \$500,000 loan for water infrastructure projects
 - \$153,466 capital lease for golf grounds maintenance equipment
 - \$182,818 capital lease for a sanitation clawshell

Other long-term liability activity included:

- Governmental activities:
 - Obligations for compensated absences increased by 6% or \$23,000.
 - Total OPEB liability increased by \$72,359 (21%) to arrive at a total liability of \$413,131.
 - Net pension liability increased by \$543,656 (8%) to arrive at a total liability of \$7,118,476.
- Business-type activities:
 - Compensated absences increased by 9% or \$19,058.
 - Total OPEB liability increased by \$39,330 (21%) to arrive at a total liability of \$224,944.
 - Net pension liability increased by \$712,046 (22%) to arrive at a total liability of \$3,880,705.

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

Economic Factors and Next Year's Budgets and Rates

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

For the FY 2019-2020 budget, City staff proposed a balanced General Fund budget without the use of reserves to balance the budget. The City Commission kept the City's millage rate the same as FY 2018-2019, 6.4000 mills. The inclusion of the annual special assessment for fire protection services allows for the millage rate to avoid an increase.

Water and sewer rates were increased by to accommodate for inflation resulting in the Utility Fund budget being balanced with some funds anticipated to be put into reserves. Solid waste rates were also increased to ensure the long-term sustainability of the fund. These increases, along with the anticipation of increasing rates routinely in future fiscal years, are necessary in order to maintain capital replacements.

The City continues to assess various cost cutting and revenue enhancing activities at the Palatka Municipal Airport in order to move this community asset toward financial solvency. Rehabilitation of markings, lighting, and pavement on runways, taxiways, and taxi-lanes with 100% grant funding.

Request for Information

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

City of Palatka, Florida

Statement of Net Position
September 30, 2019

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Palatka Gas Authority
Assets				
Cash and equivalents	\$ 3,745,472	\$ 1,080,039	\$ 4,825,511	\$ 537,386
Investments	-	-	-	1,110,231
Accounts receivable, net	46,131	647,605	693,736	200,742
Internal balances	705,527	(705,527)	-	-
Due from other governments	135,648	1,164,767	1,300,415	-
Inventory	-	207,807	207,807	94,736
Restricted cash and equivalents	-	87,673	87,673	-
Restricted investments	-	494,965	494,965	1,109,691
Capital assets:				
Nondepreciable	4,832,180	5,829,892	10,662,072	211,543
Depreciable, net	12,360,503	43,759,556	56,120,059	5,702,272
Total assets	21,825,461	52,566,777	74,392,238	8,966,601
Deferred outflows of resources				
Pension related	1,704,365	554,353	2,258,718	236,300
OPEB related	33,322	18,109	51,431	4,709
Total deferred outflows of resources	1,737,687	572,462	2,310,149	241,009
Liabilities				
Accounts payable and accrued liabilities	215,862	147,032	362,894	67,388
Deposits	8,652	37,636	46,288	1,109,691
Due to other governments	-	-	-	670,833
Noncurrent liabilities:				
Due within one year	499,290	1,059,477	1,558,767	21,727
Due in more than one year	9,027,604	15,073,637	24,101,241	1,729,203
Total liabilities	9,751,408	16,317,782	26,069,190	3,598,842
Deferred inflows of resources				
Pension related	488,288	-	488,288	-
OPEB related	21,916	11,945	33,861	3,107
Total deferred inflows of resources	510,204	11,945	522,149	3,107
Net position				
Net investment in capital assets	15,588,396	37,042,784	52,631,180	5,913,815
Restricted for:				
Law enforcement	73,209	-	73,209	-
Fire safety education	47,568	-	47,568	-
Fire protection	5,841	-	5,841	-
Cemetery improvements	129,090	-	129,090	-
Capital projects	564,352	-	564,352	-
Downtown redevelopment	513,132	-	513,132	-
Capital projects	-	8,095	8,095	-
Unrestricted	(3,620,052)	(241,367)	(3,861,419)	(308,154)
Total net position	\$ 13,301,536	\$ 36,809,512	\$ 50,111,048	\$ 5,605,661

See accompanying notes.

Statement of Activities
Year ended September 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Palatka Gas Authority
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 2,551,615	\$ 98,531	\$ -	\$ -	\$ (2,453,084)	\$ -	\$ (2,453,084)	\$ -
Public safety	6,560,527	1,556,549	238,755	1,151	(4,764,072)	-	(4,764,072)	-
Physical environment	7,379	-	-	66,187	58,808	-	58,808	-
Transportation	1,120,143	51,654	666,931	-	(401,558)	-	(401,558)	-
Economic environment	222,250	-	1,051,839	100,000	929,589	-	929,589	-
Human services	34,219	63,746	4,750	-	34,277	-	34,277	-
Culture and recreation	767,710	25,432	79,298	-	(662,980)	-	(662,980)	-
Interest on long-term debt	26,173	-	-	-	(26,173)	-	(26,173)	-
Total governmental activities	11,290,016	1,795,912	2,041,573	167,338	(7,285,193)	-	(7,285,193)	-
Business-type activities:								
Water	6,377,706	6,007,511	-	2,068,010	-	1,697,815	1,697,815	-
Sanitation	1,925,934	2,169,518	-	-	-	243,584	243,584	-
Golf course	313,114	94,760	-	-	-	(218,354)	(218,354)	-
Airport	1,692,235	932,937	-	292,910	-	(466,388)	(466,388)	-
Total business-type activities	10,308,989	9,204,726	-	2,360,920	-	1,256,657	1,256,657	-
Total primary government	\$ 21,599,005	\$ 11,000,638	\$ 2,041,573	\$ 2,528,258	(7,285,193)	1,256,657	(6,028,536)	-
Component unit								
Palatka gas authority	\$ 2,527,642	\$ 2,481,124	\$ -	\$ -	-	-	-	(46,518)
General revenues and transfers								
General revenues:								
Property taxes					2,993,993	-	2,993,993	-
Sales tax and intergovernmental unrestricted shared revenues					944,007	-	944,007	-
Franchise taxes					744,975	-	744,975	-
Utility taxes					1,185,666	-	1,185,666	-
Communications service tax					298,960	-	298,960	-
Investment earnings					40,053	10,809	50,862	16,741
Contribution from component unit					176,382	-	176,382	-
Miscellaneous					254,830	7,142	261,972	125
Transfers					622,918	(622,918)	-	-
Total general revenues and transfers					7,261,784	(604,967)	6,656,817	16,866
Change in net position					(23,409)	651,690	628,281	(29,652)
Net position-beginning of year					13,324,945	36,157,822	49,482,767	5,635,313
Net position-end of year					\$ 13,301,536	\$ 36,809,512	\$ 50,111,048	\$ 5,605,661

See accompanying notes.

City of Palatka, Florida

Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Nonmajor Governmental Fund CDBG	Total Governmental Funds
Assets					
Cash and equivalents	\$ 2,656,633	\$ 524,202	\$ 564,637	\$ -	\$ 3,745,472
Accounts receivable	36,686	-	9,445	-	46,131
Due from other funds	542,785	-	-	-	542,785
Due from other governments	29,732	-	105,916	-	135,648
Long-term advances to other funds	162,742	-	-	-	162,742
Total assets	\$ 3,428,578	\$ 524,202	\$ 679,998	\$ -	\$ 4,632,778
Liabilities					
Accounts payable and accrued liabilities	\$ 183,627	\$ 11,070	\$ 285	\$ -	\$ 194,982
Unearned revenue	20,880	-	-	-	20,880
Deposits	8,652	-	-	-	8,652
Total liabilities	213,159	11,070	285	-	224,514
Deferred inflow of resources					
Unavailable revenue	-	-	115,361	-	115,361
Fund balances					
Nonspendable	162,742	-	-	-	162,742
Restricted	258,058	513,132	564,352	-	1,335,542
Committed	73,236	-	-	-	73,236
Unassigned	2,721,383	-	-	-	2,721,383
Total fund balances	3,215,419	513,132	564,352	-	4,292,903
Total liabilities, deferred inflows of resources and fund balances	\$ 3,428,578	\$ 524,202	\$ 679,998	\$ -	\$ 4,632,778

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2019**

Fund balances – total governmental funds	\$	4,292,903
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the governmental funds.		
Capital assets, net		17,192,683
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(530,628)
Capital leases		(1,073,659)
Compensated absences		(391,000)
Total OPEB liability		(413,131)
Net pension liability		(7,118,476)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.		
Unavailable revenue		115,361
Deferred outflows and inflows associated with pensions and OPEB are not reported in the governmental funds.		
Deferred outflows - pensions		1,704,365
Deferred inflows - pensions		(488,288)
Deferred outflows - OPEB		33,322
Deferred inflows - OPEB		(21,916)
Net position of governmental activities	\$	13,301,536

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2019

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Nonmajor Governmental Fund CDBG	Total Governmental Funds
Revenues					
Taxes	\$ 4,786,116	\$ 469,260	\$ 957,089	\$ -	\$ 6,212,465
Permits, fees and special assessments	2,074,289	-	-	-	2,074,289
Intergovernmental	1,191,953	-	166,187	-	1,358,140
Charges for services	277,697	-	-	-	277,697
Fines and forfeitures	41,873	-	-	-	41,873
Miscellaneous	764,043	10,553	-	6	774,602
Total revenues	9,135,971	479,813	1,123,276	6	10,739,066
Expenditures					
Current:					
General government	1,649,879	-	470,118	-	2,119,997
Public safety	5,957,234	-	-	-	5,957,234
Physical environment	467	-	-	-	467
Transportation	1,049,281	-	-	-	1,049,281
Economic environment	-	298,292	-	-	298,292
Human services	34,219	-	-	-	34,219
Culture and recreation	627,325	-	68,160	-	695,485
Debt service:					
Principal retirement	201,797	-	347,192	-	548,989
Interest and fiscal charges	8,901	-	17,272	-	26,173
Total expenditures	9,529,103	298,292	902,742	-	10,730,137
Excess of revenues over (under) expenditures	(393,132)	181,521	220,534	6	8,929
Other financing sources (uses)					
Transfers in	1,166,366	-	6,375	-	1,172,741
Transfers out	(427,962)	(121,855)	-	(6)	(549,823)
Issuance of debt	253,966	-	-	-	253,966
Capital lease issuance	266,566	-	-	-	266,566
Total other financing sources (uses)	1,258,936	(121,855)	6,375	(6)	1,143,450
Net change in fund balances	865,804	59,666	226,909	-	1,152,379
Fund balances – beginning of year	2,349,615	453,466	337,443	-	3,140,524
Fund balances – end of year	\$ 3,215,419	\$ 513,132	\$ 564,352	\$ -	\$ 4,292,903

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
Year ended September 30, 2019**

Net change in fund balances – total governmental funds \$ 1,152,379

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	673,226
Loss on disposal of capital assets	(90,536)
Current year depreciation expense	(962,201)

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

Notes payable	(253,966)
Capital lease	(266,559)

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

Principal retirement	548,989
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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	(23,000)
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The timing of revenue recognition sometimes differs between governmental funds and governmental activities.

Change in unavailable revenue	(4,852)
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Net changes in net pension liability and total OPEB liability and related deferred outflows and inflows are reported in the statement of activities but not in the governmental funds.

Net pension liability	(543,656)
Deferred outflows-pension	212,575
Deferred inflows-pension	(432,257)
Total OPEB liability	(72,359)
Deferred outflows-OPEB	33,322
Deferred inflows-OPEB	5,486

Change in net position of governmental activities **\$ (23,409)**

See accompanying notes.

City of Palatka, Florida

Statement of Net Position
Proprietary Funds
September 30, 2019

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 226,940	\$ 849,084	\$ 3,715	\$ 300	\$ 1,080,039
Restricted cash and equivalents	52,007	-	14,277	13,294	79,578
Accounts receivable, net	496,150	128,756	9,674	13,025	647,605
Due from other governments	939,490	-	-	225,277	1,164,767
Inventory	159,901	-	-	47,906	207,807
Total current assets	1,874,488	977,840	27,666	299,802	3,179,796
Noncurrent assets					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	494,965	-	-	-	494,965
Capital assets, net	28,103,900	873,251	1,747,235	18,865,062	49,589,448
Total noncurrent assets	28,606,960	873,251	1,747,235	18,865,062	50,092,508
Total assets	30,481,448	1,851,091	1,774,901	19,164,864	53,272,304
Deferred outflows of resources					
Pension related	342,691	180,305	-	31,357	554,353
OPEB related	10,866	6,519	-	724	18,109
Total deferred outflows of resources	353,557	186,824	-	32,081	572,462
Current liabilities					
Accounts payable and accrued liabilities	96,236	44,970	681	5,145	147,032
Due to other funds	426,111	-	-	116,674	542,785
Deposits	11,370	-	-	26,266	37,636
Current portion of long-term liabilities	513,126	226,134	167,134	153,083	1,059,477
Total current liabilities	1,046,843	271,104	167,815	301,168	1,786,930
Noncurrent liabilities					
Total OPEB liability	135,079	80,821	-	9,044	224,944
Net pension liability	2,398,981	1,262,209	-	219,515	3,880,705
Advances from other funds	-	-	-	162,742	162,742
Other long-term liabilities	9,446,522	521,233	581,528	418,705	10,967,988
Total noncurrent liabilities	11,980,582	1,864,263	581,528	810,006	15,236,379
Total liabilities	13,027,425	2,135,367	749,343	1,111,174	17,023,309
Deferred inflows of resources					
OPEB related	7,176	4,287	-	482	11,945
Net position					
Net investment in capital assets	18,395,947	204,113	132,662	18,310,062	37,042,784
Restricted for capital projects	8,095	-	-	-	8,095
Unrestricted	(603,638)	(305,852)	892,896	(224,773)	(241,367)
Total net position	\$ 17,800,404	\$ (101,739)	\$ 1,025,558	\$ 18,085,289	\$ 36,809,512

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2019

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 6,005,861	\$ 2,162,498	\$ -	\$ 916,051	\$ 9,084,410
Other operating revenues	1,650	7,020	94,760	16,886	120,316
Total operating revenues	6,007,511	2,169,518	94,760	932,937	9,204,726
Operating expenses					
Personal services	2,321,902	1,097,363	-	163,049	3,582,314
Physical environment	1,389,900	2,237	-	-	1,392,137
Operating expenses	1,382,076	616,042	116,009	750,368	2,864,495
Depreciation	921,543	195,403	166,623	759,216	2,042,785
Total operating expenses	6,015,421	1,911,045	282,632	1,672,633	9,881,731
Operating income (loss)	(7,910)	258,473	(187,872)	(739,696)	(677,005)
Nonoperating revenues (expenses)					
Investment earnings	10,809	-	-	-	10,809
Interest expense	(362,285)	(14,889)	(30,482)	(19,602)	(427,258)
Sale of surplus property	4,310	2,832	-	-	7,142
Total nonoperating revenues (expenses)	(347,166)	(12,057)	(30,482)	(19,602)	(409,307)
Income (loss) before capital contributions and transfers	(355,076)	246,416	(218,354)	(759,298)	(1,086,312)
Capital contributions and transfers					
Capital contributions	2,068,010	-	-	292,910	2,360,920
Transfers in	35,000	-	221,595	204,244	460,839
Transfers out	(793,284)	(239,122)	(237)	(51,114)	(1,083,757)
Total capital contributions and transfers	1,309,726	(239,122)	221,358	446,040	1,738,002
Change in net position	954,650	7,294	3,004	(313,258)	651,690
Net position-beginning of year	16,845,754	(109,033)	1,022,554	18,398,547	36,157,822
Net position-end of year	\$ 17,800,404	\$ (101,739)	\$ 1,025,558	\$ 18,085,289	\$ 36,809,512

See accompanying notes.

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2019

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 5,016,901	\$ 2,158,096	\$ 88,436	\$ 810,775	\$ 8,074,208
Payments to suppliers	(2,373,877)	(608,367)	(116,686)	(665,490)	(3,764,420)
Payments to employees	(1,882,743)	(926,051)	-	(142,343)	(2,951,137)
Net cash provided (used) by operating activities	760,281	623,678	(28,250)	2,942	1,358,651
Noncapital financing activities					
Transfers in	35,000	-	221,595	204,244	460,839
Transfers out	(793,284)	(239,122)	(237)	(51,114)	(1,083,757)
Net cash provided (used) by noncapital financing activities	(758,284)	(239,122)	221,358	153,130	(622,918)
Capital and related financing activities					
Capital contributions	2,068,010	-	-	292,910	2,360,920
Acquisitions of capital assets	(2,964,260)	-	(153,466)	(292,910)	(3,410,636)
Sale of surplus property	4,310	2,832	-	-	7,142
Debt issuance	925,554	182,818	153,466	-	1,261,838
Principal paid on debt	(447,991)	(144,450)	(158,804)	(137,000)	(888,245)
Interest paid on debt	(362,285)	(14,889)	(30,482)	(19,602)	(427,258)
Net cash provided (used) by capital and related financing activities	(776,662)	26,311	(189,286)	(156,602)	(1,096,239)
Investing activities					
Purchase of investments	(10,719)	-	-	-	(10,719)
Interest received	10,809	-	-	-	10,809
Net cash provided by investing activities	90	-	-	-	90
Change in cash and equivalents	(774,575)	410,867	3,822	(530)	(360,416)
Cash and equivalents – beginning of year	1,061,617	438,217	14,170	14,124	1,528,128
Cash and equivalents – end of year	\$ 287,042	\$ 849,084	\$ 17,992	\$ 13,594	\$ 1,167,712

See accompanying notes.

**Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2019**

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ (7,910)	\$ 258,473	\$ (187,872)	\$ (739,696)	\$ (677,005)
Depreciation	921,543	195,403	166,623	759,216	2,042,785
Change in:					
Accounts receivable, net	(91,181)	(11,422)	(6,324)	(4,385)	(113,312)
Due from other governments	(886,352)	-	-	(118,477)	(1,004,829)
Inventory	(1,790)	-	-	(357)	(2,147)
Deferred outflows	(113,877)	(54,877)	-	(7,934)	(176,688)
Accounts payable and accrued liabilities	(24,289)	11,196	(677)	(70,513)	(84,283)
Due to other funds	426,111	-	-	156,525	582,636
Compensated absences	12,827	6,008	-	221	19,056
Total OPEB liability	23,596	14,158	-	1,573	39,327
Customer deposits	(14,950)	-	-	700	(14,250)
Net pension liability	516,469	205,812	-	26,188	748,469
Deferred inflows	(1,789)	(1,073)	-	(119)	(2,981)
Net cash provided (used) by operating activities	\$ 760,281	\$ 623,678	\$ (28,250)	\$ 2,942	\$ 1,358,651

(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2019

Assets

Investments:

Money market and other cash equivalents	\$ 612,160
Government bonds and notes	1,883,113
Government agencies	1,502,555
Corporate bonds and notes	999,079
Mutual funds - fixed income	10,785,298
Mutual funds - equities	21,424,962

Total investments	37,207,167
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Accounts receivable	342,055
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Total assets	37,549,222
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Liabilities

26,101

Net position

Restricted for pension benefits	\$ 37,523,121
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See accompanying notes.

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2019**

Additions

Contributions		
Employer	\$	1,794,917
Member		369,981
State on behalf, through general fund		143,797
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Total contributions		2,308,695
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Investment income		
Net appreciation in fair value of investments		295,164
Interest		163,362
Dividends		1,147,534
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Less investment management fee		153,551
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Net investment income		1,452,509
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Total additions		3,761,204
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Deductions		
Member benefits		3,436,152
Withdrawals		79,862
Administrative expense		87,537
<hr/>		
Total deductions		3,603,551
<hr/>		
Change in net position		157,653
<hr/>		
Net position restricted for pension benefits, beginning of year		37,365,468
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Net position restricted for pension benefits, end of year	\$	37,523,121
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See accompanying notes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Blended Component Unit

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

Discretely Presented Component Unit

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

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

The Palatka Gas Authority
518 Main Street
Palatka, Florida 32177

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Organization

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

Joint Ventures

The City did not participate in any joint ventures during the 2018-2019 fiscal year.

Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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, which is operated by a third-party vendor.

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

The City has one nonmajor governmental fund.

Additionally, the City reports the following fiduciary funds:

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

Measurement Focus and Basis of Accounting

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

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

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the Enterprise Funds are net of a \$52,500 allowance. Accounts receivable of the Gas Authority are net of \$17,780 allowance.

Investments

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

Inventories

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

Long-term Receivables

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheet, without regard to the fund's measurement focus. However, special reporting treatment is used to indicate that these receivables are not considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans and advances receivable are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition value at the date of contribution. The City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than intangible assets and infrastructure. Intangible assets, such as computer software, have a capitalization threshold of \$10,000. General infrastructure assets, such as dirt to pavement roads, mill and resurface road projects and all sidewalk projects, have a capitalization threshold of \$100,000.

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Years
Buildings and improvements	30
Furniture and equipment	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 2019.

Claims and Judgments

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Compensated Absences

The City’s policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In prior years, compensated absence liabilities associated with governmental funds were liquidated by the General Fund and Downtown Redevelopment Agency Fund, the funds that incurred the liabilities.

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2019, property taxes receivable was not material.

Details of the City’s tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Pensions

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

Deferred Outflow/ Inflows of Resources

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

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

Restricted Net Position

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

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

The City has no net position restricted by enabling legislation.

Fund Balance

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

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Unit
Statement of net position:		
Cash and equivalents	\$ 4,825,511	\$ 537,386
Investments	-	1,110,231
Restricted cash and equivalents	87,673	-
Restricted investments	494,965	1,109,691
Statement of fiduciary net position:		
Money market and other cash equivalents	\$ 612,160	
Investments	36,595,007	-
Total deposits and investments	\$ 42,615,316	\$ 2,757,308

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Primary Government	Component Unit
Deposits with financial institutions, including certificates of deposit	\$ 5,525,344	\$ 2,757,308
Investments - other than pension	494,965	-
Investments - pension	36,595,007	-
Total deposits and investments	\$ 42,615,316	\$ 2,757,308

Deposits

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

Investments

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

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

The City’s investments at September 30, 2019 are summarized in the following table:

	Maturities				
	0-5 yrs	5-10 yrs	10+ yrs	n/a	
Pension investments:					
Government bonds and notes	\$ 1,883,113	\$ 875,469	\$ 561,095	\$ 446,549	\$ -
Government agencies	1,502,555	11,563	793,090	697,902	-
Corporate bonds and notes	999,079	270,185	642,520	86,374	-
Mutual funds (fixed income)	10,785,298	-	-	-	10,785,298
Mutual funds (equities)	21,424,962	-	-	-	21,424,962
Total pension investments	36,595,007	1,157,217	1,996,705	1,230,825	32,210,260
Other investments:					
Government bonds and notes	494,965	494,965	-	-	-
Total	\$ 37,089,972	\$ 1,652,182	\$ 1,996,705	\$ 1,230,825	\$ 32,210,260

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Corporate Bonds and Notes		Government Agencies	
Aaa	9%	Aaa	100%
A1	10%	-	-
A2	17%	-	-
A3	44%	-	-
BAA1	6%	-	-
BAA2	14%	-	-
Not rated	-	Not rated	-
	100%		100%

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

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

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

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

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

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

The policies of the General Pension Plan place restrictions on investments, including limits as to quality ratings of at least Standard & Poor’s A1 or Moody’s P-1 for cash instruments; Standard and Poor’s BBB or Moody’s Baa for bonds or other evidences of indebtedness; corporations listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market for equities; real estate investments (REITs) that trade on a major exchange; or obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

Notes to Financial Statements

NOTE 3 – FAIR VALUE MEASUREMENTS

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

The City has the following recurring fair value measurements as of September 30, 2019:

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Government bonds and notes	\$ 1,883,113	\$ 1,883,113	\$ -	\$ -
Government agencies	1,502,555	-	1,502,555	-
Corporate bonds and notes	999,079	530,851	468,228	-
Mutual funds (fixed income)	10,785,298	10,785,298	-	-
Mutual funds (equities)	21,424,962	18,237,960	3,187,002	-
Total pension investments	36,595,007	31,437,222	5,157,785	-
Other investments:				
Government bond and notes	494,965	494,965	-	-
Total investments	\$ 37,089,972	\$ 31,932,187	\$ 5,157,785	\$ -

Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2019, interfund balances consisted of:

- A long-term advance from the General Fund to the Airport Fund of \$162,742.
- A temporary loan from the General Fund to the Water Fund of \$426,111, expected to be repaid within the next fiscal year.
- A temporary loan from the General Fund to the Airport Fund of \$116,674, expected to be repaid within the next fiscal year.

Interfund transfers for the year ended September 30, 2019 consisted of the following:

Transfers from:	General fund	Downtown redev. fund	CDBG	Water	Sanitation	Golf Course	Airport	Total
Transfers to:								
General fund	\$ -	\$ 86,855	\$ -	\$ 791,161	\$ 236,999	\$ 237	\$ 51,114	\$ 1,166,366
Better place plan fund	2,123	-	6	2,123	2,123	-	-	6,375
Water fund	-	35,000	-	-	-	-	-	35,000
Golf course fund	221,595	-	-	-	-	-	-	221,595
Airport fund	204,244	-	-	-	-	-	-	204,244
Total	\$ 427,962	\$ 121,855	\$ 6	\$ 793,284	\$ 239,122	\$ 237	\$ 51,114	\$ 1,633,580

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

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS ACTIVITY

During the year ended September 30, 2019, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2018	Increases	Decreases	Reclassifications	Balance September 30, 2019
Governmental activities					
Capital assets not being depreciated:					
Land and improvements	\$ 3,366,424	\$ 129,271	\$ -	\$ 327,197	\$ 3,822,892
Construction in progress	1,022,616	130	-	(13,458)	1,009,288
Total capital assets not being depreciated	4,389,040	129,401	-	313,739	4,832,180
Capital assets being depreciated:					
Buildings and improvements	8,822,093	-	-	(313,739)	8,508,354
Infrastructure	15,430,572	9,315	-	-	15,439,887
Furniture and equipment	5,593,007	534,510	1,061,004	-	5,066,513
Intangibles	247,544	-	-	-	247,544
Total capital assets being depreciated	30,093,216	543,825	1,061,004	(313,739)	29,262,298
Less accumulated depreciation for:					
Buildings and improvements	4,810,617	290,570	-	-	5,101,187
Infrastructure	8,394,785	224,673	-	-	8,619,458
Furniture and equipment	3,513,590	422,053	970,468	-	2,965,175
Intangibles	191,070	24,905	-	-	215,975
Total accumulated depreciation	16,910,062	962,201	970,468	-	16,901,795
Total capital assets being depreciated, net	13,183,154	(418,376)	90,536	(313,739)	12,360,503
Governmental activities capital assets, net	\$ 17,572,194	\$ (288,975)	\$ 90,536	\$ -	\$ 17,192,683

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

Governmental activities:	
General government	\$ 345,522
Public safety	263,146
Transportation	164,112
Human services	6,912
Culture and recreation	182,509
Total depreciation expense - governmental activities	\$ 962,201

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2018	Increases	Decreases	Reclassifications	Balance September 30, 2019
Business-type activities					
Capital assets not being depreciated:					
Land and improvements	\$ 4,932,786	\$ 15,891	\$ -	\$ -	\$ 4,948,677
Construction in progress	1,295,447	600,166	1,038,851	24,453	881,215
Total capital assets not being depreciated	6,228,233	616,057	1,038,851	24,453	5,829,892
Capital assets being depreciated:					
Buildings and improvements	25,468,316	-	1,596	-	25,466,720
Furniture and equipment	5,092,049	233,052	405,183	(24,453)	4,895,465
Water and sewer distribution system	9,888,699	2,256,706	-	-	12,145,405
Plant assets and equipment	34,871,286	1,294,323	-	-	36,165,609
Total capital assets being depreciated	75,320,350	3,784,081	406,779	(24,453)	78,673,199
Less accumulated depreciation for:					
Building and improvements	9,241,283	787,738	1,596	-	10,027,425
Furniture and equipment	2,504,011	454,865	405,183	-	2,553,693
Water and sewer distribution system	5,183,309	211,605	-	-	5,394,914
Plant assets and equipment	16,349,034	588,577	-	-	16,937,611
Total accumulated depreciation	33,277,637	2,042,785	406,779	-	34,913,643
Total capital assets being depreciated, net	42,042,713	1,741,296	-	(24,453)	43,759,556
Business-type activities capital assets, net	\$ 48,270,946	\$ 2,357,353	\$ 1,038,851	\$ -	\$ 49,589,448

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

Business-type activities:	
Water	\$ 921,543
Sanitation	195,403
Golf course	166,623
Airport	759,216
Total depreciation expense - business-type activities	\$ 2,042,785

Notes to Financial Statements

NOTE 5 – CAPITAL ASSETS ACTIVITY (CONTINUED)

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2019 follows:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
Capital assets being depreciated:				
Buildings and improvements	1,427,784	3,005	-	1,430,789
Furniture and equipment	1,030,123	149,014	-	1,179,137
Plant assets and equipment	6,801,591	273,064	-	7,074,655
Total capital assets being depreciated	9,259,498	425,083	-	9,684,581
Less accumulated depreciation for:				
Buildings and improvements	394,458	36,289	-	430,747
Furniture and equipment	705,306	101,562	-	806,868
Plant assets and equipment	2,573,831	170,863	-	2,744,694
Total accumulated depreciation	3,673,595	308,714	-	3,982,309
Total capital assets being depreciated, net	5,585,903	116,369	-	5,702,272
Gas Authority capital assets, net	\$ 5,797,446	\$ 116,369	\$ -	\$ 5,913,815

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS

Revenue Bonds and Notes:

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.	\$ 165,662
\$1,890,000 Infrastructure Surtax Revenue Bonds, amended Series 2008, payable in annual installments ranging from \$111,000 to \$281,000 through October 2019, plus interest at 2.35%, payable semiannually, secured by the One-Cent Infrastructure Surtax and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$112,304. During the current year, the City recognized infrastructure surtax revenues of \$957,089 and made \$288,567 principal and interest payments.	111,000
\$300,000 North CRA road project loan, payable in annual installments ranging from \$10,706 through \$20,376 through February 2039, plus interest at 3.64%, payable semiannually, revenue source - non-ad valorem revenues.	253,966

Total	\$ 530,628
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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 \$9,850,844. During the current year, the City recognized pledged revenues of \$2,019,165, and made \$464,325 principal and interest payments.	\$ 6,265,000
\$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 \$26,822. During the current year, the City recognized net revenues of \$2,384,388, and made \$53,377 principal and interest payments.	26,732
\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$142,476, including interest at 2.61%, through January 2029, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$3,125,704. During the current year, the City recognized net revenues of \$2,070,189, and paid principal and interest payments in the amount of \$284,080.	2,490,667

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

<p>\$7,853,000 Drinking Water State Revolving Fund Loan, plus estimated \$20,000 capitalized interest, less principal forgiveness of \$1,210,796, payable in semiannual installments of \$175,506, including interest at 0.32%, beginning December 15, 2020 through December 2040, from net revenues of the water and sewer system. The proceeds are being used for Water Main Improvements. The approximate amount of the pledge is equal to the remaining principal and interest of \$429,640. During the current year, the City drew \$425,554 of the available loan, recognized net revenues of \$2,070,189, and paid principal and interest payments in the amount of \$0.</p>	<p>425,554</p>
<p>\$500,000 February 2019 emergency loan for improvements to sewer system, plus interest at 3.37%. Interest will be annually at February 2020 and February 2021 and principal will be due in a lump sum payment in February 2021. The proceeds are being used for sewer system improvements. The loan is unsecured. During the current year, no payments were due or made.</p>	<p>500,000</p>
<p>\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$227,456. During the current year, the City had recognized net revenues of \$19,520 and made \$56,188 principal and interest payments.</p>	<p>210,000</p>
<p>\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$364,502. During the current year, the City had recognized net revenues of \$19,520 and made \$100,482 principal and interest payments.</p>	<p>345,000</p>
<p>\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$676,308. During the current year, the City had deficit net revenues of \$42,053 and made \$168,579 principal and interest payments.</p>	<p>616,000</p>
	<p>Total \$ 10,878,953</p>

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 196,646	\$ 14,669	\$ 724,510	\$ 397,666
2021	84,104	11,325	1,563,688	366,584
2022	31,675	8,529	810,639	333,738
2023	11,500	7,943	751,503	308,209
2024	11,918	7,524	465,795	285,914
2025-2029	66,424	30,788	2,577,818	1,182,945
2030-2034	79,425	17,786	1,565,000	780,725
2035-2039	48,936	3,391	1,970,000	385,494
2040-2043	-	-	450,000	20,813
Totals	\$ 530,628	\$ 101,955	\$ 10,878,953	\$ 4,062,088

Governmental Activities – Changes in Long-term Liabilities

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Due Within One Year
Revenue bonds and notes	\$ 623,854	\$ 253,966	\$ 347,192	\$ 530,628	\$ 196,646
Capital leases	1,008,897	266,559	201,797	1,073,659	195,644
Compensated absences	368,000	254,000	231,000	391,000	107,000
Total OPEB liability	340,772	72,359	-	413,131	-
Net pension liability	6,574,820	543,656	-	7,118,476	-
Total	\$ 8,916,343	\$ 1,390,540	\$ 779,989	\$ 9,526,894	\$ 499,290

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

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities – Changes in Long-term Liabilities

	Balance October 1,			Balance September 30,		Due Within
	2018	Additions	Deductions	2019	One Year	
Florida Municipal Loan Council revenue						
bonds series 2010A	\$ 6,445,000	\$ -	\$ 180,000	\$ 6,265,000	\$ 190,000	
Drinking water state revolving fund loan	2,705,727	-	215,060	2,490,667	221,778	
Water reuse loan	79,663	-	52,931	26,732	26,732	
State revolving fund loan	-	425,554	-	425,554	-	
Emergency water fund loan	-	500,000	-	500,000	-	
Golf revenue note series 2013A	754,000	-	138,000	616,000	144,000	
Airport revenue note series 2013B	257,000	-	47,000	210,000	54,000	
Airport revenue note series 2013C	435,000	-	90,000	345,000	88,000	
Total revenue bonds and notes	10,676,390	925,554	722,991	10,878,953	724,510	
Capital leases	630,775	336,284	165,259	801,800	202,647	
County water/sewer agreement	106,563	-	-	106,563	-	
SJRWMD water/sewer agreement	11,293	-	-	11,293	-	
Compensated absences	209,798	138,028	118,970	228,856	132,320	
Total OPEB liability	185,614	39,330	-	224,944	-	
Net pension liability	3,168,659	712,046	-	3,880,705	-	
Total	\$ 14,989,092	\$ 2,151,242	\$ 1,007,220	\$ 16,133,114	\$ 1,059,477	

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.

Capital Leases:

Governmental Activities

During the fiscal year, the City satisfied a \$520,700, 2.47% capital lease for police vehicles due in semi-annual installments of approximately \$54,000. In addition, the City has a 389,000, 2.04% capital lease for police vehicles due in semi-annual installments of approximately \$45,000, a \$56,400, 1.8% capital lease for a rescue vehicle due in semi-annual installments of approximately \$4,000, and a \$680,000, 3.38% capital lease for fire engine due in quarterly installments of approximately \$75,000 to \$85,000. During the fiscal year the City entered into a \$266,559 capital lease for vehicles at 3.28% due in semi-annual installments of approximately \$29,000. These leases are payable from the General Fund and reported in governmental activities in furniture and equipment.

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-type Activities

Additionally, the City has a \$257,100, 2.44% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000, a \$289,257, 2.04% capital lease for a sanitation truck in semi-annual payments of approximately \$23,000 and a 419,000, 1.80% capital lease for two sanitation trucks in semi-annual payments of approximately \$30,000. All three leases are payable from the Sanitation Fund and are reported in business-type activities in furniture and equipment. During the fiscal year, the City entered into a \$153,465 capital lease for golf course maintenance equipment at 5.75% with monthly payments of \$2,513 which is payable from the Golf Course Fund.

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
2020	\$ 227,336	\$ 231,332
2021	139,966	229,328
2022	140,163	181,549
2023	149,165	126,684
2024	146,833	96,598
2025-2028	415,793	14,201
Less: amount representing interest	(145,597)	(77,892)
Present value of net minimum lease payments	\$ 1,073,659	\$ 801,800

NOTE 7 – RESTRICTED ASSETS – BUSINESS-TYPE ACTIVITIES

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

	Business-type Activities
Restricted assets:	
Cash and equivalents	\$ 87,673
Investments	494,965
Total	582,638
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	65,252
Interest	159,607
Payable from current portion of debt service	224,859
Long-term debt service payable from restricted assets	\$ 357,779

Notes to Financial Statements

NOTE 8 – FUND BALANCE CLASSIFICATIONS

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Total Governmental Funds
Nonspendable:				
Advances	\$ 162,742	\$ -	\$ -	\$ 162,742
Restricted for:				
Law enforcement	73,209	-	-	73,209
Fire safety education	47,568	-	-	47,568
Fire protection	5,841	-	-	5,841
Programming and recreation	2,350	-	-	2,350
Cemetery improvements	129,090	-	-	129,090
Capital projects	-	-	564,352	564,352
Downtown redevelopment	-	513,132	-	513,132
Total restricted	258,058	513,132	564,352	1,335,542
Committed for:				
Law enforcement	11,582	-	-	11,582
Tree mitigation	3,579	-	-	3,579
Demolition and lot cleanup	58,075	-	-	58,075
Total committed	73,236	-	-	73,236
Unassigned	2,721,383	-	-	2,721,383
Total fund balances	\$ 3,215,419	\$ 513,132	\$ 564,352	\$ 4,292,903

Notes to Financial Statements

NOTE 9 – PENSION PLANS

Defined Benefit Plan

Plan Description. The City sponsors a single-employer public employee retirement system (the “System”) administered by the City of Palatka, Pension Boards of Trustees. The General Pension Board consists of five members, including the City Manager, two City Commission appointees, one member elected by a majority of the other covered General employees, and one citizen having financial experience appointed by the City Commission. The Police Officer Pension Board and Firefighters Pension Board each consist of two City Commission appointees, two members of the Plan elected by a majority of the other covered members and a fifth member elected by the other four board trustees and appointed by the City Commission. The System administers the City Employees Retirement Plan (the “Plan”) which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2019 the City recognized \$77,299 and \$66,498 in the General Fund for State contributions to the Police Officers’ and Firefighters’ Retirement Funds, respectively. The City accounts for the Plan in three Pension Trust Funds, corresponding to three benefit groups as follows:

General – all members not included in Police Officers and Firefighters

Police Officers – all state-certified police officers

Firefighters – all state-certified firefighters

The Plan provides for vesting of benefits after 7 years of creditable service. General plan members are eligible for retirement at the earlier of: 1) age 55 and 7 years of credited service, or 2) 30 years of credited service, regardless of age. Police officer members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, 3) age 52 and 25 years of credited service, or 4) 30 years of credited service, regardless of age. Firefighter members are eligible at the earlier of: 1) age 50 and 7 years of credited service for those hired before January 1, 2016, or age 50 and 10 years of credited service for those hired on or after January 1, 2016, 2) age 55 and 10 years of credited service, or 3) 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, termination and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer, and firefighter members, annual benefits for plan years beginning October 1, 2014, are equal to total years of service times 2.5% of final average compensation (highest 3 consecutive years of the last 5). In addition, police officer and firefighter members also will receive a supplement funded with Chapter 185 or 175, F.S., as applicable, Premium Tax monies equal to 0.63% and 0.79%, respectively, of final average compensation times credited service. No other changes in benefit provisions have been made for the plan year beginning October 1, 2017. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. The minimum benefit for non-duty disability for all members is 25% of final average compensation. A member who terminates with less than 7 years’ service may withdraw his or her member contributions.

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

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Current membership in the Plan as of September 30, 2019 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	111	29	14	154
Inactive plan members entitled to but				
not yet receiving benefits	22	10	4	36
Active plan members	82	28	21	131
Total	215	67	39	321

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

Concentrations. As of September 30, 2019, the Plans did not hold investments in any one organization that represents 5% or more of the Plans’ fiduciary net position.

Rate of Return. For the year ended September 30, 2019 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was 4.35%, 3.58%, and 3.77%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Deferred Retirement Option Program (DROP). Eligibility is met with satisfaction of normal retirement requirements. Participation is not to exceed five years, or for police officers and firefighters, beyond attaining 35 or 34 years, respectively, of credited service, if earlier. General and Police DROP participants may choose actual net rate of return as reported by the Fund’s monitor each September 30 or a fixed 6.5% per annum compounded monthly. Effective beginning with the year ending September 30, 2008 the rate of return was limited to 0% for general members in DROP. Rate for Firefighter DROP participants is the greater of: 1) net rate of investment return or 2) 5.0%. The DROP balance as of September 30, 2019 was \$240,295, \$181,536 and \$0, respectively, for general, police officer and firefighters.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated October 1, 2018 and rolled forward to that date.

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

The components of the net pension liability for the Plans at September 30, 2019 were as follows:

	City of Palatka- General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 20,610,614	\$ 5,511,837	\$ 26,122,451
Plan fiduciary net position	(14,425,006)	(3,857,638)	(18,282,644)
Net pension liability	\$ 6,185,608	\$ 1,654,199	\$ 7,839,807

Plan fiduciary net position as a percentage of the total pension liability	70%	70%	70%
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	Police Officers'	Firefighters'
Total pension liability	\$ 13,170,766	\$ 10,883,284
Plan fiduciary net position	(11,494,353)	(7,746,124)
Net pension liability	\$ 1,676,413	\$ 3,137,160

Plan fiduciary net position as a percentage of the total pension liability	87%	71%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2018, rolled forward to September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers'	Firefighters'
Investment rate of return	7.6%	7.6%	7.6%
Projected salary increases*	Service based	Service based	Service based
* Includes inflation at	2.7%	2.7%	2.7%
Post Retirement COLA	0.0%	0.0%	0.0%

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

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

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Best estimates of arithmetic real rates of return for each major asset class included in all three pension plans' target asset allocations as of September 30, 2019 are summarized in the following table:

Asset class:	Target Allocation			Long-term Expected Real Rate of Return
	General	Police Officers'	Firefighters'	All Plans
Domestic equity	27%	32%	32%	7.30%
International equity	15%	15%	15%	2.70%
Bonds	34%	25%	25%	3.60%
High yields bonds	5%	5%	5%	5.70%
Convertibles	8%	8%	8%	6.30%
REITS	5%	5%	5%	7.20%
Infrastructure	5%	5%	5%	8.10%
Cash	1%	5%	5%	0.60%
Total	100%	100%	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.60% for each Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (General)

	Total Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 25,229,130	\$ 18,323,403	\$ 6,905,727
Changes for the year:			
Service cost	393,661	-	393,661
Interest	1,894,079	-	1,894,079
Difference between expected and actual experience	404,844	-	404,844
Changes of assumptions	249,474	-	249,474
Contributions-employer	-	1,062,017	(1,062,017)
Contributions-employees	-	209,178	(209,178)
Net investment income	-	771,522	(771,522)
Benefit payments, including refunds of employee contributions	(2,048,737)	(2,048,737)	-
Administrative expense	-	(34,739)	34,739
Net changes	893,321	(40,759)	934,080
Balance - end of year	\$ 26,122,451	\$ 18,282,644	\$ 7,839,807

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

	City of Palatka		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 19,403,724	\$ 14,092,529	\$ 5,311,195
Changes for the year:			
Service cost	310,599	-	310,599
Interest	1,631,852	-	1,631,852
Difference between expected and actual experience	319,422	-	319,422
Changes of assumptions	196,835	-	196,835
Contributions-employer	-	837,931	(837,931)
Contributions-employees	-	165,041	(165,041)
Net investment income	-	608,731	(608,731)
Benefit payments, including refunds of employee contributions	(1,251,817)	(1,251,817)	-
Administrative expense	-	(27,409)	27,409
Net changes	1,206,890	332,477	874,413
Balance - end of year	\$ 20,610,614	\$ 14,425,006	\$ 6,185,608

	Palatka Gas Authority		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 5,825,407	\$ 4,230,875	\$ 1,594,532
Changes for the year:			
Service cost	83,062	-	83,062
Interest	262,227	-	262,227
Difference between expected and actual experience	85,422	-	85,422
Changes of assumptions	52,639	-	52,639
Contributions-employer	-	224,086	(224,086)
Contributions-employees	-	44,137	(44,137)
Net investment income	-	162,791	(162,791)
Benefit payments, including refunds of employee contributions	(796,920)	(796,920)	-
Administrative expense	-	(7,331)	7,331
Net changes	(313,570)	(373,237)	59,668
Balance - end of year	\$ 5,511,837	\$ 3,857,638	\$ 1,654,200

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in the Net Pension Liability (Police Officers')

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 13,284,115	\$ 11,492,359	\$ 1,791,756
Changes for the year:			
Service cost	239,064	-	239,064
Interest	1,009,282	-	1,009,282
Difference between expected and actual experience	(676,400)	-	(676,400)
Change of assumptions	145,942		145,942
Changes of benefit terms	-	-	-
Contributions-employer	-	287,923	(287,923)
Contribution-State	-	77,299	(77,299)
Contributions-employees	-	92,521	(92,521)
Net investment income	-	401,546	(401,546)
Benefit payments, including refunds of employee contributions	(831,237)	(831,237)	-
Administrative expense	-	(26,058)	26,058
Net changes	(113,349)	1,994	(115,343)
Balance - end of year	\$ 13,170,766	\$ 11,494,353	\$ 1,676,413

Changes in the Net Pension Liability (Firefighters')

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance -beginning of year	\$ 10,190,234	\$ 7,549,706	\$ 2,640,528
Changed for the year:			
Service cost	232,935	-	232,935
Interest	778,034	-	778,034
Change in benefit terms	(1,019)	-	(1,019)
Difference between expected and actual experience	193,080	-	193,080
Changes of assumptions	125,856		125,856
Contributions-employer	-	444,977	(444,977)
Contribution-State	-	66,498	(66,498)
Contributions-employees	-	68,282	(68,282)
Net investment income	-	279,441	(279,441)
Benefit payments, including refunds of employee contributions	(636,040)	(636,040)	-
Administrative expense	-	(26,944)	26,944
Net changes	692,846	196,214	496,632
Balance end of year	\$ 10,883,080	\$ 7,745,920	\$ 3,137,160

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	Deferred Outflows of Resources - City	Deferred Outflows of Resources - PGA	Deferred Outflows of Resources - Total	Deferred Inflows of Resources - Total
Differences between expected and actual experience	\$ 219,064	\$ 58,584	\$ 277,648	\$ -
Changes of assumptions	194,072	51,900	245,972	-
Difference between projected and actual earnings on pension plan investments (net)	470,468	125,816	596,284	-
Total	\$ 883,604	\$ 236,300	\$ 1,119,904	\$ -

Pension expense and deferred outflows of resources and deferred inflows of resources. For the year end September 30, 2019 the City recognized pension expense of \$1,738,737 (including \$244,138 for Palatka Gas Authority), \$778,551, and \$760,759 relating to the General, Police Officers’, and Firefighters’ plans respectively. At September 30, 2019 the City reported deferred outflows and inflows of resources relating to the General, Police Officers’, and Firefighters’ pensions from the following sources:

	Deferred Outflows of Resources - City	Deferred Outflows of Resources - PGA	Deferred Outflows of Resources - Total	Deferred Inflows of Resources - Total
Differences between expected and actual experience	\$ 219,064	\$ 58,584	\$ 277,648	\$ -
Changes of assumptions	194,072	51,900	245,972	-
Difference between projected and actual earnings on pension plan investments (net)	470,468	125,816	596,284	-
Total	\$ 883,604	\$ 236,300	\$ 1,119,904	\$ -

	Police Officers'		Firefighters'	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,549	\$ 450,934	\$ 343,058	\$ 37,354
Changes of assumptions	145,882	-	386,366	-
Difference between projected and actual earnings on pension plan investments (net)	244,598	-	164,661	-
Total	\$ 481,029	\$ 450,934	\$ 894,085	\$ 37,354

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

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

Year ending September 30,	General - City	General - PGA	General - Total	Police Officers'	Firefighters'
2020	\$ 330,047	\$ 88,264	\$ 418,311	\$ (29,554)	\$ 195,821
2021	300,276	80,302	380,578	(139,532)	213,732
2022	157,322	42,072	199,394	105,584	202,213
2023	95,959	25,662	121,621	93,597	191,809
2024	-	-	-	-	53,156
Thereafter	-	-	-	-	-
Total	\$ 883,604	\$ 236,300	\$ 1,119,904	\$ 30,095	\$ 856,731

Pension Plan Financial Statements

Combining Statement of Fiduciary Net Position – September 30, 2019

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 58,200	\$ 339,716	\$ 214,244	\$ 612,160
Government bonds and notes	-	1,104,692	778,421	1,883,113
Government agencies	-	869,994	632,561	1,502,555
Corporate bonds and notes	-	603,279	395,800	999,079
Mutual funds - fixed income	8,226,683	1,535,299	1,023,316	10,785,298
Mutual funds - equities	9,896,716	6,936,139	4,592,107	21,424,962
Total investments	18,181,599	11,389,119	7,636,449	37,207,167
Accounts receivable	112,156	113,515	116,384	342,055
Total assets	18,293,755	11,502,634	7,752,833	37,549,222
Liabilities	11,111	8,281	6,709	26,101
Net position				
Restricted for pension benefits	\$ 18,282,644	\$ 11,494,353	\$ 7,746,124	\$ 37,523,121

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position – Year Ended September 30, 2019

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions				
Contributions				
Employer	\$ 1,062,017	\$ 287,923	\$ 444,977	\$ 1,794,917
Member	209,178	92,521	68,282	369,981
State on behalf, through general fund	-	77,299	66,498	143,797
Total contributions	1,271,195	457,743	579,757	2,308,695
Investment income				
Net appreciation (depreciation) in fair value of investments	26,734	153,945	114,485	295,164
Interest	-	96,872	66,490	163,362
Dividends	792,571	213,005	141,958	1,147,534
Less investment management fee	47,783	62,276	43,492	153,551
Net investment income	771,522	401,546	279,441	1,452,509
Total additions	2,042,717	859,289	859,198	3,761,204
Deductions				
Member benefits	1,989,302	810,810	636,040	3,436,152
Withdrawals	59,435	20,427	-	79,862
Administrative expense	34,739	26,058	26,740	87,537
Total deductions	2,083,476	857,295	662,780	3,603,551
Change in net position	(40,759)	1,994	196,418	157,653
Net position restricted for				
pension benefits, beginning of year	18,323,403	11,492,359	7,549,706	37,365,468
Net position restricted for				
pension benefits, end of year	\$ 18,282,644	\$ 11,494,353	\$ 7,746,124	\$ 37,523,121

Notes to Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The City has complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the plan is not reported in the City's financial statements.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City sponsors and 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 of the City, including its component unit, the Palatka Gas Authority. Substantially all employees may become eligible for those benefits if they reach normal retirement age while working for the City or Palatka Gas Authority. 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.

For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirements for an OPEB plan administered through a trust, and the City has not established a qualifying trust for the OPEB plan. The OPEB Plan does not issue a stand-alone financial report.

The City Commission can amend the benefit provisions provided by the OPEB Plan.

Benefits Provided

The OPEB Plan provides an implicit health insurance subsidy for retirees of the City and Palatka Gas Authority. The plan allows employees who retire and meet retirement eligibility under one of the City's retirement plans (and their spouses and eligible dependents) to continue medical insurance coverage as a participant in the City's health insurance plan. The retiree pays 100% of the blended group rate premium.

Contributions

The contribution requirements of plan members and the participating employers are established and may be amended by the City. The City's required contribution, actuarially determined, is based on a combination of projected pay-as-you-go financing, with an additional amount to prefund benefits when earned. Contributions are not based on a measure of pay. The contractually required contribution for

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

the year ended September 30, 2019 was \$14,973. Actual contributions to the OPEB Plan were \$14,973 for the year ended September 30, 2019. Retiree plan members receiving benefits contributed to pay-as-you-go financing through their required contributions for health insurance premiums.

Total OPEB Liability

The measurement date is September 30, 2019, based on an actuarial valuation dated October 1, 2017 and rolled forward to September 30, 2019. The reporting period is October 1, 2018 through September 30, 2019.

The Sponsor’s total OPEB liability of \$696,571 (comprised of \$638,075 for City and \$58,496 for Palatka Gas Authority) was measured as of September 30, 2019.

Actuarial Assumptions and Other Inputs

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	3.58%
Initial trend rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	55
All mortality rates were based on the RP-2000 mortality tables.	

Discount Rate

All future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. This index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

Change in Total OPEB Liability

Changes for the year:	
Service cost	\$ 43,970
Interest	25,549
Changes of assumptions	67,368
Benefit payments	(14,973)
Net changes	121,914
Total OPEB liability - beginning of reporting period	574,657
Total OPEB liability - end of reporting period	\$ 696,571

Changes in assumptions reflect a change in the discount rate from 4.18% for the reporting period ended September 30, 2018, to 3.58% for the reporting period ended September 30, 2019.

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor’s total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	Current Discount		
	1% Decrease 2.58%	Rate 3.58%	1% Increase 4.58%
Total OPEB liability - City	\$ 767,128	\$ 638,075	\$ 540,413
Total OPEB liability - PGA	70,348	58,496	49,558
Total OPEB liability	\$ 837,476	\$ 696,571	\$ 589,971

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Sponsor, as well as what the Sponsor’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease 3.00% - 7.50%	Trend Rates 4.00% - 8.50%	1% Increase 5.00% - 9.50%
Total OPEB liability - City	\$ 522,032	\$ 638,075	\$ 793,534
Total OPEB liability - PGA	47,872	58,496	72,769
Total OPEB liability	\$ 569,904	\$ 696,571	\$ 866,303

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the Sponsor recognized OPEB expense of \$74,805, including \$6,282 for the Palatka Gas Authority.

On September 30, 2019, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	City	PGA	Total	City	PGA	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	51,431	4,709	56,140	33,861	3,107	36,968
Total	\$ 51,431	\$ 4,709	\$ 56,140	\$ 33,861	\$ 3,107	\$ 36,968

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

Year ending September 30,	City	PGA	Total
2020	\$ 1,819	\$ 167	\$ 1,986
2021	1,819	167	1,986
2022	1,819	167	1,986
2023	1,819	167	1,986
2024	10,294	934	11,228
Thereafter	-	-	-
Total	\$ 17,570	\$ 1,602	\$ 19,172

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – COMMITMENTS

The City leases some of its golf carts under operating leases. Lease payments for the year ended September 30, 2019 were \$42,973. Future lease payments are as follows:

Year ending September 30,	Business-type Activities
2020	\$ 46,496
2021	47,144
2022	47,792
2023	44,381
Total	\$ 185,813

Notes to Financial Statements

NOTE 13 – CONTINGENCIES

The City is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

NOTE 14 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

In addition, broad domestic and international stock market indices have declined and the City's pension plans' fair value of investments has declined similarly. Such declines in the fair value of investments held by the plans have impacted the plans' investment balances and may affect the amounts reported in future financial statements.

NOTE 15 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- Debt disclosures (GASB Statement No. 88)
- Fiduciary activities (GASB Statement No. 84)
- Majority equity interests (GASB Statement No. 90)
- Leases (GASB Statement No. 87)
- Accounting for interest during construction periods (GASB Statement No. 89)
- Conduit debt obligations (GASB Statement No. 91)

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

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,861,686	\$ 4,671,992	\$ 4,786,116	\$ 114,124
Permits, fees and special assessments	2,224,353	2,124,353	2,074,289	(50,064)
Intergovernmental	1,214,012	1,264,012	1,191,953	(72,059)
Charges for services	189,350	189,350	277,697	88,347
Fines and forfeitures	88,000	88,000	41,873	(46,127)
Miscellaneous	370,795	370,795	764,043	393,248
Total revenues	8,948,196	8,708,502	9,135,971	427,469
Expenditures				
Current:				
General government	1,429,916	1,700,660	1,649,879	50,781
Public safety	6,408,716	6,094,572	5,957,234	137,338
Physical environment	-	-	467	(467)
Transportation	731,352	1,041,337	1,049,281	(7,944)
Human services	32,058	36,122	34,219	1,903
Culture and recreation	630,145	724,222	627,325	96,897
Reserve for contingencies	4,317,822	4,306,599	-	4,306,599
Debt service:				
Principal retirement	201,450	224,450	201,797	22,653
Interest and fiscal charges	5,240	5,240	8,901	(3,661)
Total expenditures	13,756,699	14,133,202	9,529,103	4,604,099
Excess of revenues over (under) expenditures	(4,808,503)	(5,424,700)	(393,132)	5,031,568
Other financing sources (uses)				
Transfers in	1,068,311	1,175,592	1,166,366	(9,226)
Transfers out	(373,763)	(370,433)	(427,962)	(57,529)
Issuance of debt	-	289,954	253,966	(35,988)
Capital lease issuance	260,000	260,000	266,566	6,566
Total other financing sources (uses)	954,548	1,095,113	1,258,936	163,823
Net change in fund balances	(3,853,955)	(4,329,587)	865,804	5,195,391
Fund balances – beginning of year	1,981,043	2,360,765	2,349,615	(11,150)
Fund balances – end of year	\$ (1,872,912)	\$ (1,968,822)	\$ 3,215,419	\$ 5,184,241

See accompanying notes.

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund
Year ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 476,081	\$ 476,081	\$ 469,260	\$ (6,821)
Miscellaneous	-	-	10,553	10,553
Total revenues	485,081	485,081	479,813	(5,268)
Expenditures				
Economic environment	423,680	520,091	298,292	221,799
Excess of revenues over expenditures	61,401	261,043	181,521	(79,522)
Other financing uses				
Transfers out	(214,994)	(223,197)	(121,855)	101,342
Net change in fund balances	(153,593)	37,846	59,666	21,820
Fund balances – beginning of year	244,419	12,154	453,466	441,312
Fund balances – end of year	\$ 90,826	\$ 50,000	\$ 513,132	\$ 463,132

See accompanying notes.

Notes to Budgetary Comparison Schedules

Budgets are prepared and adopted on the modified accrual basis of accounting.

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

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

Annual budgets are adopted for all governmental funds.

Schedule of Changes in Net Pension Liability and Related Ratios
General Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	\$ 393,661	\$ 423,870	\$ 386,138	\$ 340,525	\$ 347,579	\$ 352,477	\$ 326,368
Interest	1,894,079	1,872,580	1,807,530	1,707,988	1,684,998	1,657,695	1,638,624
Differences between expected and actual experience	404,844	23,255	408,495	(74,220)	24,797	-	-
Change of assumptions of employee contributions	249,474 (2,048,737)	238,967 (1,826,224)	257,491 (1,713,924)	1,236,245 (1,737,850)	- (1,788,086)	- (1,539,820)	- (1,965,592)
Net change in total pension liability	893,321	732,448	1,145,730	1,472,688	269,288	470,352	(600)
Total pension liability-beginning	25,229,130	24,496,682	23,350,953	21,878,265	21,608,977	21,138,625	21,138,625
Total pension liability-ending (a)	\$ 26,122,451	\$ 25,229,130	\$ 24,496,682	\$ 23,350,953	\$ 21,878,265	\$ 21,608,977	\$ 21,138,025
Plan fiduciary net position							
Contributions							
Employer	\$ 1,062,017	\$ 866,294	\$ 739,093	\$ 679,864	\$ 686,545	\$ 774,136	\$ 790,325
Employee	209,178	188,324	192,427	175,818	169,514	172,782	177,921
Net investment income	771,522	994,227	1,528,570	1,554,168	(410,102)	1,600,605	1,741,522
Benefit payments including refunds of employee contributions	(2,048,737)	(1,826,224)	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,821)	(1,965,591)
Administrative expense	(34,739)	(33,995)	(29,451)	(34,904)	(27,955)	(30,698)	(21,905)
Net change in plan fiduciary net position	(40,759)	188,626	716,715	637,096	(1,370,084)	977,004	722,272
Plan fiduciary net position-beginning	18,323,403	18,134,777	17,418,063	16,780,967	18,151,051	17,174,047	16,451,775
Plan fiduciary net position-ending (b)	\$ 18,282,644	\$ 18,323,403	\$ 18,134,777	\$ 17,418,063	\$ 16,780,967	\$ 18,151,051	\$ 17,174,047
Net pension liability-ending (a)-(b)	\$ 7,839,807	\$ 6,905,727	\$ 6,361,905	\$ 5,932,890	\$ 5,097,298	\$ 3,457,926	\$ 3,963,978
Plan fiduciary net position as a percentage of the total pension liability	69.99%	72.63%	74.03%	74.59%	76.70%	84.00%	81.25%
Covered payroll	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Net pension liability as a percentage of covered payroll	224.88%	219.34%	198.97%	202.47%	171.07%	120.08%	133.70%

Notes to Schedule

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

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%.

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%.

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%.

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS

valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumed rate of individual salary increases was changed from a 5.50% each year to a service-based table.
- The assumed interest rate was lowered from 8.0% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for non-special risk participants.
- The assumed rates for Normal Retirement increased for all ages.
- The assumed rates of disability decreased by changing from Table 1207 to Table 1201.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption used by the Plan's investment consultant.

Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	\$ 239,064	\$ 235,276	\$ 213,253	\$ 213,832	\$ 278,204	\$ 285,022	\$ 263,909
Interest	1,009,282	953,900	868,015	851,901	812,851	776,568	733,062
Changes of benefit terms	-	-	-	(41,662)	(108,171)	-	-
Differences between expected and actual experience	(676,400)	271,647	609,467	(454,959)	50,553	-	-
Change of assumptions	145,942	145,765	165,502	321,310	-	-	-
Benefit payments, including refunds of employee contributions	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,915)
Net change in total pension liability	(113,349)	973,221	1,237,726	328,821	504,491	573,978	536,056
Total pension liability-beginning	13,284,115	12,310,894	11,073,168	10,744,347	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 13,170,766	\$ 13,284,115	\$ 12,310,894	\$ 11,073,168	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
Plan fiduciary net position							
Contributions							
Employer	\$ 287,923	\$ 154,829	\$ 186,569	\$ 151,756	\$ 196,130	\$ 221,593	\$ 240,401
State	77,299	72,068	67,554	65,893	64,825	66,189	59,256
Employee	92,521	83,808	86,168	81,274	85,064	90,128	88,479
Net investment income	401,546	788,650	1,137,327	904,015	(394,718)	901,280	1,042,891
Benefit payments including refunds of employee contributions	(831,237)	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,916)
Administrative expense	(26,058)	(28,518)	(24,245)	(34,770)	(26,755)	(19,558)	(18,312)
Net change in plan fiduciary net position	1,994	437,470	834,862	606,567	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	11,492,359	11,054,889	10,220,027	9,613,460	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 11,494,353	\$ 11,492,359	\$ 11,054,889	\$ 10,220,027	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 1,676,413	\$ 1,791,756	\$ 1,256,005	\$ 853,141	\$ 1,130,887	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	87.27%	86.51%	89.80%	92.30%	89.47%	99.79%	97.72%
Covered payroll	\$ 1,542,023	\$ 1,396,791	\$ 1,436,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered payroll	108.72%	128.28%	87.46%	62.98%	78.90%	1.46%	14.92%

Notes to Schedule

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

Changes of benefit terms:

For measurement date 09/30/2016, the benefit multiplier was decreased from 3.13% to 3.10%.

For measurement date 09/30/2015, the benefit multiplier was decreased from 3.16% to 3.13%.

Changes of assumptions:

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%.

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%.

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%.

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumptions for salary increases, retirement rates, and withdrawal rates were updated to better reflect anticipated plan experience.
- The assumed interest rate was lowered from 8.0% to 7.9%.
- The assumed rates of mortality were changed to match what is used by FRS for special risk participants.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption used by the Plan's investment consultant.

Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters' Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	\$ 232,935	\$ 210,260	\$ 185,742	\$ 172,607	\$ 177,733	\$ 168,142	\$ 155,687
Interest	778,034	747,092	726,035	718,377	707,171	676,786	648,419
Changes of benefit terms	(1,019)	-	-	-	(33,092)	-	-
Differences between expected and actual experience	193,080	147,701	109,800	(112,062)	73,309	-	-
Change of assumptions	125,856	115,984	134,956	381,136	-	-	-
of employee contributions	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,041)
Net change in total pension liability	692,846	424,146	366,888	57,419	434,625	386,018	339,065
Total pension liability-beginning	10,190,234	9,766,088	9,399,200	9,341,781	8,907,156	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 10,883,080	\$ 10,190,234	\$ 9,766,088	\$ 9,399,200	\$ 9,341,781	\$ 8,907,156	\$ 8,521,138
Plan fiduciary net position							
Contributions							
Employer	\$ 444,977	\$ 414,702	\$ 395,413	\$ 296,485	\$ 250,259	\$ 310,160	\$ 252,906
State	66,498	73,764	60,543	50,698	95,653	80,280	78,504
Employee	68,282	64,184	61,203	52,815	47,712	47,041	44,711
Net investment income	279,441	507,754	749,063	619,284	(285,606)	649,062	757,642
Benefit payments including refunds							
of employee contributions	(636,040)	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,042)
Administrative expense	(26,944)	(24,681)	(22,815)	(31,660)	(22,760)	(14,901)	(15,407)
Net change in plan fiduciary net position	196,214	238,832	453,762	(115,017)	(405,238)	612,732	653,314
Plan fiduciary net position-beginning	7,549,706	7,310,874	6,857,112	6,972,129	7,377,367	6,764,635	6,111,321
Plan fiduciary net position-ending (b)	\$ 7,745,920	\$ 7,549,706	\$ 7,310,874	\$ 6,857,112	\$ 6,972,129	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 3,137,160	\$ 2,640,528	\$ 2,455,214	\$ 2,542,088	\$ 2,369,652	\$ 1,529,789	\$ 1,756,503
Plan fiduciary net position as a percentage of the total pension liability	71.17%	74.09%	74.86%	72.95%	74.63%	82.83%	79.39%
Covered payroll	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered payroll	275.66%	246.84%	240.70%	288.79%	253.51%	195.12%	235.71%

Notes to Schedule

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

Changes of benefit terms:

For measurement date 09/30/2019, Chapter 112.1816, Florida Statutes, that state a death or disability due to the diagnosis of cancer or related circumstances will be treated as duty-related.

For measurement date 09/30/2016, new hires on or after January 1, 2016 are required to have 10 years of service to vest in the plan.

Changes of assumptions:

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.70% to 7.60%.

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.80% to 7.70%.

For measurement date 09/30/2017, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.90% to 7.80%.

In addition, the assumed rates of mortality were changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report (FRS herein is the Florida Retirement System).

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an experience study dated Sept. 20, 2016:

- The assumptions for salary increases, retirement rates, and termination rates were updated to better reflect anticipated plan experience.
- The assumed interest rate was lowered from 8.00% to 7.90%.
- The assumed rates of mortality were changed to match what is used by FRS for special risk participants.
- The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption used by the Plan's investment consultant.

**Schedule of Employer Contributions
General Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 1,063,320	\$ 864,991	\$ 716,210	\$ 679,829	\$ 686,530	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	\$ 1,062,017	\$ 1,077,055	\$ 931,520	\$ 679,825	\$ 686,545	\$ 777,517	\$ 788,781
Contribution deficiency (excess)	\$ 1,303	\$ (212,064)	\$ (215,310)	\$ 4	\$ (15)	\$ -	\$ -
Covered payroll	\$ 3,486,295	\$ 3,148,480	\$ 3,197,367	\$ 2,930,299	\$ 2,979,727	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered payroll	30.46%	34.21%	29.13%	23.20%	23.04%	27.00%	27.00%

Notes to Schedule:

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

Valuation Date for FY 2019 contributions 10/1/2017

Methods and assumption used to determine contribution rates:

Mortality rates: Healthy & Inactive Female: RP 2000 Generational Annuitant White Collar, Scale BB
Healthy & Inactive Male: RP 2000 Generational - 50% Annuitant White Collar/ 50% Annuitant Blue Collar, Scale BB

Disabled: RP 2000 Disabled; Female set forward two years, Male setback four years

Interest rate: 7.80% per year compounded annually, net of investment related expenses.

Retirement age:	Age	Retirement Rate
	50-54	10.0%
	55	25.0%
	56-59	20.0%
	60	40.0%
	61-64	25.0%
	65+	100.0%

Salary increases: 8% less than one year of service. 5% for one year and greater of service.

Payroll growth: None, for purposes of amortizing the unfunded actuarial liability

Marital status: 80% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males.

Funding method: Entry Age Normal

Actuarial asset method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees).

Disability and termination rates: See following table. It is assumed that 25% of disablements and active members deaths are service related.

Age	Percent Terminating during the year	Percent becoming disabled during the year
20	34.40%	0.03%
30	30.00%	0.04%
40	16.40%	0.07%
50	3.40%	0.18%

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

**Schedule of Employer Contributions
Police Officers' Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 356,207	\$ 282,152	\$ 189,571	\$ 222,150	\$ 260,864	\$ 291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	365,222	226,897	254,123	222,154	260,955	291,414	302,303
Contribution deficiency (excess)	\$ (9,015)	\$ 55,255	\$ (64,552)	\$ (4)	\$ (91)	\$ -	\$ -
Covered payroll	\$ 1,542,023	\$ 1,396,791	\$ 1,463,141	\$ 1,354,573	\$ 1,433,319	\$ 1,502,132	\$ 1,474,649
Contributions as a percentage of covered payroll	23.68%	16.24%	17.69%	16.40%	18.21%	19.40%	20.50%

Notes to Schedule:

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

Valuation Date for FY 2019 contributions 10/1/2017

Methods and assumption used to determine contribution rates:

Mortality rates: Female: RP 2000 Generational Combined Healthy White Collar, Scale BB
Male: RP 2000 Generational - 10% Combined Healthy White Collar/ 90% Combined Healthy Blue
Disabled Female: 60% RP 2000 Disabled Female set forward two years, 40% Annuitant White Collar
Disabled Male: 60% RP 2000 Disabled Female setback four years, 40% Annuitant White Collar
Interest rate: 7.80% per year compounded annually, net of investment related expenses.

Retirement age:	Service 7-24 Years		Service 25-29 Years	
	Years after Eligibility	Retirement Rate	Age	Retirement Rate
	0	20.0%	50	20.0%
	1	20.0%	51	20.0%
	2	20.0%	52+	100.0%
	3	50.0%		
	4	75.0%		
	5+	100.0%	Service 30+ Years	
			All Ages	100.0%

Salary increases: Based on years of service. 10% at 0; 5.5% for 1-4; 5.25% for 5-9; 5.0% for 10-14; and 4.75% for 15+

Payroll growth: None, for purposes of amortizing the unfunded actuarial liability

Funding method: Entry Age Normal

Actuarial asset method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees).

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

Years of Service	Termination Rate	Age	Percent becoming disabled during the year
<5	15.00%	20	0.07%
5-14	10.00%	30	0.11%
15	5.00%	40	0.19%
16	4.00%	50	0.51%
17	3.50%		
18	3.00%		
19	2.50%		
20+	2.00%		

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

**Schedule of Employer Contributions
Firefighters' Pension Plan
Year Ended September 30, 2019
Last 10 Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 512,117	\$ 482,446	\$ 455,959	\$ 380,267	\$ 345,915	\$ 390,441	\$ 335,333
Contributions in relation to the actuarially determined contributions	511,475	488,466	455,956	380,264	345,912	390,441	335,333
Contribution deficiency (excess)	\$ 642	\$ (6,020)	\$ 3	\$ 3	\$ 3	\$ -	\$ -
Covered payroll	\$ 1,138,039	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Contributions as a percentage of covered payroll	44.94%	45.66%	44.70%	43.20%	37.01%	49.80%	45.00%

Notes to Schedule:

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

Valuation Date for FY 2019 contributions 10/1/2017

Methods and assumption used to determine contribution rates:

Mortality rates:

Female: RP 2000 Generational Combined Healthy White Collar, Scale BB
 Male: RP 2000 Generational 10% Combined Healthy White Collar/90% Combined Healthy Blue Collar Scale BB
 Disabled Female: 60% RP 2000 Disabled Female set forward two years, 40% Annuitant White Collar
 Disabled Male: 60% RP 2000 Disabled Female setback four years, 40% Annuitant White Collar
 75% of active deaths are assumed to happen in the line of duty.

Interest rate:

7.80% per year compounded annually, net of investment related expenses.

Retirement age:

Years after Eligibility	Retirement Rate
0	50.0%
1	50.0%
2+	100.0%

Salary increases:

Based on years of service. 10% at 0; 5% for 1-14; and 4.75% for 15+

Payroll growth:

None, for purposes of amortizing the unfunded actuarial liability

Marital status:

75% of active members are assumed to be married at the time of retirement. Females are assumed to be three years younger than males.

Funding method:

Entry Age Normal

Actuarial asset method:

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year

Disability and termination rates:

See following table. It is assumed that 75% of disablements are service related.

Years of Service	Termination Rate	Age	Percent becoming disabled during the year
0-2	15.00%	20	0.07%
3-5	7.50%	30	0.11%
6	0.00%	40	0.19%
7-8	10.00%	50	0.51%
9+	2.00%	60	1.66%

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

**Schedules of Investment Returns
Pension Plans
Year Ended September 30, 2019
Last 10 Fiscal Years**

General Plan

	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	4.35%	5.61%	8.99%	9.55%	-2.32%	9.51%	10.92%

Police Officers' Plan

	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	3.58%	7.27%	11.32%	9.54%	-3.91%	9.66%	12.34%

Firefighters' Plan

	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	3.77%	7.18%	11.32%	9.21%	-3.92%	9.69%	12.50%

Note to Schedule

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

**Schedule of Changes in City's Other Postemployment Benefits Plan
Liability and Related Ratios
Year ended September 30, 2019
Last 10 Fiscal Years**

	<u>2019</u>	<u>2018</u>
Service cost	\$ 43,970	\$ 47,262
Interest	25,549	22,375
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	67,368	(55,452)
Benefit payments	(14,973)	(13,800)
Net change in total OPEB liability	<u>121,914</u>	<u>385</u>
Total OPEB liability - Beginning	<u>574,657</u>	<u>574,272</u>
Total OPEB liability - Ending	<u>\$ 696,571</u>	<u>\$ 574,657</u>
Covered employee payroll	\$ 6,243,122	\$ 5,930,690
Sponsor's total OPEB liability as a percentage covered employee payroll	11.16%	9.69%

Notes to schedule:

- 1) GASB Statement No. 75 was implemented in 2018. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.
- 2) 2018 changes in assumptions and other inputs reflect a change in the discount rate from 3.64% in 2017 to 4.18% in 2018.
2019 changes in assumptions and other inputs reflect a change in the discount rate from 4.18% in 2018 to 3.58% in 2019.
- 3) FY2019 and FY 2018 covered payroll was projected based on actual FY2017 covered payroll.
- 4) See Note 10 to the financial statements for detailed information on the City's OPEB Plan.

Supplementary Information

NONMAJOR GOVERNMENTAL FUND

SPECIAL REVENUE FUND

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

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

MAJOR GOVERNMENTAL CAPITAL PROJECTS FUND

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

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

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Community Development Block Grant (CDBG) Fund
Year ended September 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 6	\$ 6
Expenditures				
Current:				
Excess of revenues over expenditures				
	-	-	6	6
Other financing uses				
Transfers out	-	-	(6)	6
Net change in fund balances				
	-	-	-	-
Fund balances – beginning of year				
	-	-	-	-
Fund balances – end of year				
	\$ -	\$ -	\$ -	\$ -

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Better Place Plan Fund
Year ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 952,974	\$ 952,974	\$ 957,089	\$ 4,115
Intergovernmental	254,516	2,396,064	166,187	(2,229,877)
Total revenues	1,207,490	3,349,038	1,123,276	(2,225,762)
Expenditures				
Current:				
General government	933,483	3,072,536	470,118	2,602,418
Culture and recreation	100,000	76,750	68,160	8,590
Reserve for contingencies	160,463	327,422	-	327,422
Debt service:				
Principal retirement	346,424	346,424	347,192	(768)
Interest and fiscal charges	18,040	18,040	17,272	768
Total expenditures	1,558,410	3,841,172	902,742	2,938,430
Excess of revenues over (under) expenditures	(350,920)	(492,134)	220,534	712,668
Other financing sources				
Transfers in	203,015	203,015	6,375	(196,640)
Net change in fund balances	(147,905)	(289,119)	226,909	516,028
Fund balances – beginning of year	147,905	303,647	337,443	33,796
Fund balances – end of year	\$ -	\$ 14,528	\$ 564,352	\$ 549,824

**Combining Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2019**

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 58,200	\$ 339,716	\$ 214,244	\$ 612,160
Government bonds and notes	-	1,104,692	778,421	1,883,113
Government agencies	-	869,994	632,561	1,502,555
Corporate bonds and notes	-	603,279	395,800	999,079
Mutual funds - fixed income	8,226,683	1,535,299	1,023,316	10,785,298
Mutual funds - equities	9,896,716	6,936,139	4,592,107	21,424,962
Total investments	18,181,599	11,389,119	7,636,449	37,207,167
Accounts receivable	112,156	113,515	116,384	342,055
Total assets	18,293,755	11,502,634	7,752,833	37,549,222
Liabilities	11,111	8,281	6,709	26,101
Net position				
Restricted for pension benefits	\$ 18,282,644	\$ 11,494,353	\$ 7,746,124	\$ 37,523,121

**Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2019**

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions				
Contributions				
Employer	\$ 1,062,017	\$ 287,923	\$ 444,977	\$ 1,794,917
Member	209,178	92,521	68,282	369,981
State on behalf, through general fund	-	77,299	66,498	143,797
Total contributions	1,271,195	457,743	579,757	2,308,695
Investment income				
Net appreciation (depreciation) in fair value of investments	26,734	153,945	114,485	295,164
Interest	-	96,872	66,490	163,362
Dividends	792,571	213,005	141,958	1,147,534
Less investment management fee	47,783	62,276	43,492	153,551
Net investment income	771,522	401,546	279,441	1,452,509
Total additions	2,042,717	859,289	859,198	3,761,204
Deductions				
Member benefits	1,989,302	810,810	636,040	3,436,152
Withdrawals	59,435	20,427	-	79,862
Administrative expense	34,739	26,058	26,740	87,537
Total deductions	2,083,476	857,295	662,780	3,603,551
Change in net position	(40,759)	1,994	196,418	157,653
Net position restricted for pension benefits, beginning of year				
	18,323,403	11,492,359	7,549,706	37,365,468
Net position restricted for pension benefits, end of year				
	\$ 18,282,644	\$ 11,494,353	\$ 7,746,124	\$ 37,523,121

Statistical Section
(unaudited)

Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends	64
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	68
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.	
Debt Capacity	72
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	77
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	79
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

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

Table 1
City of Palatka, Florida

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 11,915,772	\$ 12,545,081	\$ 13,191,795	\$ 13,138,987	\$ 10,735,671	\$ 12,679,116	\$ 12,532,966	\$ 13,804,049	\$ 15,939,443	\$ 15,588,396
Restricted	1,128,395	576,702	510,476	401,999	507,111	624,403	1,264,580	1,312,154	1,021,993	1,333,192
Unrestricted	1,301,177	1,968,903	2,029,287	2,724,277	1,557,819	(1,856,659)	(3,030,254)	(2,490,897)	(3,636,491)	(3,620,052)
Total Governmental Activities Net Position	\$ 14,345,344	\$ 15,090,686	\$ 15,731,558	\$ 16,265,263	\$ 12,800,601	\$ 11,446,860	\$ 10,767,292	\$ 12,625,306	\$ 13,324,945	\$ 13,301,536
Business-Type Activities										
Net Investment in Capital Assets	\$ 31,509,858	\$ 32,510,103	\$ 38,156,884	\$ 38,728,555	\$ 37,150,342	\$ 37,721,799	\$ 37,456,909	\$ 36,415,452	\$ 36,963,783	\$ 37,042,784
Restricted	519,204	386,787	327,972	328,594	330,609	334,897	334,285	334,196	8,095	8,095
Unrestricted	969,128	486,050	(222,895)	(863,846)	1,180,303	(439,062)	(875,644)	(403,255)	(814,056)	(241,367)
Total Business-Type Activities Net Position	\$ 32,998,190	\$ 33,382,940	\$ 38,261,961	\$ 38,193,303	\$ 38,661,254	\$ 37,617,634	\$ 36,915,550	\$ 36,346,393	\$ 36,157,822	\$ 36,809,512
Primary Government										
Net Investment in Capital Assets	\$ 43,425,630	\$ 45,055,184	\$ 51,348,679	\$ 51,867,542	\$ 47,886,013	\$ 50,400,915	\$ 49,989,875	\$ 50,219,501	\$ 52,903,226	\$ 52,631,180
Restricted	1,647,599	963,489	838,448	730,593	837,720	959,300	1,598,865	1,646,350	1,030,088	1,341,287
Unrestricted	2,270,305	2,454,953	1,806,392	1,860,431	2,738,122	(2,295,721)	(3,905,898)	(2,894,152)	(4,450,547)	(3,861,419)
Total Primary Government Net Position	\$ 47,343,534	\$ 48,473,626	\$ 53,993,519	\$ 54,458,566	\$ 51,461,855	\$ 49,064,494	\$ 47,682,842	\$ 48,971,699	\$ 49,482,767	\$ 50,111,048

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General Government	\$ 1,472,469	\$ 1,630,295	\$ 1,795,179	\$ 2,192,293	\$ 507,929	\$ 1,901,557	\$ 2,008,770	\$ 1,828,406	\$ 2,727,715	\$ 2,551,615
Public Safety	5,968,153	5,611,920	5,336,015	5,467,142	6,117,513	7,279,129	7,380,867	7,015,197	6,269,939	6,560,527
Physical Environment	-	-	-	-	415,967	408,379	91,593	233,000	626,037	7,379
Transportation	697,212	681,907	577,407	511,114	573,372	115,762	505,409	861,820	381,563	1,120,143
Economic Environment	816,722	741,467	349,296	184,981	280,156	146,709	92,509	121,398	78,587	222,250
Human Services	209,332	177,551	150,327	151,906	174,967	178,223	78,523	37,322	69,468	34,219
Culture and Recreation	538,150	430,962	505,572	427,004	1,288,402	383,685	479,185	348,255	1,529,633	767,710
Interest on Long-Term Debt	182,996	165,174	148,904	155,598	67,579	61,641	56,534	46,948	35,048	26,173
Total Governmental Activities Expenses	\$ 9,885,034	\$ 9,439,276	\$ 8,862,700	\$ 9,090,038	\$ 9,425,885	\$ 10,475,085	\$ 10,693,390	\$ 10,492,346	\$ 11,717,990	\$ 11,290,016
Business-type Activities:										
Airport	\$ 1,593,744	\$ 1,627,231	\$ 1,626,167	\$ 1,672,638	\$ 1,868,470	\$ 1,490,532	\$ 1,433,879	\$ 1,563,492	\$ 1,658,643	\$ 1,692,235
Water	4,978,295	4,750,830	4,784,639	4,688,134	4,826,439	4,897,142	4,820,628	5,064,916	5,126,552	6,377,706
Golf	982,862	1,017,307	1,005,000	977,958	975,653	975,398	990,236	434,136	184,179	313,114
Sanitation	1,347,455	1,359,544	1,379,559	1,397,879	1,387,863	1,498,411	1,687,785	1,812,266	1,965,515	1,925,934
Total Business-type Activities Expenses	\$ 8,902,356	\$ 8,754,912	\$ 8,795,365	\$ 9,060,425	\$ 8,861,483	\$ 8,932,495	\$ 8,932,495	\$ 8,874,810	\$ 8,934,889	\$ 10,308,989
Total Primary Government Expenses	\$ 18,787,390	\$ 18,194,188	\$ 17,658,065	\$ 17,846,647	\$ 18,486,310	\$ 19,336,568	\$ 19,625,885	\$ 19,367,156	\$ 20,652,879	\$ 21,599,005
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 105,351	\$ 106,446	\$ 92,185	\$ 114,051	\$ 115,895	\$ 107,744	\$ 108,498	\$ 113,410	\$ 90,743	\$ 98,531
Public Safety	248,591	296,395	285,578	608,594	1,106,771	1,015,140	855,598	1,129,789	1,902,535	1,556,549
Other	229,305	210,316	178,434	198,826	190,064	199,565	153,721	149,957	143,004	140,832
Operating Grants and Contributions	1,341,212	1,390,057	877,019	981,676	847,158	794,957	886,922	884,023	1,033,856	2,041,573
Capital Grants and Contributions	2,016,675	1,299,627	1,677,074	736,090	1,774,920	2,362,571	1,041,768	1,820,801	2,758,409	167,338
Total Governmental Activities Program Revenues	\$ 3,941,134	\$ 3,302,841	\$ 3,110,290	\$ 2,639,237	\$ 4,054,808	\$ 4,479,977	\$ 3,046,507	\$ 4,097,980	\$ 5,928,547	\$ 4,004,823
Business-type Activities:										
Charges for Services:										
Airport	\$ 704,750	\$ 895,300	\$ 851,615	\$ 895,597	\$ 787,233	\$ 781,847	\$ 723,767	\$ 808,116	\$ 867,455	\$ 932,937
Water	3,780,615	3,878,206	3,976,734	4,122,596	4,443,050	4,350,056	4,843,922	5,006,669	5,950,043	6,007,511
Golf	620,594	613,202	593,578	701,468	720,410	704,846	665,847	178,198	65,168	94,760
Sanitation	1,522,581	1,497,397	1,542,053	1,535,189	1,633,906	1,641,581	1,652,675	1,719,726	1,860,875	2,169,518
Operating Grants and Contributions	2,413,721	2,281,761	6,615,111	1,521,529	426,812	1,724,898	361,721	820,508	454,178	2,360,920
Capital Grants and Contributions	9,042,261	9,165,866	13,579,091	8,776,379	8,037,911	9,203,228	8,247,932	8,533,217	9,197,719	11,565,646
Total Business-type Activities Program Revenues	\$ 12,983,395	\$ 12,468,707	\$ 16,689,381	\$ 11,415,616	\$ 12,092,719	\$ 13,683,205	\$ 11,294,439	\$ 12,631,197	\$ 15,126,266	\$ 15,570,469
Net (Expense)/Revenue	\$ (5,943,900)	\$ (6,136,435)	\$ (5,752,410)	\$ (6,450,801)	\$ (5,371,077)	\$ (5,995,108)	\$ (7,646,883)	\$ (6,394,366)	\$ (5,789,443)	\$ (7,285,193)
Governmental Activities	139,905	410,954	4,783,726	19,770	(1,022,514)	341,745	(684,563)	(841,593)	262,830	1,256,657
Business-type Activities	(5,803,995)	(5,725,481)	(968,684)	(6,431,031)	(6,393,591)	(5,653,363)	(8,331,446)	(6,735,959)	(5,526,613)	(6,028,536)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 3,774,261	\$ 3,743,535	\$ 3,497,854	\$ 3,432,971	\$ 3,465,626	\$ 3,501,720	\$ 2,751,117	\$ 2,573,515	\$ 2,817,740	\$ 2,993,993
Sales Tax and Other State Shared Revenue	785,219	737,011	761,613	783,678	786,686	794,451	836,379	875,598	919,960	944,007
Special Assessment-Fire Protection	-	-	-	-	-	-	-	1,653,302	-	-
Franchise Fees	879,660	886,166	662,190	904,958	810,331	837,391	813,569	799,700	797,257	744,975
Other Taxes	1,409,048	1,189,645	1,035,332	1,053,895	1,124,693	1,141,195	1,154,169	1,389,860	1,470,465	1,484,626
Investment Earnings	5,689	1,384	181	220	2,530	1,829	2,500	2,668	2,753	40,053
Contribution from component unit	-	-	-	-	300,000	300,000	250,000	159,210	186,626	176,382
Miscellaneous	60,637	149,036	83,791	595,182	123,286	115,964	120,432	90,106	147,351	254,830
Loss on sale of land	-	-	-	(3,078,218)	-	-	-	-	-	-
Transfers	(803,896)	175,000	352,321	213,602	(1,628,519)	(19,536)	90,996	(68,790)	374,746	622,918
Total Governmental Activities	\$ 6,110,618	\$ 6,881,777	\$ 6,393,282	\$ 6,984,506	\$ 6,673,014	\$ 6,967,315	\$ 7,475,169	\$ 6,716,898	\$ 7,261,784	\$ 7,261,784
Business-type Activities:										
Investment Earnings	\$ 188,945	\$ 446	\$ 450	\$ 255	\$ 190	\$ 209	\$ 117	\$ 144	\$ 9,468	\$ 10,809
Miscellaneous	228,975	148,350	447,166	124,919	47,126	101,196	72,358	84,426	1,538	7,142
Transfers	803,896	(175,000)	(352,321)	(213,602)	1,628,519	19,536	(90,996)	68,790	(374,746)	(622,918)
Total Business-type Activities	\$ 1,221,816	\$ (26,204)	\$ 95,295	\$ (88,428)	\$ 1,675,835	\$ 120,941	\$ (17,521)	\$ 153,360	\$ (363,740)	\$ (604,967)
Total Primary Government	\$ 7,332,434	\$ 6,855,573	\$ 6,488,577	\$ 6,896,078	\$ 8,348,849	\$ 7,088,260	\$ 7,247,644	\$ 6,863,258	\$ 6,904,048	\$ 6,656,817
Changes in Net Position										
Governmental Activities	\$ 166,718	\$ 745,342	\$ 640,872	\$ 533,705	\$ (3,464,662)	\$ 677,906	\$ (1,080,803)	\$ 1,080,803	\$ 927,455	\$ (23,409)
Business-type Activities	1,361,721	384,750	4,879,021	(68,658)	653,321	462,686	(702,084)	(188,233)	(100,910)	651,960
Total Primary Government	\$ 1,528,439	\$ 1,130,092	\$ 5,519,893	\$ 465,047	\$ (2,811,341)	\$ 1,140,592	\$ (1,381,652)	\$ 892,570	\$ 826,545	\$ 628,281

Table 3
City of Palatka, Florida

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ -	\$ 867,346.00	\$ 1,296,287	\$ 1,749,044	\$ 292,927	\$ 292,927	\$ 292,927	\$ 292,927	\$ 162,742	\$ 162,742
Restricted	-	511,570	483,518	826,352	195,513	218,278	207,315	213,309	231,084	258,058
Committed	-	17,246	106,948	22,656	33,128	49,206	45,761	55,416	60,617	73,236
Assigned	-	107,416	-	-	-	-	-	-	-	-
Unassigned	-	858,214	608,254	834,968	848,005	1,060,435	1,379,763	1,365,670	1,895,172	2,721,383
Reserved	414,758	-	-	-	-	-	-	-	-	-
Unreserved	1,262,722	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 1,677,480	\$ 2,361,792	\$ 2,495,007	\$ 3,433,020	\$ 1,369,573	\$ 1,620,846	\$ 1,925,766	\$ 1,927,322	\$ 2,349,615	\$ 3,215,419
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	576,702	510,476	401,999	507,111	624,403	1,057,265	1,098,845	790,909	1,077,484
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(188,428)	(968,571)	-	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	1,128,395	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 1,128,395	\$ 576,702	\$ 510,476	\$ 401,999	\$ 318,683	\$ (344,168)	\$ 1,057,265	\$ 1,098,845	\$ 790,909	\$ 1,077,484

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
Fiscal Years Ending September 30,

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 7,232,476	\$ 6,342,763	\$ 5,871,626	\$ 5,844,953	\$ 6,027,416	\$ 6,141,460	\$ 5,456,735	\$ 5,580,458	\$ 5,966,997	\$ 6,212,465
Permits, fees and special assessments	179,539	998,436	758,887	990,001	961,392	1,076,832	1,915,657	2,621,392	2,259,082	2,074,289
Intergovernmental	2,914,885	2,050,177	2,029,005	1,185,395	998,824	1,636,665	2,102,242	1,513,660	3,421,419	1,358,140
Charges for Services	267,914	249,991	209,738	245,095	276,570	295,691	212,004	180,804	207,554	277,697
Fines and Forfeitures	65,042	94,444	106,623	427,324	838,313	630,674	597,665	884,679	343,332	41,873
Miscellaneous	195,792	285,574	219,412	719,469	635,493	1,210,711	591,814	437,286	578,637	774,602
Total Revenues	\$ 10,855,648	\$ 10,021,385	\$ 9,195,291	\$ 9,412,237	\$ 9,738,008	\$ 10,992,033	\$ 10,876,117	\$ 11,218,279	\$ 12,777,021	\$ 10,739,066
Expenditures										
General Government	\$ 1,608,841	\$ 1,973,380	\$ 2,330,934	\$ 1,651,710	\$ 1,184,004	\$ 1,251,002	\$ 1,243,328	\$ 1,485,611	\$ 3,633,916	\$ 2,119,997
Public Safety	5,952,155	5,572,424	5,192,326	5,713,322	6,634,859	6,402,949	6,141,403	6,163,129	5,926,197	5,957,234
Physical Environment	-	-	-	-	415,967	404,042	85,925	233,000	356,376	467
Transportation	663,316	650,468	548,073	486,426	553,104	477,959	474,693	814,121	794,787	1,049,281
Economic Environment	816,722	741,467	349,296	184,981	280,156	146,709	92,509	121,398	78,587	298,292
Human Services	209,228	167,569	140,296	142,233	164,899	178,712	78,256	33,753	62,557	34,219
Culture and Recreation	703,621	453,438	465,756	449,550	1,253,442	2,361,161	553,865	1,672,744	2,150,486	695,485
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal Retirement	384,042	339,846	330,468	335,816	534,892	488,900	534,247	592,062	602,715	548,989
Interest and Fiscal Charges	182,996	165,174	149,483	155,598	67,579	61,641	56,534	46,948	35,048	26,173
Total Expenditures	\$ 10,520,921	\$ 10,063,766	\$ 9,506,632	\$ 9,119,636	\$ 11,088,902	\$ 11,773,075	\$ 9,260,760	\$ 11,162,766	\$ 13,640,669	\$ 10,730,137
Excess of Revenues Over (Under) Expenditures	\$ 334,727	\$ (42,381)	\$ (311,341)	\$ 292,601	\$ (1,350,894)	\$ (781,042)	\$ 1,615,357	\$ 55,513	\$ (863,648)	\$ 8,929
Other Financing Sources (Uses)										
Capital Lease Issuance	-	-	26,009	300,000	520,700	389,000	-	56,413	680,000	253,966
Transfers In	193,850	757,243	1,088,468	685,099	1,308,196	482,992	782,517	1,344,802	1,695,017	1,172,741
Transfers Out	(997,746)	(582,243)	(736,147)	(471,497)	(2,936,715)	(502,528)	(691,521)	(1,413,592)	(1,320,271)	(549,823)
Payment to refunded bonds escrow agent	-	-	-	(1,866,667)	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	1,890,000	-	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ (803,896)	\$ 175,000	\$ 378,330	\$ 536,935	\$ (1,107,819)	\$ 369,464	\$ 90,996	\$ (12,377)	\$ 1,054,746	\$ 876,884
Special items										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ 311,950	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (469,169)	\$ 132,619	\$ 66,989	\$ 829,536	\$ (2,146,763)	\$ (411,578)	\$ 1,706,353	\$ 43,136	\$ 191,098	\$ 885,813
Acquisitions of Capital Assets	\$ 1,051,693	\$ 1,165,834	\$ 1,157,811	\$ 245,613	\$ 2,137,099	\$ 2,856,864	\$ 467,291	\$ 1,627,247	\$ 3,215,979	\$ 673,226
Debt Service as a Percentage of Non-Capital Expenditures	5.99%	5.68%	5.75%	5.54%	6.73%	6.17%	6.72%	6.70%	6.12%	5.72%

Source: Finance Department, audited financial statements

Table 5
CITY OF PALATKA, FLORIDA

TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY *		TOTALS		Total Direct Tax Rate	Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value		
2009-10	\$ 349,743,213	\$ 743,823,588	\$ 65,330,966	\$ 95,725,559	\$ 415,074,179	\$ 839,549,147	8.6500	49.44%
2010-11	350,826,549	745,957,201	61,172,680	93,443,957	411,999,229	839,401,158	8.6500	49.08%
2011-12	331,832,689	691,859,577	57,098,415	89,429,756	388,931,104	781,289,333	8.6500	49.78%
2012-13	309,467,179	631,505,080	54,838,730	86,657,926	364,305,909	718,163,006	9.1749	50.73%
2013-14	312,960,196	638,829,722	54,787,757	89,543,661	367,747,953	728,373,383	9.1749	50.49%
2014-15	318,343,135	645,989,098	54,579,756	97,774,215	372,922,891	743,763,313	9.1749	50.14%
2015-16	332,051,212	657,991,860	51,457,342	96,823,302	383,508,554	754,815,162	6.9967	50.81%
2016-17	351,896,928	689,357,447	58,333,154	100,594,145	410,230,082	789,951,592	6.4000	51.93%
2017-18	369,198,476	723,289,677	68,504,101	107,053,941	437,702,577	830,343,618	6.4000	52.71%
2018-19	392,589,294	771,432,092	68,468,396	105,539,291	461,057,690	876,971,383	6.4000	52.57%

* 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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy	Delinquent Tax Collections	Total Tax Collections	% of Total Collections to Levy
2010	\$ 3,575,819	\$ 3,472,692	0.9712	\$ 20,080	\$ 3,492,772	0.9768
2011	3,579,471	3,466,313	0.9684	6,903	3,473,216	0.9703
2012	3,364,254	3,261,185	0.9694	9,432	3,270,617	0.9722
2013	3,345,632	3,244,766	0.9699	12,660	3,257,426	0.9736
2014	3,323,508	3,262,179	0.9815	5,509	3,267,687	0.9832
2015	3,409,963	3,309,868	0.9706	8,707	3,318,575	0.9732
2016	2,757,997	2,545,988	0.9231	16,112	2,562,101	0.9290
2017	2,679,105	2,370,771	0.8849	16,305	2,387,076	0.8910
2018	2,768,368	2,540,806	0.9178	11,999	2,552,805	0.9221
2019	2,930,646	2,701,320	0.9217	11,180	2,712,500	0.9256

Source: Putnam County Tax Collector

Table 7
City of Palatka

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

Fiscal Year	City of Palatka			Putnam County			Schools			Other	Total
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total Schools		
2010	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.813	0.000	7.813	0.4158	25.455
2011	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.457	0.000	7.457	0.4158	25.099
2012	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759
2015	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.204	0.000	7.204	0.3164	25.595
2016	6.9967	0.0000	6.9967	9.0914	0.0000	9.0914	6.924	0.000	6.924	0.3023	23.314
2017	6.4000	0.0000	6.4000	9.8892	0.0000	9.8892	6.354	0.000	6.354	0.2724	22.916
2018	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	6.155	0.000	6.155	0.2562	22.406
2019	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	5.869	0.000	5.869	0.2562	22.120

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

Table 8
City of Palatka, Florida

Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	Fiscal Year 2019			Fiscal Year 2010		
	Taxable	Rank	Percentage	Taxable	Rank	Percentage
	Assessed Value		Assessed Value	Assessed Value		Assessed Value
Putnam Community Medical Center	\$ 18,650,100	1	4.05%	\$ 11,541,030	1	1.46%
Wal-Mart Inc.	14,116,360	2	3.06%	10,494,825	2	1.33%
Florida Power & Light	12,792,672	3	2.77%	-	-	-
9520 Bonita Beach Rd LLC	11,354,640	4	2.46%	-	-	-
Revenue Properties Town & Country	10,420,189	5	2.26%	8,887,542	3	1.13%
Lowe's Home Centers	7,684,528	6	1.67%	5,716,935	6	0.72%
Home Depot	7,282,104	7	1.58%	6,100,290	5	0.77%
Comcast	4,869,030	8	1.06%	-	-	-
FWI 5 LLC	4,562,714	9	0.99%	4,317,015	7	0.55%
Palatka Mall, LLC	4,528,120	10	0.98%	4,124,171	8	0.52%
Southern Medical Associates, Inc.	-	-	-	6,292,609	4	0.80%
Stag II Palatka LLC	-	-	-	4,020,291	9	0.51%
Barrington Apartmnets LTD Ptnship	-	-	-	3,794,293	10	0.48%
Total	\$ 96,260,457		20.88%	\$ 65,289,001		8.27%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	Total	Net GBD to Personal Income	Net GBD Per Capita
2010	\$ -	0.00%	\$ -
2011	-	0.00%	-
2012	-	0.00%	-
2013	-	0.00%	-
2014	-	0.00%	-
2015	-	0.00%	-
2016	-	0.00%	-
2017	-	0.00%	-
2018	-	0.00%	-
2019	-	0.00%	-

Source: Finance Department, audited financial statements

Table 10
City of Palatka, Florida

Computation of Legal Debt Margin
September 30, 2019

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, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with non-ad valorem taxes			
Putnam County Board of County Commissioners			
Communications Improvements	\$ 88,708	14.68%	\$ 13,026
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
SRF- Wastewater	817,071	15.69%	128,180
Series 2008B	3,765,000	15.69%	590,646
Series 2008A	1,825,000	15.69%	286,302
Debt repaid with 1/2 cent sales tax			
Putnam County Board of County Commissioners			
USDA-Jail	8,640,900	16.00%	1,382,707
USDA-Jail	8,607,600	16.00%	1,377,378
Subtotal, overlapping debt			\$ 3,778,239
City direct debt			\$ 1,604,287
Total direct and overlapping debt			\$ 5,382,526

Source: Putnam County Board of County Commissioners

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

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

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

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

Table 12
City of Palatka, Florida

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business Type Activities				Total Primary Government	Percentage of Personal Income(1)	Outstanding Debt Per Capita(1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases	Total Primary Government				
2010	\$ 3,381,920	-	\$ 14,322	\$ 8,421,514	\$ 7,444,872	-	\$ 19,262,628	6.72%	\$ 1,763		
2011	3,056,396	-	-	7,761,469	7,346,458	-	18,164,323	6.43%	1,720		
2012	2,728,652	-	23,285	7,138,784	7,213,044	20,260	17,124,025	6.34%	1,678		
2013	2,424,226	-	315,228	6,734,477	7,074,630	177,382	16,725,943	6.19%	1,635		
2014	1,957,098	-	768,164	6,257,284	7,105,000	397,875	16,485,421	5.79%	1,589		
2015	1,636,778	-	988,584	5,760,423	6,950,000	624,217	15,960,002	5.30%	1,532		
2016	1,307,202	-	783,913	5,258,825	6,790,000	527,933	14,667,873	4.63%	1,391		
2017	696,221	-	586,245	4,750,125	6,620,000	802,487	13,455,078	4.06%	1,262		
2018	623,854	-	1,008,897	4,231,390	6,445,000	630,775	12,939,916	3.80%	1,215		
2019	530,628	-	1,073,659	4,613,953	6,265,000	801,800	13,285,040	3.76%	1,239		

Notes: (1) See the demographic statistics table 14 for population and annual personal income data.

The figures provided represent ratios of total primary government outstanding debt to annual personal income and population.

Table 13
City of Palatka, Florida

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Airport Revenue Notes				Water Revenue Bonds and Notes							
	Airport Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Utility Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2010	\$ 730,486	\$ 866,960	\$ (136,474)	\$ 133,333	\$ 98,103	-58.97%	\$ 3,886,540	\$ 3,024,702	\$ 861,838	\$ 18,876,104	\$ 951,673	4.35%
2011	919,491	855,822	63,669	133,333	91,056	28.37%	3,889,028	2,915,779	973,249	1,349,230	482,845	53.12%
2012	865,806	858,383	7,423	133,333	84,282	3.41%	4,018,770	2,991,037	1,027,733	372,266	443,637	125.96%
2013	907,406	856,688	50,718	1,526,668	81,774	3.15%	4,133,555	3,126,815	1,006,740	382,662	429,950	123.89%
2014	800,752	763,727	37,025	143,000	39,490	20.29%	4,445,938	3,153,100	1,292,838	393,193	421,220	158.74%
2015	815,512	759,361	56,151	136,000	35,211	32.80%	4,389,299	3,366,342	1,022,957	398,861	412,073	126.15%
2016	731,026	694,973	36,053	129,000	31,166	22.51%	4,854,320	3,263,396	1,590,924	410,598	402,179	195.74%
2017	811,406	782,046	29,360	127,000	27,290	19.03%	5,033,528	3,949,525	1,084,003	424,700	389,195	133.19%
2018	867,455	836,973	30,482	124,000	23,490	20.67%	5,950,043	3,785,906	2,164,137	436,734	378,238	265.55%
2019	932,937	913,417	19,520	137,000	19,602	12.46%	6,007,511	5,093,878	913,633	447,991	362,285	112.76%

Fiscal Year	Golf Revenue Bonds				Infrastructure Surtax Revenue Note						
	Golf Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Sales Surtax	Operating Expenses	Debt Service Principal	Debt Service Interest	Coverage
2010	\$ 624,462	\$ 800,372	\$ (175,910)	\$ 62,033	\$ 107,431	-103.80%	\$ 715,264	\$ 266,667	\$ 152,240	\$ 170,75%	170.75%
2011	613,217	845,986	(232,769)	79,366	102,778	-127.79%	676,948	266,667	138,400	167,12%	167.12%
2012	593,718	838,545	(244,827)	141,804	97,560	-102.28%	683,697	266,667	124,560	174,76%	174.76%
2013	702,153	829,833	(127,680)	1,400,989	96,895	-8.52%	699,302	2,133,334	133,651	30,85%	30.85%
2014	724,954	846,859	(121,905)	96,000	56,372	-80.00%	733,349	411,000	43,096	161.50%	161.50%
2015	717,547	856,783	(139,236)	117,000	51,999	-82.39%	773,912	262,000	33,217	262.15%	262.15%
2016	680,937	880,507	(199,570)	122,000	46,984	-118.10%	833,084	269,000	27,013	281.43%	281.43%
2017	223,655	329,668	(106,013)	127,000	41,756	-62.82%	866,313	275,000	20,157	293.51%	293.51%
2018	65,168	85,195	(20,027)	162,810	36,274	-10.06%	936,623	345,367	25,701	252.41%	252.41%
2019	94,760	116,009	(21,249)	158,804	30,482	-11.23%	957,089	347,192	17,272	262.60%	262.60%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (million of dollars) (2)	Per Capita Personal Income (3)	School (4) Enrollment	Unemployment Rate (5)
2010	10,926	\$ 302	\$ 26,233	4,860	13%
2011	10,558	297	26,760	5,642	12%
2012	10,203	291	26,481	5,585	11%
2013	10,230	297	26,411	4,888	9%
2014	10,377	285	27,439	4,959	8%
2015	10,418	301	28,919	5,096	7%
2016	10,548	316	30,005	5,043	6%
2017	10,662	331	31,057	5,460	5%
2018	10,649	341	31,989	5,449	5%
2019	10,723	353	32,948	5,499	4%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2007-2010, 2012-2016), 2010 Census (2011)
- (2) Personal Income figures are the results of multiplying Per Capita Personal Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
Figures from 2007 - 2017 are based on per capita personal income data.
Figures from 2018 are projected estimates based on trend analysis calculations.
- (4) Putnam County School District
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15
City of Palatka, Florida

Principal Employers
Current and Nine Years Ago

<u>Employer</u>	Fiscal Year 2019			Fiscal Year 2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Putnam County School District	1,680	1	31.33%	1,300	1	23.80%
Georgia Pacific	1,000	2	18.65%	-	-	-
Putnam County Board of County Commissioners	600	3	11.19%	607	3	11.11%
St Johns River Water Management District	550	4	10.26%	700	2	12.81%
Putnam Community Medical Center, LLC	520	5	9.70%	525	4	9.61%
Walmart Supercenter	480	6	8.95%	300	5	5.49%
Palatka Healthcare Center	300	7	5.60%	-	-	-
St. Johns River State College	280	8	5.22%	230	7	4.21%
City of Palatka	140	9	2.61%	145	9	2.65%
St. Johns Ship Builders	120	10	2.24%	-	-	-
Publix Super Market				300	5	5.49%
Lowes Home Center, Inc.				150	8	2.75%
Home Depot USA, Inc.				120	10	2.20%
PRC				-	-	-
Total	5,670		105.75%	4,377		80.12%

Note: Percentages were derived from 50% of population of the City of Palatka

Source: Individual employers, Chamber of Commerce, Career Source of Northeast Florida

Table 16
City of Palatka, Florida

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government:										
Building permits issued	596	618	595	583	561	497	543	502	572	31
Building inspections conducted	1,359	1,360	1,257	898	913	994	1,415	996	1,138	-
Code enforcements	200	165	184	214	150	88	12	140	125	132
Occupational license issued	1,092	1,220	1,078	675	239	866	710	830	754	632
Police:										
Calls for service	34,559	29,847	32,709	30,616	30,595	29,946	23,586	19,490	21,535	30,952
Physical arrests	1,528	1,119	1,047	788	788	784	617	497	405	856
Citations	2,060	1,616	1,660	1,470	1,904	1,294	656	317	390	1,335
Fire:										
Emergency responses	2,412	2,687	2,498	2,173	2,142	2,128	2,967	3,125	3,095	3,098
Fires extinguished	98	10	41	125	374	398	58	63	85	58
Refuse collection:										
Customers	3,850	3,819	3,869	3,827	3,867	3,873	3,914	3,997	4,605	4,342
Other public works:										
Street resurfaced (miles)	-	-	-	-	-	-	-	0.4	0.3	0.2
Potholes repaired	100	110	58	63	65	40	16	128	97	64
Parks and recreation:										
Community center rentals	197	58	83	129	65	72	63	141	137	137
Human Services:										
Interments	146	122	107	117	79	111	97	99	113	85
Water:										
Water main breaks	7	16	7	26	64	107	269	292	338	307
Average daily consumption (thousands of gallons)	2,000	2,044	1,811	1,684	1,706	1,728	1,654	1,316	1,143	1,710
Peak daily consumption (thousands of gallons)	2,720	2,757	2,908	2,139	2,634	2,420	2,278	1,726	1,941	2,012
Wastewater:										
Average daily treatment (thousands of gallons)	1,940	1,490	2,040	1,540	1,700	1,500	1,330	1,429	1,429	1,657
Airport:										
Rentals-T Hangars	54	54	54	54	55	55	64	64	64	64
Building	1	1	1	2	2	2	2	2	3	3
Land leases	1	1	1	1	1	1	1	1	1	1
Commercial Hangars	3	3	3	3	3	3	3	3	3	3
Executive Hangars	3	3	3	3	3	3	4	4	4	4

Source: Departments of the city

Table 17
City of Palatka, Florida

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	1	1	1	1	1	1	1	2	2	2
Patrol units	22	24	24	22	21	21	22	22	22	22
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Firefighters	23	23	23	23	23	23	23	22	22	25
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	8	8
Other public works:										
Streets(miles)	71.18	71.18	71.18	71.18	60.00	60.00	60.00	71.80	71.80	71.80
Traffic signals	22	22	21	21	12	12	39	33	18	18
Parks and Recreation:										
Acreage	24.26	24.26	26.67	26.67	45.36	45.36	45.36	45.36	46.36	46.36
Playgrounds	10	10	10	10	5	5	7	10	8	8
Baseball/softball diamonds	5	5	5	5	4	4	3	4	4	4
Community Centers	1	1	1	1	2	2	2	2	2	2
Water:										
Water mains (miles)	108	108	108	108	108	108	112	108	108	108
Fire hydrants	578	578	578	578	581	581	543	560	560	560
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:										
Sanitary sewers (miles)	80	80	80	80	80	80	70	80	80	80
Storm sewers (miles)	60	60	60	60	61	61	61	61	61	61
Treatment capacity(millions of gals.)	1,278	1,278	1,278	1,278	6,000	6,000	6,000	6,000	3,150	3,150
Golf Courses:										
Acreage	99	99	99	99	124	124	124	124	124	124
Airports:										
Runways	3	3	3	3	2	2	2	2	2	2

Source:

Individual departments of the city

Table 18
City of Palatka, Florida

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Function										
General Government										
General Administration	8	8	8	8	8	8	7	9	9	9
Attorney	1	1	1	1	1	1	1	1	1	1
Mainstreet	0	1	1	1	1	1	0	0	0	0
Information Technology	0	0	0	1	1	1	1	0	0	0.5
Facilities Maintenance	0	0	0	1	1	1	1	1	1.5	1
Public Safety										
Building & Zoning	5	4	4	4	4.5	4	4	3	3	3
Police Officers	36	34	35	34	36	36	33	34	34	32
Police Clerical	6	7	7	6.5	6.5	6.5	6.5	6	6	6.5
Code Enforcement	1	1	1	1	1	1.5	1.5	1.5	1.5	1.5
Firefighters	23	23	23	23.5	23.5	23.5	23.5	22.5	22.5	22.5
Transportation										
Streets	6	6	6	6	6	6	6	9.5	9.5	9
Human Services										
Cemeteries	3	2	2	2	2	3	0	0	0	0
Culture/Recreation	7	5	5	5	6	3.5	2.5	1	1	1.5
Business Type Activities:										
Airport	3	2	3	3	3	3	3	3.5	3.5	3
Water	33	31	32	32	30	33	30.5	28	28	31
Golf	0	0	0	0	0	0	0	0	0	0
Sanitation	14	14	13	17	14	17	17.5	16	16	17

Source: City of Palatka Personnel Department

Single Audit Section



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka, Florida (the "City") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 29, 2020. That report should be considered in conjunction with this management letter.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and 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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and an Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings and Questioned Cost and the Summary Schedule of Prior Audit Findings that accompanies this letter. All prior year findings were corrected with the exception of findings 2018-001 (also reported as 2017-001) and 2018-004, which were substantially repeated.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations required to be included herein.

Additional Matters

Section 10.554(1)(i)3, Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and City Commissioners of the City of Palatka, Florida, and applicable management, 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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
June 29, 2020

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

The Honorable Mayor and City Commissioners
City of Palatka, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
June 29, 2020



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and City Commissioners
City of Palatka, Florida

We have examined the City of Palatka, Florida's (the "City") compliance with the specified requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

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

Gainesville, Florida
June 29, 2020

**Schedule of Expenditures of Federal Awards
Year ended September 30, 2019**

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
<i>Community Facilities Loans and Grants Cluster:</i>				
Community Facilities Loans and Grants	10.766	n/a	\$ 48,354	\$ -
U.S. Department of Housing and Urban Development				
Passed through Florida Department of Economic Opportunity				
Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii	14.228	19DB-ON-04-64-02-N-32	28,797	-
Community Development Block Grant/ State's Program and Non-Entitlement Grants in Hawaii	14.228	15DB-OJ-04-64-02-C04	130	-
Program total			<u>28,927</u>	<u>-</u>
U.S. Department of Justice				
Passed through Office of Attorney General				
Crime Victim Assistance	16.575	V13045	42,366	-
Crime Victim Assistance	16.575	n/a	3,269	-
Program total			<u>45,635</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JAGD-PUTN-1-N3-068	4,517	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JAGD-PUTN-1-N2-050	13,060	-
Program total			<u>17,577</u>	<u>-</u>
U.S. Department of Transportation				
FAA Airport Improvement Program	20.106	G1170, 3-12-0061-029-2019	139,315	-
U.S. Environmental Protection Agency				
Brownfields Assessment and Cleanup				
Cooperative Agreements	66.818	BF- 00D32715-0	916	-
<i>Drinking Water State Revolving Fund Cluster:</i>				
Passed through Florida Department of Environmental Protection:				
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468	FS98452217-0;DW540220	717,623	-
U.S. Department of Homeland Security				
Passed through Division of Emergency Management				
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	Z0492	237,828	-
Hazard Mitigation Grant (HMGP)	97.039	H0081 4283-66-R	27,426	-
Total expenditures of federal awards			<u>\$ 1,263,601</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal Awards**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized when they become a demand on current available financial resources. Expenditures on contracts under A-133 are recognized following the cost principles in OMB Circular A-133, and expenditures on all other contracts are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The preparation of this schedule requires management to make various estimates. Actual results could vary from those estimates.

Note 3. Indirect Cost Rate

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

Note 4. Loan and Loan Guarantee Programs

The City does not participate in any loan or loan guarantee programs.

Note 5. Federally Funded Insurance

The City does not receive any federally funded insurance.

Note 6. Noncash Assistance

The City did not receive or provide any noncash assistance related to Federal awards.



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
P.O. Box 13494
Gainesville, Florida 32604

(352) 372-6300
(352) 375-1583 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and City Commissioners
City of Palatka, Florida

Report on Compliance for Each Major Federal Program

We have audited City of Palatka, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Palatka, Florida’s internal control over compliance.

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

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

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

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

Gainesville, Florida
June 29, 2020

**For the Year Ended September 30, 2019
Schedule of Findings and Questioned Costs**

Part I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | |
|--|------------|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |

**For the Year Ended September 30, 2019
Schedule of Findings and Questioned Costs**

4. The City's major federal program was:

<u>Federal Program</u>	<u>Federal CFDA Number</u>
<i>Drinking Water State Revolving Fund Cluster:</i>	
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468

5. Dollar threshold used to distinguish between type A and type B programs: \$750,000

6. Auditee qualified as low-risk auditee under 2 CFR 200.520? No

Part II – Financial Statement Findings

2019-001 (Similar to previously reported items 2018-001 and 2017-001.)
Criteria: Section 218.33, *Florida Statutes*, requires that local government entities follow uniform accounting practices and procedures including the use of proper accounting and fiscal management, which includes establishing and maintaining effective internal control to help ensure that appropriate goals and objectives are met and ensuring that management and financial information is reliable and properly reported.

Condition: As part of the audit process, we proposed material adjustments to the City's financial statements. The City required assistance to prepare financial statements, including notes, in accordance with generally accepted accounting principles.

Cause: Limited number of finance personnel available for reconciliations and internal control processes.

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

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

Views of responsible officials: See accompanying corrective action plan.

**For the Year Ended September 30, 2019
Schedule of Findings and Questioned Costs**

2019-002

(Similar to previously reported item 2018-004.)

Criteria: The City is responsible for the preparation of a complete and accurate Schedule of Expenditures of Federal Awards (2 CFR 200.510).

Condition: The City's procedures are not adequate to ensure the proper identification of financial assistance programs and preparation of an accurate Schedule of Expenditures of Federal Awards (SEFA). Certain grants were missing or required material adjustments to the amount of expenditures shown on the SEFA.

Cause: Limited number of finance staff to review the Schedule of Expenditures of Federal Awards to ensure completeness and accuracy.

Effect: Failure to properly prepare the schedule could affect the selection of major programs, which could cause noncompliance with 2 CFR 200 single audit requirements.

Recommendation: The City should develop policies, procedures, and the expertise to prepare a complete and accurate Schedule of Expenditures of Federal Awards.

Views of responsible officials: See accompanying corrective action plan.

Part III – Findings and Questioned Costs – Federal Programs

There were no findings relative to the major federal program.

Summary of Prior Audit Findings
(Relative to Federal Awards)

Prior Audit Findings Relative to Federal Programs

2018-008 **Federal Award Special Tests & Provisions – Wage Rate Requirement**
Highway Planning and Construction Cluster – CFDA Number 20.205 Contract
41057229401, 2011, U.S. Department of Transportation; Passed through Florida
Department of Transportation
Questioned costs - none

Criteria: 2 CFR 200.303 requires non-Federal entities to establish and maintain internal controls over compliance with laws, regulations, and the terms and conditions of grant agreements. Federal regulation 29 CFR section 5.5 requires that contractors and subcontractors that work on construction contracts in excess of \$2,000 submit to the awarding agency a copy of their weekly payroll and a statement of compliance (certified payroll) for any week in which contract work is performed. Per the Federal Highway Administration Davis-Bacon and Related Acts Questions and Answers, the City is responsible for properly applying and enforcing wage rate requirements in construction contracts, which includes reviewing certified payrolls in a timely manner to ensure all laborers and mechanics are paid wages not less than those established by the U.S. Department of Labor for the locality of the project..

Condition: The City was unable to locate evidence of the certified weekly payrolls for the construction vendor for this grant.

Cause: The work was performed in fiscal year 2014, but was not charged to the grant until the current year. Records were not maintained by the City and the contractor's requirement to maintain the documents ended after three years.

Effect: Laborers and mechanics employed by construction contractors or subcontractors may not have been paid at least the prevailing wage rates as required.

Recommendation: We recommend monitoring and retention of the certified payrolls by the City in accordance with grant requirements.

View of responsible officials: The City has implemented controls over grant document records and retention to prevent this in the future.

Followup: Corrected.

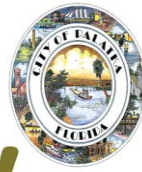
TERRILL L. HILL
MAYOR-COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR – COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

TAMMIE McCASKILL
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER



CITY of Palatka
FLORIDA

DONALD E. HOLMES
CITY MANAGER

LOGAN B. BECKER
FINANCE DIRECTOR

JASON L. SHAW, SR
CHIEF, POLICE DEPT.

KEITH 'J.R.' GRIMES
CHIEF, FIRE DEPT.

VALERIA BLAND THOMAS, ESQ.
INTERIM CITY ATTORNEY

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

June 29, 2020

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

Dear Ms. Norman:

I write to you in response to the findings noted in the audit of the City of Palatka, prepared by Carr, Riggs & Ingram for the year ended in September 30, 2019.

2019-001 *Condition* – As part of the audit process, we proposed material adjustments to the City's financial statements. The City required assistance to prepare financial statements including notes, in accordance with generally accepted accounting principles.

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

Resolution – The City is continuously implementing improvements to internal control processes. However, due to limited finance personnel and budget constraints, the City anticipates the potential of recurrence of similar finding, but will strive to avoid verbatim repeat.

2019-002 *Condition* – The City's procedures are not adequate to ensure the proper identification of financial assistance programs and preparations of an accurate Schedule of Expenditures of Federal Awards. Certain grants were missing or required material adjustments to the amount of expenditures shown on the SEFA.

Recommendation – The City should develop policies, procedures, and the expertise to prepare and review a complete and accurate Schedule of Expenditures of Federal Awards.

Resolution –The City implemented a process that heavily includes the Grant Administrator, the person that had been designated the SEFA Coordinator (currently, the City’s Accounting Supervisor) and the Finance Director, so that there is better understanding and communication throughout the entire fiscal year rather than an infrequent-partnership review of which previously existed. This particular instance involved omission of a SRF Loan from the SEFA report that we now know is considered grant funded although functions as a debt.

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

Sincerely,

A handwritten signature in blue ink that reads "Logan Becker". The signature is written in a cursive, slightly slanted style.

Logan B. Becker
Finance Director