

City of Palatka, Florida

**Comprehensive Annual
Financial Report**

For the Year Ended September 30, 2018

**PREPARED BY:
LOGAN BECKER
FINANCE DIRECTOR**

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TERRILL L. HILL
MAYOR-COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR
COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE McCASKILL
COMMISSIONER



ELMON (LEE) GARNER
INTERIM CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

LOGAN B. BECKER
FINANCE DIRECTOR

JASON SHAW, SR.
CHIEF OF POLICE

KEITH "J.R." GRIMES
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

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

August 23, 2019

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, 2018.

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

THE REPORTING ENTITY

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,649 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 10,649 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2018. During the budget planning for fiscal year 2018-19, the City proposed a General Fund operating budget that was 3.5% more than the previous year increasing from \$11.868 million to \$12.279 million. The City is currently in year four (4) of implementing a fire service special assessment that resulted in revenues of \$1,290,086 in FY2018. The millage rate remained at 6.4000 mills for the third consecutive year. Other revenue sources such as state shared revenues, sales taxes, fuel taxes, utility taxes, franchise fees and communication service taxes increased from the prior year. The annual transfer from the Palatka Gas Authority was \$186,636 in FY2018 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, 2018, the General Fund total fund balance was \$2,349,615, an increase of approximately half a million dollars over last year end.

Approximately seven percent (7%) 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 twelve percent (12%) of the total fund balance. The remaining unassigned fund balance is 22% of the total general fund expenditures, which totals \$1,895,172. 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 decreased by approximately 0.3%.

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.

MAJOR INITIATIVES

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

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

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

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

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

CURRENT PROJECTS

The City's Riverfront property redevelopment and revitalization efforts continue to be a critical and vital improvement project in order to reinvigorate the downtown and City. The City was successful in attracting two development partners to build a new hotel and to revitalize several historic buildings along the riverfront which are a high quality mixed use development. The hotel, adds more than \$3 million dollars to the tax roll and the mixed development adds \$1.1 million.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately six point one million dollars (\$6.1 million) of improvements to the Riverfront Park Downtown Area including; road way, storm drainage, parking facilities, landscaping, playground, restroom and shower facilities, and appurtenant facilities. The funding for these improvements has come from the downtown tax increment fund and infrastructure surtax revenues as well as significant grant dollars from various State and Federal sources. The City also previously issued a RFP for dock operations, concessions and park management and was successful in attracting a qualified vendor and is in the process of securing a management agreement. The City will receive an enhanced level of service and maintenance at those facilities from the vendor and will share in a portion of the vendor's earned revenue. Phase IV and V of the Riverfront Improvements were completed and put into service this past year. These improvements consisted of vaulting existing stormwater basins to increase usable park/event space and the reconfiguration of roads and parking in the Southern Riverfront Area. At the same time water lines were replaced and new stormwater collection systems were installed to replace aging infrastructure. The projects have improved the appearance of the community and the condition and functionality of the infrastructure.

**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's GIS based asset management software continues to be populated with road, water, sewer and storm data to enhance the use of information systems and reporting. The new system once populated will assist 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. A specific example of this will be an ongoing Pavement Management Plan for all City roads. The plan is being developed to prioritize road preventative maintenance and reconstruction based upon condition rating, previous treatments, classification, scheduled utility projects and availability of funding.

The City continues to upgrade the pavement and drainage systems, new security fencing, and add new hangar facilities at the airport with the help of Federal Aviation Administration (FAA) and Florida Department of Transportation (FDOT) grants. The City in cooperation with the funding partners expended over one and half million dollars to expand apron and aircraft parking. The T-Hangar project is now complete with 100% occupancy generating additional revenue. 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 and have enhanced the City's ability to sustain the airport and provide for further development and economic opportunities there.

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 implementation of management plans for all infrastructure assets (i.e. storm, water, wastewater, streets, etc.) will assist the City in capital planning, financial modeling and to achieve its goal of institutionalizing preventative maintenance procedures and increase the replacement of deficient infrastructure.

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.

**MAJOR INITIATIVES
(Continued)**

FUTURE PROJECTS (continued)

A St. Johns River Water Management District grant for \$1.2 million was awarded for the development of a 200+ acre reclaimed disposal site adjacent to the treatment plant. The City advertised for agricultural lease proposals for the 200 acre site and is in negotiations to finalize a lease that will ensure the beneficial use of reclaimed water and bio-solids on site for agricultural purposes. This lease is expected to generate \$20,000/year. year and decrease operating expenses related to hauling of biosolids. Construction of the necessary holding pond and sprayfield area is scheduled to be completed by October 2019.

The City has prioritized seven areas for water main replacement by analyzing water main breaks, calls for service and age of the infrastructure. The City has submitted two (2) legislative appropriation requests totaling \$3.9 million for potable (drinking) water main line replacement and Wastewater Treatment Plant upgrades. The Department of Economic Opportunity through the CDBG small cities program has awarded the City \$750,000 for potable line replacement. The

City has been awarded \$1.5 million in SJRWMD funding for potable line replacement in the Historic Districts and Palatka Heights. This funding has been matched with State Revolving Loan Funds from FDEP and Tax Increment Funds. The City plans to replace 40,000 linear feet (10% of system) of potable main lines in the next 3-5 years.

The City is seeking additional Federal and State grant funds to identify, plan and finance needed water system deficiencies. The City conducted a leak detection study in the spring of 2016 within Honorable Mayor and the oldest areas of the City. While the report noted the poor condition of the potable delivery system it did not find any notable leaks that could contribute to water loss. Percentage of water loss for FY 17/18 was 8.9% of water pumped and is within an acceptable range (<12%).

The City continues to fund a considerable water renewal project using multiple State and local funding sources. The City secured \$7.583 million in State Revolving Fund loan monies of which a portion will be repaid by the City's tax increment fund districts. A revised water and sewer rate structure was implemented to more equitably distribute the cost of service availability to customers based upon their demand on the system. This rate structure is estimated to bring in an additional \$1 million to fund capital projects in the utility. In addition to system renewal staff has began planning for extension projects aimed at improving system efficiency and economic benefit to the system. The City will continue to evaluate any appropriate water and sanitary sewer extensions to the present system to serve new areas and customers outside of the current service limits.

Other future projects include two (2) stormwater infrastructure projects to pretreat stormwater runoff prior to it entering the St. Johns River system. The South 15th Street drainage project is funded by CDBG DRI (\$1.8 million). The first phase of the South Historic District Stormwater improvements was funded by a St. Johns River Management Cost Share Agreement (\$500,000).

**MAJOR INITIATIVES
(Concluded)**

FUTURE PROJECTS (continued)

Funding for future phases is currently being sought. The City completed Phase I of the Booker Park Recreation Complex project with the clearing of land for future ballfields and construction of a regional stormwater pond. Funding for future ballfields, basketball courts, trail and other amenities has been secured from FDEP.

The replacement of sidewalks throughout the City in effort to improve walkability and quality of life for our residents remains a priority. The City continues to fund this effort and prioritize areas for replacement based upon condition, traffic and scheduling of other capital road/utility projects.

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

FINANCIAL POLICIES

INTERNAL CONTROL STRUCTURE

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

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

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

**FINANCIAL POLICIES
(Concluded)**

INTERNAL CONTROL STRUCTURE (continued)

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

BUDGETARY CONTROL

Budgetary control is maintained at the fund level. The 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. Departmental expenditures are monitored on a monthly basis by the City Manager and Finance Director. The City Commission is provided with a quarterly budget status report. Encumbrances lapse at year's end.

INDEPENDENT AUDIT

Florida Statutes require an audit of the financial statements of the City of Palatka by an independent certified public accountant selected by the City Commission. The City complied with this requirement, and the auditor's opinion is included in the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palatka for its comprehensive annual financial report for the fiscal year ended September 30, 2017. This was the twenty-sixth 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.

Honorable Mayor and
Members of the City Commission
City of Palatka
Page 8

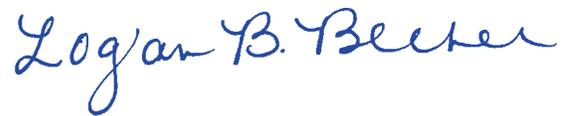
ACKNOWLEDGMENTS

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,



Elmon L. Garner
Interim City Manager



Logan B. Becker
Finance Director

GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2017 is presented on the following page.



Government Finance Officers Association

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

Presented to

**City of Palatka
Florida**

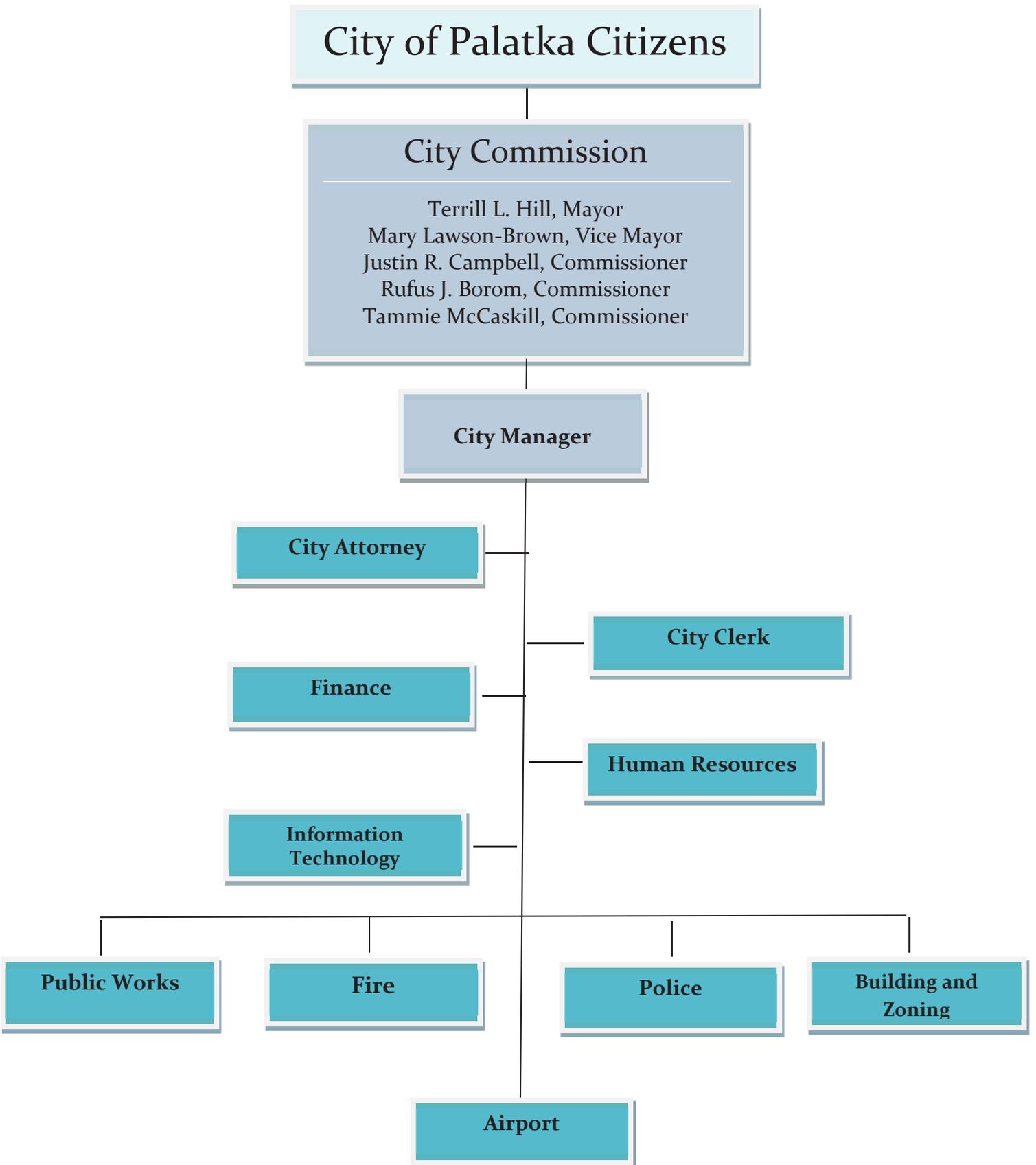
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Palatka
Organizational Chart



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

ELECTED OFFICIALS

Mayor-Commissioner
Vice Mayor-Commissioner
Commissioner
Commissioner
Commissioner

Terrill Hill
Mary Lawson Brown
Tammie McCaskill
Rufus Borom
Justin Campbell

APPOINTED OFFICIALS

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

Elmon L. Garner
Betsy Jordan Driggers
Logan B. Becker
Donald E. Holmes
Jason L. Shaw, Sr.
Keith "JR" Grimes

DEPARTMENT SUPERINTENDENTS

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

John Youell
Steve Lachnicht
Jonathan Griffith
Ed Chandler
Shawn Ladd
Kayla Wylie
Brian McCann
Rhett McCamey

AUDITORS

Carr, Riggs & Ingram, LLC



Carr, Riggs & Ingram, LLC
4010 N.W. 25th Place
Gainesville, Florida 32606
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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, 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.

Emphasis of Matter – Adoption of New Accounting Pronouncement

As described in Note 15 to the financial statements, the City adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which resulted in a restatement of beginning net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019 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.

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

Gainesville, Florida
August 23, 2019

City of Palatka
Management's Discussion and Analysis
September 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page i of this report.

Financial Highlights

- The net position of the City at the close of the fiscal year was \$49,482,767. The total unrestricted net position of the City ended the fiscal year at \$(4,450,547).
- The City's total net position increased by \$511,068 (1.41%). Governmental net position, including restatement increased by \$699,639 (5.54%) and the Enterprise funds net position, including restatement decreased by \$188,571 (0.52%).
- The total net position of each Enterprise fund was: Water \$16,845,754, Sanitation \$(109,033), Golf \$1,022,554 and Airport \$18,398,547.
- As of September 30, 2018, the City's governmental funds reported combined ending fund balances of \$3,140,524, an increase of \$114,357, including restatement (3.78%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$1,895,172 or 20.89% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$453,466. Better Place Plan fund balance was \$337,443.
- Net position of the General, Police Officers', and Firefighters' Pension Trust Funds increased by \$210,202, \$428,198, and \$232,806 respectively, primarily due to appreciation in the fair value of investments.

Overview of Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City of Palatka's assets and deferred outflows, and liabilities and deferred inflows, with the difference reported as net position. 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, and sanitation; while the discretely presented component unit, the gas authority provides gas services.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's net liabilities, contributions and investment returns relating to its pension plans and the City's progress in funding its obligation for other postemployment benefits to its employees. Required supplementary information can be found on pages 45 - 55 of this report.

Supplementary information can be found beginning on page 56 of this report.

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 \$49.5 million at the close of the most recent fiscal year. There were deferred inflows of \$98,359 and deferred outflows of \$1,887,564.

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
For the Year Ended September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 3,518,786	\$ 4,177,977	\$ 2,749,523	\$ 3,292,758	\$ 6,268,309	\$ 7,470,735
Capital assets	17,572,194	15,359,515	48,270,946	48,588,064	65,843,140	63,947,579
Total assets	21,090,980	19,537,492	51,020,469	51,880,822	72,111,449	71,418,314
Deferred outflows - pension	1,491,790	2,443,272	395,774	805,548	1,887,564	3,248,820
Liabilities:						
Long-term liabilities	8,916,343	7,800,137	14,989,092	15,789,230	23,905,435	23,589,367
Other liabilities	258,049	570,999	254,403	363,386	512,452	934,385
Total liabilities	9,174,392	8,371,136	15,243,495	16,152,616	24,417,887	24,523,752
Deferred inflows:						
Deferred inflows - pension	56,031	984,322	-	187,361	56,031	1,171,683
Deferred inflows - OPEB	27,402	-	14,926	-	42,328	-
Total deferred inflows	83,433	984,322	14,926	187,361	98,359	1,171,683
Net position:						
Net investment in capital assets	15,939,443	13,804,049	36,963,783	36,415,452	52,903,226	50,219,501
Restricted	1,021,993	1,312,154	8,095	334,196	1,030,088	1,646,350
Unrestricted	(3,636,491)	(2,490,897)	(814,056)	(403,255)	(4,450,547)	(2,894,152)
Total net position	\$ 13,324,945	\$ 12,625,306	\$ 36,157,822	\$ 36,346,393	\$ 49,482,767	\$ 48,971,699

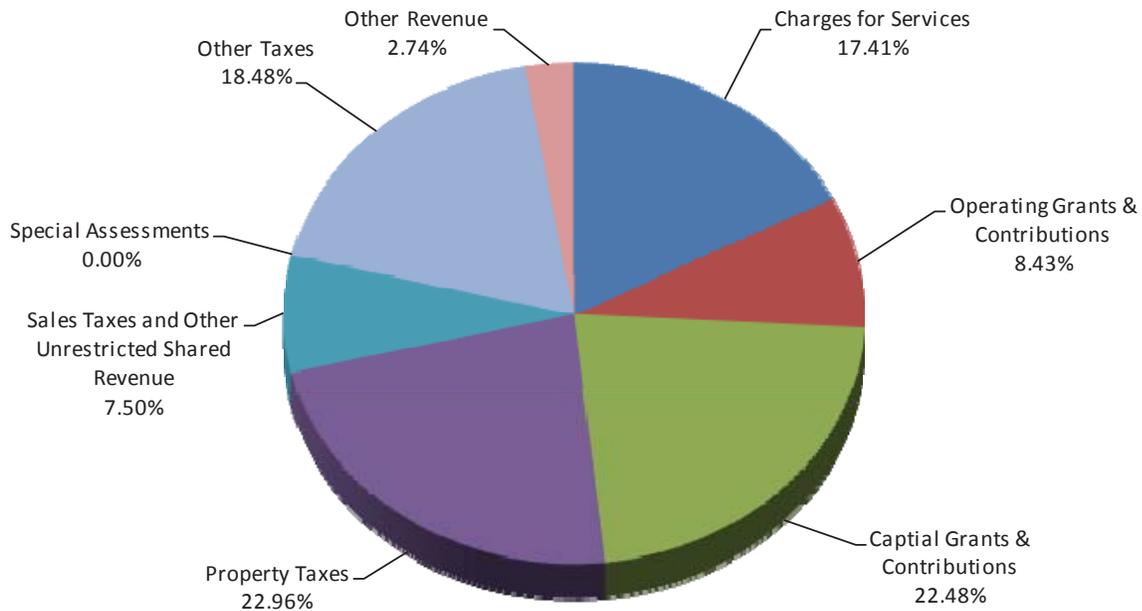
An additional portion of the City's net position \$1.03 million (2.08%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a negative amount of \$4.45 million.

Change in Net Position

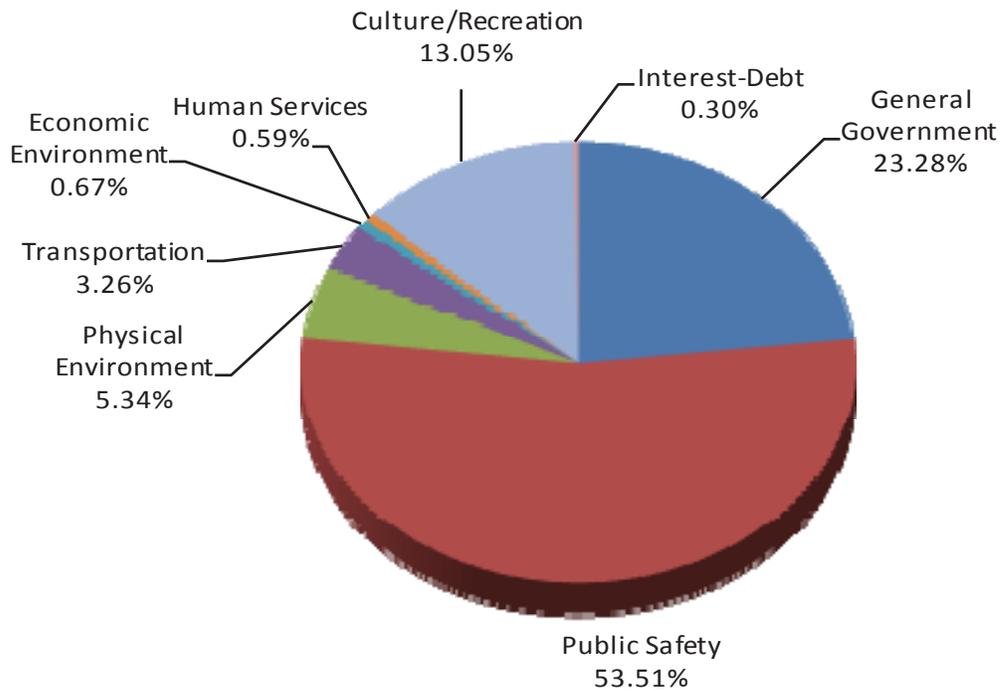
The City's total net position, including restatement increased \$511,068 over the previous year as a result of an increase of \$699,639 from governmental activities and a decrease of \$188,571 from business activities.

City of Palatka						
Changes in Net Position						
For the Years Ended September 30, 2018 and 2017						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,136,282	\$ 1,393,156	\$ 8,743,541	\$ 7,712,709	\$ 10,879,823	\$ 9,105,865
Operating Grants & Contributions	1,033,856	884,023	-	-	1,033,856	884,023
Capital Grants & Contributions	2,758,409	1,820,801	454,178	820,508	3,212,587	2,641,309
General Revenues:						
Property Taxes	2,817,740	2,573,515	-	-	2,817,740	2,573,515
Sales Taxes and Other Unrestricted						
Shared Revenues	919,960	875,598	-	-	919,960	875,598
Special Assessments	-	1,653,302	-	-	-	1,653,302
Other Taxes	2,267,722	2,189,560	-	-	2,267,722	2,189,560
Other Revenue	336,730	251,984	11,006	84,570	347,736	336,554
Total Revenues	12,270,699	11,641,939	9,208,725	8,617,787	21,479,424	20,259,726
Expenses:						
General Government	2,727,715	1,828,406	-	-	2,727,715	1,828,406
Public Safety	6,269,939	7,015,197	-	-	6,269,939	7,015,197
Physical Environment	626,037	233,000	-	-	626,037	233,000
Transportation	381,563	861,820	-	-	381,563	861,820
Economic Environment	78,587	121,398	-	-	78,587	121,398
Human Services	69,468	37,322	-	-	69,468	37,322
Culture/Recreation	1,529,633	348,255	-	-	1,529,633	348,255
Interest on Long-Term Debt	35,048	46,948	-	-	35,048	46,948
Water	-	-	5,126,552	5,064,916	5,126,552	5,064,916
Sanitation	-	-	1,965,515	1,812,266	1,965,515	1,812,266
Golf Course	-	-	184,179	434,136	184,179	434,136
Airport	-	-	1,658,643	1,563,492	1,658,643	1,563,492
Total Expenses	11,717,990	10,492,346	8,934,889	8,874,810	20,652,879	19,367,156
Incr/(Decr) in Net Position before Transfers	552,709	1,149,593	273,836	(257,023)	826,545	892,570
Transfers	374,746	(68,790)	(374,746)	68,790	-	-
Increase/(Decrease) in Net Position	927,455	1,080,803	(100,910)	(188,233)	826,545	892,570
Net Position previously reported	12,625,306	10,767,292	36,346,393	36,915,550	48,971,699	47,682,842
Restatement	(227,816)	777,211	(87,661)	(380,924)	(315,477)	396,287
Net Position-Beginning of Year, as restated	12,397,490	11,544,503	36,258,732	36,534,626	48,656,222	48,079,129
Net Position-End of Year	\$ 13,324,945	\$ 12,625,306	\$ 36,157,822	\$ 36,346,393	\$ 49,482,767	\$ 48,971,699

**Revenues by Source – Governmental Activities
For the Year Ended September 30, 2018**



**Expenses by Function – Governmental Activities
For the Year Ended September 30, 2018**



Business-type Activities

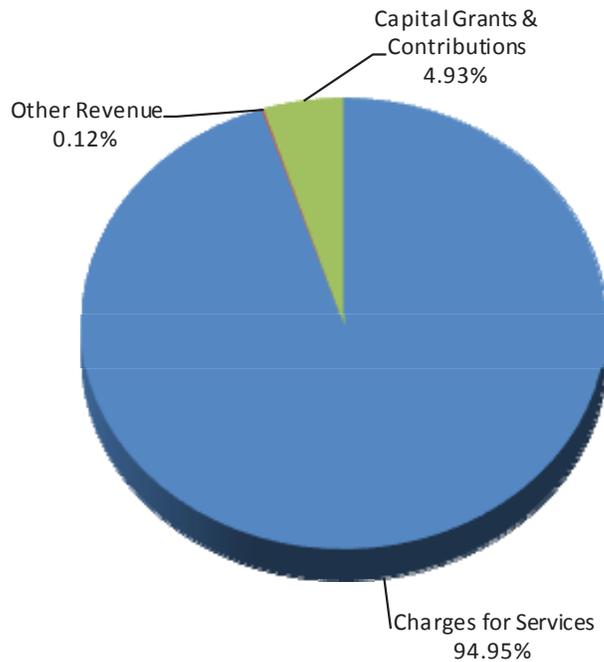
Business-Type activities decreased the City’s net position by \$188,571, including restatement, thereby accounting for 32.08% of the total change in the net position of the City. Key elements of this decrease were as follows:

The Water fund had an operating income of \$1,199,729 in addition to nonoperating expenses of \$365,556 resulting in gain of \$834,713 before capital contributions and transfers. After capital contributions and transfers, the net position increased by \$526,361. The net position at the end of the fiscal year in the Water fund totaled \$16,845,754.

The Sanitation fund net position decreased by \$438,516, including restatement, due to operating loss of the fund increasing from the prior year. The net position at the end of the fiscal year in the Sanitation fund was a deficit of \$109,033.

The Golf Course fund net position increased by \$180,451 due to transfers from the General Fund and. The net position at the end of the fiscal year in the Golf Course fund was \$1,022,554.

The Airport fund received capital contributions of \$437,894 for various capital projects throughout the fiscal year. These funds were used for projects that included pavement, marking, and lighting rehabilitation of taxiways, taxilanes, and runways. The operating loss for the Airport which includes depreciation totaled \$767,698. This loss combined with a total nonoperating expense was partially offset by the capital contributions, bringing the change in net position of the fund to \$(408,254). The net position at the end of the fiscal year in the Airport fund totaled \$18,398,547.



Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,140,524, an increase of \$191,098 (6.31%) in comparison to the prior year. This total includes a nonspendable fund balance of \$162,742, a restricted fund balance of \$1,021,993, a committed fund balance of \$60,617 and an unassigned fund balance of \$1,895,172, which is available for spending at the government's discretion.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$2,349,615, an increase of \$499,034, 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 \$197,519 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 6.4000 mills, and generated \$2,817,740 which was an increase of \$244,225 from the prior year. The City is in its third year of implementing a special assessment for fire protection services that generated \$1,290,086 in revenue.

Total revenues for the General Fund decreased by \$403,656 from the prior year.

The General Fund had a decrease of \$22,306 in expenditures, which is essentially status quo from the prior year.

Unassigned fund balance in the General Fund increased by \$529,502 (44%) from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$453,466, a decrease of \$441,676 from the prior year. This decrease was the result of a transfer out of \$799,483.

The Better Place Plan fund ended the fiscal year with a balance of \$337,443, an increase of \$171,941 from the prior year. This increase was due to an increase in grant revenues.

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis is financed through user charges. The City operates four proprietary enterprise funds: the Water Revenue Fund, Municipal Golf Course Fund, Sanitation Fund, and Airport Fund. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of September 30, 2018, total proprietary fund net position amounted to \$36,157,822.

Water Revenue Fund

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Operating revenue increased by \$916,515 or 18.21% from the prior year. Operating expenses also increased by a total of \$74,593. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to a negative \$2,632.

Sanitation Fund

There was an increase in operating revenue of \$140,681 or 8.18% from the prior year. Expenses increased by \$151,076. Unrestricted net position for the sanitation fund equaled negative \$546,915.

Golf Course Fund

The City entered into a Franchise Agreement in February 2017. As a result of the agreement, operating revenues booked decreased by \$158,487 from the prior year. Operating expenses also decreased by \$244,475 or 62%, exceeding operating revenues by \$82,737. Unrestricted net position for the golf course fund equaled positive \$16,163.

Airport Fund

Operating revenue increased by \$56,049, compared to last year's operating revenue increase of \$80,380. Unrestricted net position decreased by \$169,376 from the prior year. This resulted in a continued negative unrestricted net position balance of \$280,672 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 \$511,825 more than budgeted.

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

- General government actual expenditures were \$169,770 less than final budget primarily due to multiple budgeted positions remaining vacant.
- Transportation actual expenditures were \$117,219 more than final budget primarily due to the expenditures related to storm clean up.
- Additionally, \$342,614 reserved for contingencies was unspent.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Years Ended September 30, 2018 and 2017

	Governmental Activities		Business-type Activities		Total Primary Govt	
	2018	2017	2018	2017	2018	2017
Land and Improvements	\$ 3,366,424	\$ 3,358,501	\$ 4,932,786	\$ 5,443,536	\$ 8,299,210	\$ 8,802,037
Buildings and Improvements	4,011,476	3,298,518	16,227,033	16,257,184	20,238,509	19,555,702
Infrastructure	7,035,787	4,726,895	-	-	7,035,787	4,726,895
Furniture and Equipment	2,079,417	1,467,757	2,588,038	2,510,964	4,667,455	3,978,721
Intangibles	56,474	100,327	-	-	56,474	100,327
Water/Sewer Distribution System	-	-	4,705,390	5,019,575	4,705,390	5,019,575
Plant Assets and Equipment	-	-	18,522,252	19,203,750	18,522,252	19,203,750
Construction in Progress	1,022,616	2,407,517	1,295,447	153,055	2,318,063	2,560,572
	<u>\$ 17,572,194</u>	<u>\$ 15,359,515</u>	<u>\$ 48,270,946</u>	<u>\$ 48,588,064</u>	<u>\$ 65,843,140</u>	<u>\$ 63,947,579</u>

Capital Assets

The capital assets of the governmental funds are those assets used in the performance of general governmental functions and exclude the assets of the Enterprise Funds. As of September 30, 2018, the governmental capital assets of the City amounted to \$17,572,194, net of depreciation. This was an increase of \$2,212,679 over the prior year. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at estimated acquisition value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, (net of accumulated depreciation) amounts to \$65,843,140. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total increase in the City's net investment in capital assets was \$1,895,561.

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

- Completed January 2018- Rehabilitation of Runway 17-35 and Taxiway C Pavement and Lighting
- Completed June 2018- Runway 17-35 and 9-27 Marking Rehabilitation
- Completed March 2018- T Hangar Taxilane Pavement Rehabilitation
- Construction of Airport Security Fencing- Multi-Year Project, on-going
- Purchase of a fire truck, skid steer, dump truck, back hoe, two (2) utility trucks, street sweeper and a clamshell
- Completed August 2018- Water Taxi Terminal Facility
- Completed April 2018- Nature Based Playground at Riverfront Park
- Completed August 2018- Riverfront Vaulted Stormwater Ponds
- Completed March 2018- Phase I South Historic District Stormwater Project
- Completed March 2018- Booker Park Stormwater Pond
- Installation of Generator at Wastewater Treatment Plant
- Completed June 2018- Phase IV of Southern Riverfront Improvements
- Improvements to Ball field at Fred Green Park and Forrester Field

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

Long-Term Debt

At September 30, 2018, the City had \$1,632,751 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$6,445,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$79,663 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$2,705,727 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$754,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$257,000 Airport Hangar Revenue notes and a \$435,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes and \$630,775 in capital leases payable.

At the end of the current fiscal year, the City had total debt outstanding of \$13,057,772. Of this amount, \$4,855,244 comprises debt backed by the full faith and credit of the City, \$1,639,672 capital leases, \$117,856 water/sewer agreements with other agencies and the remainder represents bonds and notes secured solely by specified revenue sources (i.e., revenue bonds).

**City of Palatka
Long-Term Debt Obligations
For the Years Ended September 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Govt	
	2018	2017	2018	2017	2018	2017
Revenue Bonds	\$ -	\$ -	\$ 6,445,000	\$ 6,620,000	\$ 6,445,000	\$ 6,620,000
Notes Payable	623,854	969,221	4,231,390	4,750,125	4,855,244	5,719,346
Capital Lease Obligations	1,008,897	586,245	630,775	802,487	1,639,672	1,388,732
Water/Sewer Agreements	-	-	117,856	117,856	117,856	117,856
Total	\$ 1,632,751	\$ 1,555,466	\$ 11,425,021	\$ 12,290,468	\$ 13,057,772	\$ 13,845,934

The City's total long-term debt decreased \$788,162 from the prior year.

Governmental Activities:

- Governmental obligations for compensated absences increased by 0.55% or \$2,000.
- Total OPEB obligations increased by \$155,963 (84.39%) to arrive at a total obligation of \$184,809.
- Net pension liability increased by \$880,958 (15.47%) to arrive at a total obligation of \$6,574,820.

Business-type activities:

- Compensated absences decreased by 128.57% or \$9,000.
- Total OPEB obligations increased by \$87,784 (89.73%) to arrive at a total obligation of \$185,614.
- Net pension liability decreased by \$36,983 (1.15%) to arrive at a total obligation of \$3,168,659.

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 2018-2019 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 2017-2018, 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 base meter rates were increased 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 increased by 6.5% along with the anticipation of increasing rates the same amount for this fiscal year and next. These increases are necessary in order to balance the Sanitation fund's revenues versus expenditures to ensure the long term sustainability of the fund.

Additionally, 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.

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, 2018

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Palatka Gas Authority
Assets				
Cash and equivalents	\$ 3,021,947	\$ 1,432,406	\$ 4,454,353	\$ 452,052
Investments	-	-	-	1,092,025
Accounts receivable, net	23,686	534,293	557,979	320,788
Internal balances	162,742	(162,742)	-	-
Due from other governments	310,411	159,938	470,349	-
Inventory	-	205,660	205,660	88,477
Restricted cash and equivalents	-	95,722	95,722	-
Restricted investments	-	484,246	484,246	1,018,928
Capital assets:				
Non-depreciable	4,389,040	6,228,233	10,617,273	211,543
Depreciable, net	13,183,154	42,042,713	55,225,867	5,585,903
Total assets	21,090,980	51,020,469	72,111,449	8,769,716
Deferred outflows of resources				
Pension related	1,491,790	395,774	1,887,564	199,161
Liabilities				
Accounts payable and accrued liabilities	250,622	202,517	453,139	84,846
Deposits	7,427	51,886	59,313	1,018,928
Due to other governments	-	-	-	544,130
Noncurrent liabilities:				
Due within one year	691,041	969,734	1,660,775	24,180
Due in more than one year	8,225,302	14,019,358	22,244,660	1,657,598
Total liabilities	9,174,392	15,243,495	24,417,887	3,329,682
Deferred inflows of resources				
Pension related	56,031	-	56,031	-
OPEB related	27,402	14,926	42,328	3,882
Total deferred inflows of resources	83,433	14,926	98,359	3,882
Net position				
Net investment in capital assets	15,939,443	36,963,783	52,903,226	5,797,446
Restricted for:				
Law enforcement	64,108	-	64,108	-
Fire safety education	40,420	-	40,420	-
Fire protection	5,841	-	5,841	-
Cemetery improvements	120,715	-	120,715	-
Capital projects	337,443	-	337,443	-
Downtown redevelopment	453,466	-	453,466	-
Capital projects	-	8,095	8,095	-
Unrestricted	(3,636,491)	(814,056)	(4,450,547)	(162,133)
Total net position	\$ 13,324,945	\$ 36,157,822	\$ 49,482,767	\$ 5,635,313

See accompanying notes.

Statement of Activities
Year ended September 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Palatka Gas Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities:								
General government	\$ 2,727,715	\$ 90,743	\$ -	\$ -	\$ (2,636,972)	\$ -	\$ (2,636,972)	\$ -
Public safety	6,269,939	1,902,535	358,110	100,000	(3,909,294)	-	(3,909,294)	-
Physical environment	626,037	-	-	740,774	114,737	-	114,737	-
Transportation	381,563	51,654	645,151	-	315,242	-	315,242	-
Economic environment	78,587	-	-	936,623	858,036	-	858,036	-
Human services	69,468	67,411	745	-	(1,312)	-	(1,312)	-
Culture and recreation	1,529,633	23,939	29,850	981,012	(494,832)	-	(494,832)	-
Interest on long-term debt	35,048	-	-	-	(35,048)	-	(35,048)	-
Total governmental activities	11,717,990	2,136,282	1,033,856	2,758,409	(5,789,443)	-	(5,789,443)	-
Business-type activities:								
Water	5,126,552	5,950,043	-	16,284	-	839,775	839,775	-
Sanitation	1,965,515	1,860,875	-	-	-	(104,640)	(104,640)	-
Golf course	184,179	65,168	-	-	-	(119,011)	(119,011)	-
Airport	1,658,643	867,455	-	437,894	-	(353,294)	(353,294)	-
Total business-type activities	8,934,889	8,743,541	-	454,178	-	262,830	262,830	-
Total primary government	\$ 20,652,879	\$ 10,879,823	\$ 1,033,856	\$ 3,212,587	(5,789,443)	262,830	(5,526,613)	-
Component unit								
Palatka gas authority	\$ 2,779,105	\$ 2,615,907	\$ -	\$ -	-	-	-	(163,198)
General revenues and transfers								
Property taxes					2,817,740	-	2,817,740	-
Sales tax and intergovernmental unrestricted shared revenues					919,960	-	919,960	-
Franchise taxes					797,257	-	797,257	-
Utility taxes					1,145,424	-	1,145,424	-
Communications service tax					325,041	-	325,041	-
Investment earnings					2,753	9,468	12,221	14,781
Contribution from component unit					186,626	-	186,626	-
Miscellaneous					147,351	1,538	148,889	108
Transfers					374,746	(374,746)	-	-
Total general revenues and transfers					6,716,898	(363,740)	6,353,158	14,889
Change in net position					927,455	(100,910)	826,545	(148,309)
Net position-beginning of year, as previously reported					12,625,306	36,346,393	48,971,699	5,836,519
Restatement					(227,816)	(87,661)	(315,477)	(52,897)
Net position-beginning of year, as restated					12,397,490	36,258,732	48,656,222	5,783,622
Net position-end of year					\$ 13,324,945	\$ 36,157,822	\$ 49,482,767	\$ 5,635,313

See accompanying notes.

**Balance Sheet
Governmental Funds
September 30, 2018**

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Nonmajor Governmental Fund CDBG	Total Governmental Funds
Assets					
Cash and equivalents	\$ 2,423,109	\$ 444,828	\$ 154,010	\$ -	\$ 3,021,947
Accounts receivable	14,251	9,000	435	-	23,686
Due from other governments	7,200	-	303,211	-	310,411
Advances to other funds	162,742	-	-	-	162,742
Total assets	\$ 2,607,302	\$ 453,828	\$ 457,656	\$ -	\$ 3,518,786
Liabilities					
Accounts payable and accrued liabilities	\$ 250,260	\$ 362	\$ -	\$ -	\$ 250,622
Deposits	7,427	-	-	-	7,427
Total liabilities	257,687	362	-	-	258,049
Deferred inflow of resources					
Unavailable revenue	-	-	120,213	-	120,213
Fund balances					
Nonspendable	162,742	-	-	-	162,742
Restricted	231,084	453,466	337,443	-	1,021,993
Committed	60,617	-	-	-	60,617
Unassigned	1,895,172	-	-	-	1,895,172
Total fund balances	2,349,615	453,466	337,443	-	3,140,524
Total liabilities, deferred inflows of resources and fund balances	\$ 2,607,302	\$ 453,828	\$ 457,656	\$ -	\$ 3,518,786

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2018**

Fund balances – total governmental funds	\$	3,140,524
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		17,572,194
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(623,854)
Capital leases		(1,008,897)
Compensated absences		(368,000)
Total OPEB liability		(340,772)
Net pension liability		(6,574,820)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.		
Unavailable revenue		120,213
Deferred outflows and inflows associated with pensions and OPEB are not reported in the governmental funds.		
Deferred outflows - pensions		1,491,790
Deferred inflows - pensions		(56,031)
Deferred inflows - OPEB		(27,402)
Net position of governmental activities	\$	13,324,945

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2018

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Nonmajor Governmental Fund CDBG	Total Governmental Funds
Revenues					
Taxes	\$ 4,593,980	\$ 436,394	\$ 936,623	\$ -	\$ 5,966,997
Permits, fees and special assessments	2,259,082	-	-	-	2,259,082
Intergovernmental	1,126,564	-	2,294,855	-	3,421,419
Charges for services	207,554	-	-	-	207,554
Fines and forfeitures	343,332	-	-	-	343,332
Miscellaneous	565,618	-	13,000	19	578,637
Total revenues	9,096,130	436,394	3,244,478	19	12,777,021
Expenditures					
Current:					
General government	1,201,600	-	2,432,316	-	3,633,916
Public safety	5,926,197	-	-	-	5,926,197
Physical environment	166,532	-	189,844	-	356,376
Transportation	794,787	-	-	-	794,787
Economic environment	-	78,587	-	-	78,587
Human services	62,557	-	-	-	62,557
Culture and recreation	654,740	-	1,495,746	-	2,150,486
Debt service:					
Principal retirement	257,348	-	345,367	-	602,715
Interest and fiscal charges	9,347	-	25,701	-	35,048
Total expenditures	9,073,108	78,587	4,488,974	-	13,640,669
Excess of revenues over (under) expenditures	23,022	357,807	(1,244,496)	19	(863,648)
Other financing sources (uses)					
Transfers in	958,580	-	736,437	-	1,695,017
Transfers out	(482,568)	(799,483)	-	(38,220)	(1,320,271)
Capital lease issuance	-	-	680,000	-	680,000
Total other financing sources (uses)	476,012	(799,483)	1,416,437	(38,220)	1,054,746
Net change in fund balances	499,034	(441,676)	171,941	(38,201)	191,098
Fund balances – beginning of year, as previously reported					
	1,927,322	895,142	165,502	38,201	3,026,167
Restatement	(76,741)	-	-	-	(76,741)
Fund balances – beginning of year, as restated	1,850,581	895,142	165,502	38,201	2,949,426
Fund balances – end of year	\$ 2,349,615	\$ 453,466	\$ 337,443	\$ -	\$ 3,140,524

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, 2018**

Net change in fund balances – total governmental funds \$ 191,098

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	3,215,979
Loss on disposal of capital assets	(45,724)
Current year depreciation expense	(957,576)

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

Capital lease	(680,000)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.

Principal retirement	602,715
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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	(2,000)
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The timing of revenue recognition sometimes differs between governmental funds and governmental activities.

Change in unavailable revenue	(460,599)
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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	(880,958)
Deferred outflows-pension	(951,482)
Deferred inflows-pension	928,291
Total OPEB liability	(4,887)
Deferred inflows-OPEB	(27,402)

Change in net position of governmental activities **\$ 927,455**

See accompanying notes.

Statement of Net Position
Proprietary Funds
September 30, 2018

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 993,289	\$ 438,217	\$ -	\$ 900	\$ 1,432,406
Restricted cash and equivalents	60,233	-	14,170	13,224	87,627
Accounts receivable, net	404,969	117,333	3,351	8,640	534,293
Due from other governments	53,138	-	-	106,800	159,938
Inventory	158,111	-	-	47,549	205,660
Total current assets	1,669,740	555,550	17,521	177,113	2,419,924
Noncurrent assets					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	484,246	-	-	-	484,246
Capital assets, net	26,070,681	1,068,655	1,760,391	19,371,219	48,270,946
Total noncurrent assets	26,563,022	1,068,655	1,760,391	19,371,219	48,763,287
Total assets	28,232,762	1,624,205	1,777,912	19,548,332	51,183,211
Deferred outflow of resources					
Pension related	239,680	131,947	-	24,147	395,774
Current liabilities					
Accounts payable and accrued liabilities	91,727	33,774	1,358	75,658	202,517
Deposits	26,320	-	-	25,566	51,886
Current portion of long-term liabilities	504,518	180,141	138,000	147,075	969,734
Total current liabilities	622,565	213,915	139,358	248,299	1,224,137
Noncurrent liabilities					
Total OPEB liability	111,483	66,660	-	7,471	185,614
Net pension liability	1,918,935	1,056,397	-	193,327	3,168,659
Advances from other funds	-	-	-	162,742	162,742
Other long-term liabilities	8,964,740	522,853	616,000	561,492	10,665,085
Total noncurrent liabilities	10,995,158	1,645,910	616,000	925,032	14,182,100
Total liabilities	11,617,723	1,859,825	755,358	1,173,331	15,406,237
Deferred inflow of resources					
OPEB related	8,965	5,360	-	601	14,926
Net position					
Net investment in capital assets	16,840,291	437,882	1,006,391	18,679,219	36,963,783
Restricted for capital projects	8,095	-	-	-	8,095
Unrestricted	(2,632)	(546,915)	16,163	(280,672)	(814,056)
Total net position	\$ 16,845,754	\$ (109,033)	\$ 1,022,554	\$ 18,398,547	\$ 36,157,822

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2018

	Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 5,218,273	\$ 1,845,477	\$ -	\$ 866,280	\$ 7,930,030
Other operating revenues	731,770	15,398	65,168	1,175	813,511
Total operating revenues	5,950,043	1,860,875	65,168	867,455	8,743,541
Operating expenses					
Personal services	1,591,006	1,268,300	-	178,194	3,037,500
Physical environment	685,344	1,950	-	-	687,294
Operating expenses	1,509,556	564,212	85,195	658,779	2,817,742
Depreciation	964,408	117,532	62,710	798,180	1,942,830
Total operating expenses	4,750,314	1,951,994	147,905	1,635,153	8,485,366
Operating income (loss)	1,199,729	(91,119)	(82,737)	(767,698)	258,175
Nonoperating revenues (expenses)					
Investment earnings	9,468	-	-	-	9,468
Interest expense	(376,238)	(13,521)	(36,274)	(23,490)	(449,523)
Sale of surplus property	1,214	324	-	-	1,538
Total nonoperating revenues (expenses)	(365,556)	(13,197)	(36,274)	(23,490)	(438,517)
Income (loss) before capital contributions and transfers	834,173	(104,316)	(119,011)	(791,188)	(180,342)
Capital contributions and transfers					
Capital contributions	16,284	-	-	437,894	454,178
Transfers in	332,031	-	299,718	-	631,749
Transfers out	(656,127)	(295,152)	(256)	(54,960)	(1,006,495)
Total capital contributions and transfers	(307,812)	(295,152)	299,462	382,934	79,432
Change in net position	526,361	(399,468)	180,451	(408,254)	(100,910)
Net position-beginning of year, as previously reported	16,366,153	329,483	842,103	18,808,654	36,346,393
Restatement	(46,760)	(39,048)	-	(1,853)	(87,661)
Net position-beginning of year, as restated	16,319,393	290,435	842,103	18,806,801	36,258,732
Net position-end of year	\$ 16,845,754	\$ (109,033)	\$ 1,022,554	\$ 18,398,547	\$ 36,157,822

See accompanying notes.

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2018

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 6,000,249	\$ 1,942,192	\$ 84,796	\$ 1,178,274	\$ 9,205,511
Payments to suppliers	(2,315,395)	(581,128)	(185,312)	(784,602)	(3,866,437)
Payments to employees	(1,772,862)	(898,785)	-	(157,551)	(2,829,198)
Net cash provided (used) by operating activities	1,911,992	462,279	(100,516)	236,121	2,509,876
Noncapital financing activities					
Transfers in	332,031	-	299,718	-	631,749
Transfers out	(656,127)	(295,152)	(256)	(54,960)	(1,006,495)
Net cash provided (used) by noncapital financing activities	(324,096)	(295,152)	299,462	(54,960)	(374,746)
Capital and related financing activities					
Capital contributions	16,284	-	-	437,894	454,178
Acquisitions of capital assets	(1,009,366)	(182,819)	-	(470,710)	(1,662,895)
Sale of surplus property	1,214	324	-	-	1,538
Principal paid on debt	(436,734)	(141,905)	(162,810)	(124,000)	(865,449)
Interest paid on debt	(376,238)	(13,521)	(36,274)	(23,490)	(449,523)
Net cash used by capital and related financing activities	(1,804,840)	(337,921)	(199,084)	(180,306)	(2,522,151)
Investing activities					
Purchase of investments	(9,185)	-	-	-	(9,185)
Interest received	9,468	-	-	-	9,468
Net cash provided by investing activities	283	-	-	-	283
Change in cash and equivalents	(216,661)	(170,794)	(138)	855	(386,738)
Cash and equivalents – beginning of year	1,278,278	609,011	14,308	13,269	1,914,866
Cash and equivalents – end of year	\$ 1,061,617	\$ 438,217	\$ 14,170	\$ 14,124	\$ 1,528,128

See accompanying notes.

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2018

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ 1,199,729	\$ (91,119)	\$ (82,737)	\$ (767,698)	\$ 258,175
Depreciation	964,408	117,532	62,710	798,180	1,942,830
Change in:					
Accounts receivable	14,601	347	19,628	275,989	310,565
Due from other funds	20,505	80,970	-	-	101,475
Due from other governments	21,857	-	-	37,182	59,039
Inventory	(3,681)	-	-	(32,873)	(36,554)
Deferred outflows	350,959	36,184	-	22,631	409,774
Accounts payable and accrued liabilities	(123,183)	(14,787)	1,358	36,738	(99,874)
Due to other funds	-	-	(101,475)	(130,185)	(231,660)
Compensated absences	6,575	6,749	-	1,186	14,510
Total OPEB liability	74	44	-	5	123
Customer deposits	(6,757)	-	-	(2,352)	(9,109)
Net pension liability	(409,607)	364,988	-	7,636	(36,983)
Deferred inflows	(123,488)	(38,629)	-	(10,318)	(172,435)
Net cash provided (used) by operating activities	\$ 1,911,992	\$ 462,279	\$ (100,516)	\$ 236,121	\$ 2,509,876

(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2018

Assets

Investments:

Money market and other cash equivalents	\$ 1,430,044
Government bonds and notes	2,289,175
Corporate bonds and notes	4,075,849
Mutual funds - equities	28,519,630
Mutual funds (REIT)	741,987

Total investments	37,056,685
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Accounts receivable	309,245
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Total assets	37,365,930
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Liabilities	462
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Net position

Restricted for pension benefits	\$ 37,365,468
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See accompanying notes.

**Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2018**

Additions

Contributions		
Employer	\$	1,491,080
Member		336,316
State on behalf, through general fund		145,832
<hr/>		
Total contributions		1,973,228
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Investment income		
Net appreciation(depreciation) in fair value of investments		1,254,807
Interest		128,477
Dividends		1,064,779
<hr/>		
Less investment management fee		157,432
<hr/>		
Net investment income		2,290,631
<hr/>		
Total additions		4,263,859
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Deductions		
Member benefits		3,196,969
Withdrawals		59,513
Administrative expense		142,449
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Total deductions		3,398,931
<hr/>		
Change in net position		864,928
<hr/>		
Net position restricted for pension benefits, beginning of year	\$	36,500,540
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Net position restricted for pension benefits, end of year	\$	37,365,468
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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 2017-2018 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 system.

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

Golf Course Fund – to account for the assets, operation and maintenance of the City-owned golf course, 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 \$52,314 allowance. Accounts receivable of the Gas Authority are net of \$18,933 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 2018.

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, 2018, 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	\$ 4,454,353	\$ 452,052
Investments	-	2,110,953
Restricted cash and equivalents	95,722	-
Restricted investments	484,246	-
Statement of fiduciary net position:		
Investments	37,078,263	-
Total deposits and investments	\$ 42,112,584	\$ 2,563,005

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	\$ 4,550,075	\$ 2,563,005
Investments - other than pension	484,246	-
Investments - pension	37,078,263	-
Total deposits and investments	\$ 42,112,584	\$ 2,563,005

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, 2018 are summarized in the following table:

		Maturities		
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 1,430,044	\$ 1,430,044	\$ -	\$ -
Government bonds and notes	2,289,174	739,334	321,597	1,228,243
Corporate bonds and notes	6,550,363	5,713,363	837,000	-
Mutual funds (equities)	11,195,513	11,195,513	-	-
Mutual funds (REIT)	741,987	741,987	-	-
Mutual funds (ETF Equities)	9,302,870	9,302,870	-	-
Mutual funds (taxable-equity)	5,568,312	5,568,312	-	-
Total pension investments	37,078,263	34,691,423	1,158,597	1,228,243
Other investments:				
Government bonds and notes	484,246	-	-	-
Total	\$ 37,562,509	\$ 34,691,423	\$ 1,158,597	\$ 1,228,243

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Corporate Bonds and Notes		Government Bonds and Notes	
AAA	-	AAA	58%
AA1	-	-	-
AA2	-	-	-
AA3	-	-	-
A1	27%	-	-
A2	6%	-	-
A3	53%	-	-
BAA1	8%	-	-
BAA2	6%	-	-
Not rated	-	Not rated	42%
	100%		100%

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

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

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

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

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

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

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

obligations issued by the United States Government or guaranteed as to principal and interest by the United States Government or an agency of the United States Government.

NOTE 3 – FAIR VALUE MEASUREMENT

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

The City has the following recurring fair value measurements as of September 30, 2018:

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Government bonds and notes:				
U.S. Treasury bonds and notes	\$ 1,332,716	\$ 1,332,716	\$ -	\$ -
U.S. Agencies	956,458	-	956,458	-
Corporate bonds and notes	6,550,363	6,550,363	-	-
Mutual funds (equities)	11,195,513	11,195,513	-	-
Mutual funds (REIT)	741,987	741,987	-	-
Mutual funds (ETF equities)	9,302,870	9,302,870	-	-
Mutual funds (taxable-equity)	5,568,312	5,568,312	-	-
Mutual funds (taxable)	-	-	-	-
Total pension investments	35,648,219	34,691,761	956,458	-
Other investments:				
Government bond and notes	484,246	484,246	-	-
Total investments	\$ 36,132,465	\$ 35,176,007	\$ 956,458	\$ -

Notes to Financial Statements

NOTE 4 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2018, interfund balances consist of a long-term advance from the General Fund to the Airport Fund of \$162,742.

Interfund transfers for the year ended September 30, 2018 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 958,580	\$ 482,568
Downtown redevelopment agency fund	-	799,483
Better place plan fund	736,437	-
CDBG fund	-	38,220
Major enterprise funds:		
Water	332,031	656,127
Sanitation	-	295,152
Golf course	299,718	256
Airport	-	54,960
Total	\$ 2,326,766	\$ 2,326,766

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

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2018, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 3,358,501	\$ 26,985	\$ 19,062	\$ 3,366,424
Construction in progress	2,407,517	20,883	1,405,784	1,022,616
Total capital assets not being depreciated	5,766,018	47,868	1,424,846	4,389,040
Capital assets being depreciated:				
Buildings and improvements	7,795,242	1,026,851	-	8,822,093
Infrastructure	12,940,239	2,490,333	-	15,430,572
Furniture and equipment	4,582,971	1,056,711	46,675	5,593,007
Intangibles	265,908	-	18,364	247,544
Total capital assets being depreciated	25,584,360	4,573,895	65,039	30,093,216
Less accumulated depreciation for:				
Buildings and improvements	4,496,724	319,004	5,111	4,810,617
Infrastructure	8,213,344	181,441	-	8,394,785
Furniture and equipment	3,115,214	431,642	33,266	3,513,590
Intangibles	165,581	25,489	-	191,070
Total accumulated depreciation	15,990,863	957,576	38,377	16,910,062
Total capital assets being depreciated, net	9,593,497	3,616,319	26,662	13,183,154
Governmental activities capital assets, net	\$ 15,359,515	\$ 3,664,187	\$ 1,451,508	\$ 17,572,194

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

Governmental activities:	
General government	\$ 446,148
Public safety	386,881
Transportation	34,889
Human services	6,911
Culture and recreation	82,747
Total depreciation expense - governmental activities	\$ 957,576

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 5,443,536	\$ -	\$ 510,750	\$ 4,932,786
Construction in progress	153,055	1,210,447	68,055	1,295,447
Total capital assets not being depreciated	5,596,591	1,210,447	578,805	6,228,233
Capital assets being depreciated:				
Buildings and improvements	24,705,452	764,460	1,596	25,468,316
Furniture and equipment	4,744,114	372,790	24,855	5,092,049
Water and sewer distribution system	9,985,325	-	96,626	9,888,699
Plant assets and equipment	34,921,830	58,632	109,176	34,871,286
Total capital assets being depreciated	74,356,721	1,195,882	232,253	75,320,350
Less accumulated depreciation for:				
Building and improvements	8,448,268	798,601	5,586	9,241,283
Furniture and equipment	2,233,150	295,716	24,855	2,504,011
Water and sewer distribution system	4,965,750	217,559	-	5,183,309
Plant assets and equipment	15,718,080	630,954	-	16,349,034
Total accumulated depreciation	31,365,248	1,942,830	30,441	33,277,637
Total capital assets being depreciated, net	42,991,473	(746,948)	201,812	42,042,713
Business-type activities capital assets, net	\$ 48,588,064	\$ 463,499	\$ 780,617	\$ 48,270,946

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

Business-type activities:	
Water and sewer	\$ 964,408
Sanitation	117,532
Golf course	62,710
Airport	798,180
Total depreciation expense - business-type activities	\$ 1,942,830

Notes to Financial Statements

NOTE 5 – CAPITAL ASSET ACTIVITY (CONTINUED)

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2018 follows:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
Capital assets being depreciated:				
Buildings and improvements	1,420,922	6,862	-	1,427,784
Furniture and equipment	868,525	162,066	468	1,030,123
Plant assets and equipment	6,632,544	217,188	48,141	6,801,591
Total capital assets being depreciated	8,921,991	386,116	48,609	9,259,498
Less accumulated depreciation for:				
Buildings and improvements	358,584	35,874	-	394,458
Furniture and equipment	644,299	61,475	468	705,306
Plant assets and equipment	2,459,014	162,958	48,141	2,573,831
Total accumulated depreciation	3,461,897	260,307	48,609	3,673,595
Total capital assets being depreciated, net	5,460,094	125,809	-	5,585,903
Gas Authority capital assets, net	\$ 5,671,637	\$ 125,809	\$ -	\$ 5,797,446

NOTE 6 – LONG-TERM OBLIGATIONS

Long-term debt is described below:

Governmental Activities

\$850,000 Fire truck loan, payable in quarterly installments through 10/1/2021, plus interest at 3.85%, revenue source - non-ad valorem revenues. \$ 231,854

\$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 \$400,871. During the current year, the City recognized infrastructure surtax revenues of \$936,623 and made \$295,171 principal and interest payments. 392,000

Total \$ 623,854

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Business-Type Activities

\$7,665,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A; payable in varying \$ 6,445,000 installments through October 1, 2040, bearing interest from 2.0% to 4.625%, secured by a pledge of Half-Cent Sales Tax Revenues, Public Service Tax Revenues, and Communications Service Tax Revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$10,315,169. During the current year, the City recognized pledged revenues of \$1,975,477, and made \$466,325 principal and interest payments.

\$714,914 Water Reuse System State Revolving Loan; interest rate of 1.34%. Repayment began in 79,663 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 \$80,198. During the current year, the City recognized net revenues of \$2,384,388, and made \$53,025 principal and interest payments.

\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, 2,705,727 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 \$2,384,388, and paid principal and interest payments in the amount of \$284,080.

\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid 257,000 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 \$283,644. During the current year, the City had recognized net revenues of \$30,482 and made \$58,988 principal and interest payments.

\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid 435,000 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 \$464,984. During the current year, the City had recognized net revenues of \$30,482 and made \$88,502 principal and interest payments.

\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual 754,000 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 \$844,886. During the current year, the City had deficit net revenues of \$20,206 and made \$169,274 principal and interest payments.

Total \$ 10,676,390

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
2019	\$ 348,979	\$ 15,484	\$ 723,837	\$ 404,065
2020	182,685	5,424	724,510	380,816
2021	73,398	2,589	715,400	356,839
2022	18,792	182	733,373	332,376
2023	-	-	751,503	309,209
2024-2028	-	-	2,495,266	1,269,830
2029-2033	-	-	1,772,501	852,104
2034-2038	-	-	1,880,000	472,444
2039-2043	-	-	880,000	61,513
Totals	\$ 623,854	\$ 23,679	\$ 10,676,390	\$ 4,439,196

Governmental Activities

	Balance October 1, 2017, as restated	Additions	Deductions	Balance September 30, 2018	Due Within One Year
Revenue bonds and notes	\$ 969,221	\$ -	\$ 345,367	\$ 623,854	\$ 348,979
Capital leases	586,245	680,000	257,348	1,008,897	257,346
Compensated absences	366,000	232,000	230,000	368,000	84,716
Total OPEB liability	335,885	4,887	-	340,772	-
Net pension liability	5,693,862	880,958	-	6,574,820	-
Total	\$ 7,951,213	\$ 1,797,845	\$ 832,715	\$ 8,916,343	\$ 691,041

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

Beginning balance of the OPEB liability was restated for the implementation of GASB 75 related to OPEB liability. See Note 15 for more information.

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Capital Leases

The City has a \$520,700, 1.62% capital lease for police vehicles due in semi-annual installments of approximately \$54,000, a 389,000, 2.04% capital lease for police vehicles due in semi-annual installments of approximately \$45,000, 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. These leases are payable from the General Fund and reported in governmental activities in furniture and equipment.

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

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

Year Ending September 30,	Governmental Activities	Business-type Activities
2019	\$ 283,596	\$ 186,859
2020	174,987	155,383
2021	84,118	155,445
2022	93,418	109,395
2023	92,697	56,330
2024-2028	429,316	28,105
Less: amount representing interest	(149,235)	(60,742)
Present value of net minimum lease payments	\$ 1,008,897	\$ 630,775

Business-type Activities

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. Beginning balance of the OPEB liability related to business-type activities was increased by \$87,661 for the implementation of GASB 75. See Note 15 for more information.

Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

	Balance October 1, 2017, as restated		Additions	Deductions	Balance September 30, 2018	Due Within One Year
Florida Municipal Loan Council revenue bonds series 2010A	\$	6,620,000	\$ -	\$ 175,000	\$ 6,445,000	\$ 180,000
Drinking water state revolving fund loan		2,915,233	-	209,506	2,705,727	215,906
Water reuse loan		131,892	-	52,229	79,663	52,931
Golf revenue note series 2013A		887,000	-	133,000	754,000	138,000
Airport revenue note series 2013B		305,000	-	48,000	257,000	47,000
Airport revenue note series 2013C		511,000	-	76,000	435,000	90,000
Total revenue bonds and notes		11,370,125	-	693,735	10,676,390	723,837
Capital lease		802,487	-	171,712	630,775	144,453
County water/sewer agreement		106,563	-	-	106,563	-
SJRWMD water/sewer agreement		11,293	-	-	11,293	-
Compensated absences		195,290	133,042	118,534	209,798	101,444
Total OPEB liability		185,491	123	-	185,614	-
Net pension liability		3,205,642	-	36,983	3,168,659	-
Total	\$	15,876,891	\$ 133,165	\$ 1,020,964	\$ 14,989,092	\$ 969,734

NOTE 7 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

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

	Business-type Activities
Restricted assets:	
Cash and equivalents	\$ 95,722
Investments	484,246
Total	579,968
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	63,064
Interest	161,803
Payable from current portion of debt service	224,867
Long-term debt service payable from restricted assets	\$ 355,101

Notes to Financial Statements

NOTE 7 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES (CONTINUED)

Restricted net position of the business-type activities is further detailed as follows:

Restricted net position - restricted for capital	\$ 8,095
Total restricted net position	\$ 8,095

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	64,108	-	-	64,108
Fire safety education	40,420	-	-	40,420
Fire protection	5,841	-	-	5,841
Cemetery improvements	120,715	-	-	120,715
Capital projects	-	-	337,443	337,443
Downtown redevelopment	-	453,466	-	453,466
Total restricted	231,084	453,466	337,443	1,021,993
Committed for:				
Law enforcement	9,115	-	-	9,115
Tree mitigation	3,579	-	-	3,579
Demolition and lot cleanup	47,923	-	-	47,923
Total committed	60,617	-	-	60,617
Unassigned	1,895,172	-	-	1,895,172
Total fund balances	\$ 2,349,615	\$ 453,466	\$ 337,443	\$ 3,140,524

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, 2018 the City recognized \$72,068 and \$73,764 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, 2018 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, 2018, 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, 2018 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was 5.61%, 7.27%, and 7.18%, 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, 2018 was \$519,459, \$285,050 and \$0, respectively, for general, police officer and firefighters.

Net Pension Liability. The City’s net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated September 30, 2017 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, 2018 were as follows:

	City of Palatka- General	Palatka Gas Authority	Total General Retirement Fund
Total pension liability	\$ 19,403,724	\$ 5,825,406	\$ 25,229,130
Plan fiduciary net position	(14,092,529)	(4,230,874)	(18,323,403)
Net pension liability	\$ 5,311,195	\$ 1,594,532	\$ 6,905,727

Plan fiduciary net position as a percentage of the total pension liability	73%	73%	73%
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	Police Officers'	Firefighters'
Total pension liability	\$ 13,284,115	\$ 10,190,234
Plan fiduciary net position	(11,492,359)	(7,549,706)
Net pension liability	\$ 1,791,756	\$ 2,640,528

Plan fiduciary net position as a percentage of the total pension liability	87%	74%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2017, rolled forward to September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	General	Police Officers'	Firefighters'
Investment rate of return	7.7%	7.7%	7.7%
Projected salary increases*	Service based	Service based	Service based
* Includes inflation at	2.7%	2.7%	2.7%
Post Retirement COLA	0.0%	0.0%	0.0%
Mortality rates	RP-2000 Table	RP-2000 Table	RP-2000 Table

The most recent actuarial experience study for which significant assumptions are based upon was dated September 20, 2016 for the General Plan, and September 19, 2016 for Police 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 2018 are summarized in the following table:

Asset class:	General	Police Officers	Firefighters'	All Plans Long-term
	Target Allocation	Target Allocation	Target Allocation	Expected Real Rate of Return
Domestic equity	27%	32%	32%	8.10%
International equity	15%	15%	15%	3.40%
Bonds	34%	25%	25%	3.60%
High yields bonds	5%	5%	5%	5.60%
Convertibles	8%	8%	8%	6.70%
REITS	5%	5%	5%	6.80%
MLPs	5%	5%	5%	9.10%
Cash	1%	5%	5%	0.70%
Total	100%	100%	100%	

Discount Rate. The discount rate used to measure the total pension liability was 7.70% 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	\$ 24,496,682	\$ 18,134,777	\$ 6,361,905
Changes for the year:			
Service cost	423,870	-	423,870
Interest	1,872,580	-	1,872,580
Difference between expected and actual experience	23,255	-	23,255
Changes of assumptions	238,967	-	238,967
Contributions-employer	-	866,294	(866,294)
Contributions-employees	-	188,324	(188,324)
Net investment income	-	994,227	(994,227)
Benefit payments, including refunds of employee contributions	(1,826,224)	(1,826,224)	-
Administrative expense	-	(33,995)	33,995
Net changes	732,448	188,626	543,822
Balance - end of year	\$ 25,229,130	\$ 18,323,403	\$ 6,905,727

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	\$ 20,058,802	\$ 14,870,518	\$ 5,188,284
Changes for the year:			
Service cost	325,998	-	325,998
Interest	540,201	-	540,201
Difference between expected and actual experience	17,885	-	17,885
Changes of assumptions	183,790	-	183,790
Contributions-employer	-	666,267	(666,267)
Contributions-employees	-	144,840	(144,840)
Net investment income	-	160,003	(160,003)
Benefit payments, including refunds of employee contributions	(1,722,953)	(1,722,953)	-
Administrative expense	-	(26,146)	26,146
Net changes	(655,078)	(777,989)	122,911
Balance - end of year	\$ 19,403,724	\$ 14,092,529	\$ 5,311,195

	Palatka Gas Authority		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance - beginning of year	\$ 4,437,881	\$ 3,264,260	\$ 1,173,621
Changes for the year:			
Service cost	97,872	-	97,872
Interest	1,332,379	-	1,332,379
Difference between expected and actual experience	5,370	-	5,370
Changes of assumptions	55,177	-	55,177
Contributions-employer	-	200,027	(200,027)
Contributions-employees	-	43,484	(43,484)
Net investment income	-	834,224	(834,224)
Benefit payments, including refunds of employee contributions	(103,271)	(103,271)	-
Administrative expense	-	(7,849)	7,849
Net changes	1,387,526	966,615	420,911
Balance - end of year	\$ 5,825,407	\$ 4,230,875	\$ 1,594,532

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	\$ 12,310,894	\$ 11,054,889	\$ 1,256,005
Changes for the year:			
Service cost	235,276	-	235,276
Interest	953,900	-	953,900
Difference between expected and actual experience	271,647	-	271,647
Change of assumptions	145,765		145,765
Changes of benefit terms	-	-	-
Contributions-employer	-	154,829	(154,829)
Contribution-State	-	72,068	(72,068)
Contributions-employees	-	83,808	(83,808)
Net investment income	-	788,650	(788,650)
Benefit payments, including refunds of employee contributions	(633,367)	(633,367)	-
Administrative expense	-	(28,518)	28,518
Net changes	973,221	437,470	535,751
Balance - end of year	\$ 13,284,115	\$ 11,492,359	\$ 1,791,756

Changes in the Net Pension Liability (Firefighters')

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance -beginning of year	\$ 9,766,088	\$ 7,310,874	\$ 2,455,214
Changed for the year:			
Service cost	210,260	-	210,260
Interest	747,092	-	747,092
Difference between expected and actual experience	147,701	-	147,701
Changes of assumptions	115,984		115,984
Contributions-employer	-	414,702	(414,702)
Contribution-State	-	73,764	(73,764)
Contributions-employees	-	64,184	(64,184)
Net investment income	-	507,754	(507,754)
Benefit payments, including refunds of employee contributions	(796,891)	(796,891)	-
Administrative expense	-	(24,681)	24,681
Net changes	424,146	238,832	185,314
Balance end of year	\$ 10,190,234	\$ 7,549,706	\$ 2,640,528

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 7.70%, 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:

Net Pension Liability	1% Decrease 6.70%	Current Discount Rate	
		7.70%	1% Increase 8.70%
General	\$ 9,544,799	\$ 6,905,727	\$ 4,685,217
Police officers'	3,419,677	1,791,756	449,738
Firefighters'	3,935,393	2,640,528	1,570,364

Pension expense and deferred outflows of resources and deferred inflows of resources. For the year end September 30, 2018 the City recognized pension expense of \$1,761,353, \$759,986, and \$593,595 relating to the General, Police Officers', and Firefighters' plans respectively. At September 30, 2018 the City reported deferred outflows and inflows of resources relating to the General, Police Officers', and Firefighters' pensions from the following sources:

	General			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 151,669	\$ -		
Changes of assumptions	245,142	-		
Difference between projected and actual earnings on pension plan investments	465,733	-		
Total	\$ 862,544	\$ -		

	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	\$ 384,254	\$ -	\$ 232,934	\$ 56,031
Changes of assumptions	148,894	-	383,619	-
Difference between projected and actual earnings on pension plan investments	25,619	-	48,861	-
Total	\$ 558,767	\$ -	\$ 665,414	\$ 56,031

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	Police Officers'	Firefighters'
2019	\$ 665,336	\$ 549,420	\$ 257,392
2020	78,584	53,669	82,925
2021	40,851	(56,309)	100,836
2022	77,773	11,987	89,317
2023	-	-	78,913
Thereafter	-	-	-
Total	\$ 862,544	\$ 558,767	\$ 609,383

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.

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 the year ended September 30, 2018 was \$13,800. Actual contributions to the OPEB Plan were \$13,800 for the year ended September 30, 2018. 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, 2018, based on an actuarial valuation dated October 1, 2017 and rolled forward to September 30, 2018. The reporting period is October 1, 2017 through September 30, 2018.

The Sponsor’s total OPEB liability of \$574,657 (comprised of \$526,386 for City and \$48,271 for Palatka Gas Authority) was measured as of September 30, 2018.

Actuarial Assumptions and Other Inputs

Inflation rate	2.50%
Salary increase rate(s)	Varies by service
Discount rate	4.18%
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.

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Change in Total OPEB Liability

Changes for the year:	
Service cost	\$ 47,262
Interest	22,375
Changes of assumptions	(55,452)
Benefit payments	(13,800)
Net changes	385
Total OPEB liability - beginning of reporting period	574,272
Total OPEB liability - end of reporting period	\$ 574,657

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2017, to 4.18% for the reporting period ended September 30, 2018.

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	Rate	1% Increase
	3.18%	4.18%	5.18%
Total OPEB liability	\$ 684,374	\$ 574,657	\$ 490,827

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	Trend Rates	1% Increase
	3.00% - 7.50%	4.00% - 8.50%	5.00% - 9.50%
Total OPEB liability	\$ 478,054	\$ 574,657	\$ 702,298

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

For the year ended September 30, 2018, the Sponsor will recognize OPEB expense of \$70,395, including \$5,913 for the Palatka Gas Authority.

Notes to Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

On September 30, 2018, 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
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	46,210
Total	\$ -	\$ 46,210

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,	
2019	\$ (9,242)
2020	(9,242)
2021	(9,242)
2022	(9,242)
2023	(9,242)
Thereafter	-
Total	\$ (46,210)

NOTE 11 – RISK MANAGEMENT

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

Notes to Financial Statements

NOTE 12 – COMMITMENTS

The City leases some of its golf carts under operating leases. Lease payments for the year ended September 30, 2018 were \$42,325. Future lease payments are as follows:

	Business-type Activities
2019	\$ 42,973
2020	3,613
Total	\$ 46,586

NOTE 13 – CONTINGENCIES

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

NOTE 14 – FUTURE ACCOUNTING PRONOUNCEMENTS

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

- FY2019 – Asset retirement obligations (GASB Statement No. 83) and debt disclosures (GASB Statement No. 88)
- FY 2020 – Fiduciary activities (GASB Statement No. 84) and majority equity interests (GASB Statement No. 90)
- FY 2021 – Leases (GASB Statement No. 87) and accounting for interest during construction periods (GASB Statement No. 89)
- FY 2022 – Conduit debt obligations (GASB Statement No. 91)

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

Notes to Financial Statements

NOTE 15 –RESTATEMENTS

Beginning balances of the Governmental Activities, Business-type Activities, Component Unit, Water Fund, Sanitation Fund and Airport Fund were restated to implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Beginning balances of the Governmental Activities and the General Fund were restated to correct payroll deduction liability balances from prior years.

The effects of these restatements are summarized below:

	Governmental Activities	Business-type Activities	Component Unit-PGA
Net position, September 30, 2017 as previously reported	\$ 12,625,306	\$ 36,346,393	\$ 5,836,519
Eliminate total OPEB obligation, beginning	184,809	97,830	-
Add total OPEB liability, beginning	(335,884)	(185,491)	(52,897)
Correct prior year payroll deduction liabilities	(76,741)	-	-
Net position, October 1, 2017, as restated	\$ 12,397,490	\$ 36,258,732	\$ 5,783,622

	General Fund
Fund balance, September 30, 2017 as previously reported	\$ 1,927,322
Correct prior year payroll deduction liabilities	(76,741)
Fund balance, October 1, 2017, as restated	\$ 1,850,581

	Water Fund	Sanitation Fund	Airport Fund
Net position, September 30, 2017 as previously reported	\$ 16,366,153	\$ 329,483	\$ 18,808,654
Eliminate total OPEB obligation, beginning	64,649	27,568	5,613
Add total OPEB liability, beginning	(111,409)	(66,616)	(7,466)
Net position, October 1, 2017, as restated	\$ 16,319,393	\$ 290,435	\$ 18,806,801

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,497,184	\$ 4,497,184	\$ 4,593,980	\$ 96,796
Permits, fees & special assessments	2,160,524	2,160,524	2,259,082	98,558
Intergovernmental	978,013	978,013	1,126,564	148,551
Charges for services	168,300	168,300	207,554	39,254
Fines and forfeitures	392,000	392,000	343,332	(48,668)
Miscellaneous	388,284	388,284	565,618	177,334
Total revenues	8,584,305	8,584,305	9,096,130	511,825
Expenditures				
Current:				
General government	1,371,370	1,371,370	1,201,600	169,770
Public safety	6,049,663	6,049,663	5,926,197	123,466
Physical environment	-	-	166,532	(166,532)
Transportation	677,568	677,568	794,787	(117,219)
Human services	26,874	26,874	62,557	(35,683)
Culture and recreation	644,430	644,430	654,740	(10,310)
Reserve for contingencies	342,614	342,614	-	342,614
Debt service:				
Principal retirement	257,349	257,349	257,348	1
Interest and fiscal charges	9,347	9,347	9,347	-
Total expenditures	9,379,215	9,379,215	9,073,108	306,107
Excess of revenues over (under) expenditures	(794,910)	(794,910)	23,022	817,932
Other financing sources (uses)				
Transfers in	955,612	955,612	958,580	2,968
Transfers out	(372,221)	(372,221)	(482,568)	(110,347)
Total other financing sources (uses)	583,391	583,391	476,012	(107,379)
Net change in fund balances	(211,519)	(211,519)	499,034	710,553
Fund balances – beginning of year, as previously reported	2,278,393	2,278,393	1,927,322	(351,071)
Restatement	-	-	(76,741)	(76,741)
Fund balances – beginning of year	2,278,393	2,278,393	1,850,581	(427,812)
Fund balances – end of year	\$ 2,066,874	\$ 2,066,874	\$ 2,349,615	\$ 282,741

See accompanying notes.

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund
Year ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 421,029	\$ 421,029	\$ 436,394	\$ 15,365
Expenditures				
Economic environment	168,608	214,678	78,587	136,091
Excess of revenues over expenditures	252,421	206,351	357,807	151,456
Other financing uses				
Transfers out	(838,375)	(838,375)	(799,483)	38,892
Net change in fund balances	(585,954)	(632,024)	(441,676)	190,348
Fund balances – beginning of year	211,276	344,168	895,142	550,974
Fund balances – end of year	\$ (374,678)	\$ (287,856)	\$ 453,466	\$ 741,322

See accompanying notes.

Notes to Budgetary Comparison Schedules

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

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

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

Annual budgets are adopted for all governmental funds.

Schedule of Changes in Net Pension Liability and Related Ratios
General Pension Plan
September 30, 2018

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 423,870	\$ 386,138	\$ 340,525	\$ 347,579	\$ 352,477	\$ 326,368
Interest	1,872,580	1,807,530	1,707,988	1,684,998	1,657,695	1,638,624
Differences between expected and actual experience	23,255	408,495	(74,220)	24,797	-	-
Change of assumptions	238,967	257,491	1,236,245	-	-	-
of employee contributions	(1,826,224)	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,820)	(1,965,592)
Net change in total pension liability	732,448	1,145,730	1,472,688	269,288	470,352	(600)
Total pension liability-beginning	24,496,682	23,350,953	21,878,265	21,608,977	21,138,625	21,138,625
Total pension liability-ending (a)	\$ 25,229,130	\$ 24,496,682	\$ 23,350,953	\$ 21,878,265	\$ 21,608,977	\$ 21,138,025
Plan fiduciary net position						
Contributions						
Employer	\$ 866,294	\$ 739,093	\$ 679,864	\$ 686,545	\$ 774,136	\$ 790,325
Employee	188,324	192,427	175,818	169,514	172,782	177,921
Net investment income	994,227	1,528,570	1,554,168	(410,102)	1,600,605	1,741,522
Benefit payments including refunds						
of employee contributions	(1,826,224)	(1,713,924)	(1,737,850)	(1,788,086)	(1,539,821)	(1,965,591)
Administrative expense	(33,995)	(29,451)	(34,904)	(27,955)	(30,698)	(21,905)
Net change in plan fiduciary net position	188,626	716,715	637,096	(1,370,084)	977,004	722,272
Plan fiduciary net position-beginning	18,134,777	17,418,063	16,780,967	18,151,051	17,174,047	16,451,775
Plan fiduciary net position-ending (b)	\$ 18,323,403	\$ 18,134,777	\$ 17,418,063	\$ 16,780,967	\$ 18,151,051	\$ 17,174,047
Net pension liability-ending (a)-(b)	\$ 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	72.63%	74.03%	74.59%	76.70%	84.00%	81.25%
Covered payroll	\$ 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	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 09/30/2018, 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
September 30, 2018

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 235,276	\$ 213,253	\$ 213,832	\$ 278,204	\$ 285,022	\$ 263,909
Interest	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	271,647	609,467	(454,959)	50,553	-	-
Change of assumptions	145,765	165,502	321,310	-	-	-
Benefit payments, including refunds of employee contributions	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,915)
Net change in total pension liability	973,221	1,237,726	328,821	504,491	573,978	536,056
Total pension liability-beginning	12,310,894	11,073,168	10,744,347	10,239,856	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 13,284,115	\$ 12,310,894	\$ 11,073,168	\$ 10,744,347	\$ 10,239,856	\$ 9,665,878
Plan fiduciary net position						
Contributions						
Employer	\$ 154,829	\$ 186,569	\$ 151,756	\$ 196,130	\$ 221,593	\$ 240,401
State	72,068	67,554	65,893	64,825	66,189	59,256
Employee	83,808	86,168	81,274	85,064	90,128	88,479
Net investment income	788,650	1,137,327	904,015	(394,718)	901,280	1,042,891
Benefit payments including refunds of employee contributions	(633,367)	(618,511)	(561,601)	(528,946)	(487,612)	(460,916)
Administrative expense	(28,518)	(24,245)	(34,770)	(26,755)	(19,558)	(18,312)
Net change in plan fiduciary net position	437,470	834,862	606,567	(604,400)	772,020	951,799
Plan fiduciary net position-beginning	11,054,889	10,220,027	9,613,460	10,217,860	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 11,492,359	\$ 11,054,889	\$ 10,220,027	\$ 9,613,460	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 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	86.51%	89.80%	92.30%	89.47%	99.79%	97.72%
Covered payroll	\$ 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	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 09/30/2018, 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
September 30, 2018**

	2018	2017	2016	2015	2014	2013
Total pension liability						
Service cost	\$ 210,260	\$ 185,742	\$ 172,607	\$ 177,733	\$ 168,142	\$ 155,687
Interest	747,092	726,035	718,377	707,171	676,786	648,419
Changes of benefit terms	-	-	-	(33,092)	-	-
Differences between expected and actual experience	147,701	109,800	(112,062)	73,309	-	-
Change of assumptions	115,984	134,956	381,136	-	-	-
of employee contributions	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,041)
Net change in total pension liability	424,146	366,888	57,419	434,625	386,018	339,065
Total pension liability-beginning	9,766,088	9,399,200	9,341,781	8,907,156	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 10,190,234	\$ 9,766,088	\$ 9,399,200	\$ 9,341,781	\$ 8,907,156	\$ 8,521,138
Plan fiduciary net position						
Contributions						
Employer	\$ 414,702	\$ 395,413	\$ 296,485	\$ 250,259	\$ 310,160	\$ 252,906
State	73,764	60,543	50,698	95,653	80,280	78,504
Employee	64,184	61,203	52,815	47,712	47,041	44,711
Net investment income	507,754	749,063	619,284	(285,606)	649,062	757,642
Benefit payments including refunds						
of employee contributions	(796,891)	(789,645)	(1,102,639)	(490,496)	(458,910)	(465,042)
Administrative expense	(24,681)	(22,815)	(31,660)	(22,760)	(14,901)	(15,407)
Net change in plan fiduciary net position	238,832	453,762	(115,017)	(405,238)	612,732	653,314
Plan fiduciary net position-beginning	7,310,874	6,857,112	6,972,129	7,377,367	6,764,635	6,111,321
Plan fiduciary net position-ending (b)	\$ 7,549,706	\$ 7,310,874	\$ 6,857,112	\$ 6,972,129	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 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	74.09%	74.86%	72.95%	74.63%	82.83%	79.39%
Covered payroll	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered payroll	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 09/30/2016, 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 09/30/2018, 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 8.0% 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 2.50%, matching the long-term inflation assumption used by the Plan's investment consultant.

**Schedule of Employer Contributions
General Pension Plan
September 30, 2018**

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 864,991	\$ 716,210	\$ 679,829	\$ 686,530	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	\$1,077,055	\$ 931,520	\$ 679,825	\$ 686,545	\$ 777,517	\$ 788,781
Contribution deficiency (excess)	\$ (212,064)	\$ (215,310)	\$ 4	\$ (15)	\$ -	\$ -
Covered payroll	\$ 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	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 09/30/2018 FYE contributions) 10/1/2016

Methods and assumption used to determine contribution rates:

Actuarial cost method: Entry Age Normal
 Amortization method: Level Percentage of Payroll, closed
 Remaining amortization period: 26 years (as of 10/01/2016)
 Actuarial asset method: 4 year average
 Inflation: 2.50%
 Salary increases: 8% less than one year of service. 5% for one year and greater of service.
 Interest rate: 7.90% per year compounded annually, net of investment related expenses.
 Payroll growth: None, for purposes of amortizing the unfunded actuarial liability
 Retirement age: See following table.
 Termination rates: See following table.
 Disability rates: See following table. It is assumed that 25% of disablements and active members deaths are service related.
 Mortality: RP 2000 Generational Healthy Lives (sex distinct) White Collar, Scale BB

Retirement		Percent Terminating during the year		Percent becoming disabled during the year
Age	Rate	Age	year	year
50-54	10.0%	20	34.40%	0.03%
55	25.0%	30	30.00%	0.04%
56-59	20.0%	40	16.40%	0.07%
60	40.0%	50	3.40%	0.18%
61-64	25.0%			
65+	100.0%			

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

**Schedule of Employer Contributions
Police Officers' Pension Plan
September 30, 2018**

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 282,152	\$ 189,571	\$ 222,150	\$ 260,864	\$ 291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	226,897	254,123	222,154	260,955	291,414	302,303
Contribution deficiency (excess)	\$ 55,255	\$ (64,552)	\$ (4)	\$ (91)	\$ -	\$ -
Covered payroll	\$ 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	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 09/30/2018 FYE contributions) 10/1/2016

Methods and assumption used to determine contribution rates:

Actuarial cost method: Entry Age Normal
 Amortization method: Level Percentage of Payroll, closed
 Remaining amortization period: 26 years (as of 10/01/2016)
 Actuarial asset method: 4 year average
 Inflation: 2.50%
 Salary increases: See following table.
 Interest rate: 7.90% per year compounded annually, net of investment related expenses.
 Payroll growth: None.
 Retirement age: 100% at all ages and 30+ years of service; 20% at <52 & 100% at 52+ and 25-29 years of service; from 7-24 years of service 20% in years 0-2 following first eligibility, 50% in year 3, 75% in year 4 and 100% in years 5+ following first eligibility.
 Termination rates: See following table.
 Disability rates: See following table. It is assumed that 75% of disablements and active members deaths are service related.
 Mortality: RP 2000 Generational Healthy Lives (sex distinct) White Collar, Scale BB

Years of Service	Assumed Salary Increases	Years of Service	Percent Terminating during the year	Age	Percent becoming disabled during the year
0	10.00%	<5	15%	20	0.07%
1-4	5.50%	5-14	10%	30	0.11%
5-9	5.25%	15-19	5%-2.5%	40	0.19%
10-14	5.00%	>19	2%	50	0.51%
15+	4.75%				

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

Schedule of Employer Contributions
Firefighters' Pension Plan
September 30, 2018

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 482,446	\$ 455,959	\$ 380,267	\$ 345,915	\$ 390,441	\$ 335,333
Contributions in relation to the actuarially determined contributions	488,466	455,956	380,264	345,912	390,441	335,333
Contribution deficiency (excess)	\$ (6,020)	\$ 3	\$ 3	\$ 3	\$ -	\$ -
Covered payroll	\$ 1,069,725	\$ 1,020,044	\$ 880,247	\$ 934,724	\$ 784,020	\$ 745,184
Contributions as a percentage of covered payroll	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 09/30/2018 FYE contributions) 10/1/2016

Methods and assumption used to determine contribution rates:

Actuarial cost method: Entry Age Normal
 Amortization method: Level Percentage of Payroll, closed
 Remaining amortization period: 26 years (as of 10/01/2016)
 Actuarial asset method: 4 year average
 Inflation: 2.70%
 Salary increases: 10% in first year of service; 5% in years 1-14 of service; 4.75% in years 15+ of service.
 Interest rate: 7.90% per year compounded annually, net of investment related expenses.
 Payroll growth: None.
 Retirement age: Based on years following first eligibility: 0-1 at 50%; 2+ at 100%.
 Termination rates: See following table.
 Disability rates: See following table. It is assumed that 75% of disablements and active members deaths are service related.
 Mortality: RP 2000 Generational Healthy Lives (sex distinct) White Collar, Scale BB

Years of Service	Percent Terminating during the year	Age	Percent becoming disabled during the year
0-2	15.0%	20	0.07%
3-5	7.5%	30	0.11%
6	0.0%	40	0.19%
7-8	10.0%	50	0.51%
9+	2.0%	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
September 30, 2018

	General Plan					
	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	5.61%	8.99%	9.55%	-2.32%	9.51%	10.92%
	Police Officers' Plan					
	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	7.27%	11.32%	9.54%	-3.91%	9.66%	12.34%
	Firefighters' Plan					
	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	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 Sponsor's Other Postemployment Benefits Plan
Liability and Related Ratios
Year ended September 30, 2018
Last 10 Fiscal Years**

	2018
Service cost	\$ 47,262
Interest	22,375
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(55,452)
Benefit payments	(13,800)
Net change in total OPEB liability	385
Total OPEB liability - Beginning	574,272
Total OPEB liability - Ending	\$ 574,657
Covered employee payroll	\$ 5,930,690
Sponsor's total OPEB liability as a percentage covered employee payroll	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) Changes in assumptions and other inputs reflect a change in the discount rate from 3.64% in 2017 to 4.18% in 2018.
- 3) FY2018 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

NON-MAJOR GOVERNMENTAL FUND

SPECIAL REVENUE FUND

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

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

MAJOR GOVERNMENTAL CAPITAL PROJECTS FUND

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

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

**Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Community Development Block Grant (CDBG) Fund
Year ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Miscellaneous	\$ -	\$ -	\$ 19	\$ 19
Expenditures				
Current:				
Reserve for contingencies	-	-	-	-
Excess of revenues over (under) expenditures				
	-	-	19	19
Other financing uses				
Transfers out	-	-	(38,220)	38,220
Net change in fund balances				
	-	-	(38,201)	(38,201)
Fund balances – beginning of year				
	-	-	38,201	38,201
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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 875,000	\$ 875,000	\$ 936,623	\$ 61,623
Intergovernmental	1,553,399	1,553,399	2,294,855	741,456
Miscellaneous	-	-	13,000	13,000
Total revenues	2,428,399	2,428,399	3,244,478	816,079
Expenditures				
Current:				
General government	763,249	763,249	2,432,316	(1,669,067)
Physical environment	-	-	189,844	(189,844)
Culture and recreation	1,435,366	1,435,366	1,495,746	(60,380)
Reserve for contingencies	342,614	342,614	-	342,614
Debt service:				
Principal retirement	346,424	346,424	345,367	1,057
Interest and fiscal charges	24,643	24,643	25,701	(1,058)
Total expenditures	2,912,296	2,912,296	4,488,974	(1,576,678)
Excess of revenues over (under) expenditures	(483,897)	(483,897)	(1,244,496)	(760,599)
Other financing sources				
Transfers in	160,648	160,648	736,437	575,789
Capital lease issuance	-	-	680,000	680,000
Total other financing sources	160,648	160,648	1,416,437	1,255,789
Net change in fund balances	(323,249)	(323,249)	171,941	495,190
Fund balances – beginning of year	694,023	694,023	165,502	(528,521)
Fund balances – end of year	\$ 370,774	\$ 370,774	\$ 337,443	\$ (33,331)

**Combining Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2018**

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 382,493	\$ 649,957	\$ 397,594	\$ 1,430,044
Government bonds and notes	-	1,365,082	924,093	2,289,175
Corporate bonds and notes		2,446,815	1,629,034	4,075,849
Mutual funds - equities	17,835,962	6,484,828	4,198,840	28,519,630
Mutual funds (REIT)	-	450,636	291,351	741,987
Total investments	18,218,455	11,397,318	7,440,912	37,056,685
Accounts receivable	105,205	95,041	108,999	309,245
Total assets	18,323,660	11,492,359	7,549,911	37,365,930
Liabilities	257	-	205	462
Net position				
Restricted for pension benefits	\$ 18,323,403	\$ 11,492,359	\$ 7,549,706	\$ 37,365,468

**Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2018**

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions				
Contributions				
Employer	\$ 866,294	\$ 210,084	\$ 414,702	\$ 1,491,080
Member	188,324	83,808	64,184	336,316
State on behalf, through general fund	-	72,068	73,764	145,832
Total contributions	1,054,618	365,960	552,650	1,973,228
Investment income				
Net appreciation (depreciation) in fair value of investments	299,420	583,186	372,201	1,254,807
Interest	-	77,826	50,651	128,477
Dividends	744,786	191,903	128,090	1,064,779
Less investment management fee	49,979	64,265	43,188	157,432
Net investment income	994,227	788,650	507,754	2,290,631
Total additions	2,048,845	1,154,610	1,060,404	4,263,859
Deductions				
Member benefits	1,799,055	608,569	789,345	3,196,969
Withdrawals	27,169	24,798	7,546	59,513
Administrative expense	33,995	83,773	24,681	142,449
Total deductions	1,860,219	717,140	821,572	3,398,931
Change in net position	188,626	437,470	238,832	864,928
Net position held in trust for pension benefits, beginning of year	18,134,777	11,054,889	7,310,874	36,500,540
Net position held in trust for pension benefits, end of year	\$ 18,323,403	\$ 11,492,359	\$ 7,549,706	\$ 37,365,468

Statistical Section
(unaudited)

Statistical Section

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

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

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

Table 1
City of Palatka, Florida

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 11,281,907	\$ 11,915,772	\$ 12,545,081	\$ 13,191,795	\$ 13,138,987	\$ 10,735,671	\$ 12,679,116	\$ 12,532,966	\$ 13,804,049	\$ 15,939,443
Restricted	1,592,936	1,128,395	576,702	510,476	401,999	507,111	624,403	1,264,580	1,312,154	1,021,993
Unrestricted	1,303,783	1,301,177	1,968,903	2,029,287	2,724,277	1,557,819	(1,856,659)	(3,030,254)	(2,490,897)	(3,636,491)
Total Governmental Activities Net Position	\$ 14,178,626	\$ 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
Business-Type Activities										
Net Investment in Capital Assets	\$ 23,384,736	\$ 31,509,858	\$ 32,510,103	\$ 38,156,884	\$ 38,728,555	\$ 37,150,342	\$ 37,721,799	\$ 37,456,909	\$ 36,415,452	\$ 36,963,783
Restricted	810,484	519,204	386,787	327,972	328,594	330,609	334,897	334,285	334,196	8,095
Unrestricted	7,441,249	969,128	486,050	(222,895)	(863,846)	1,180,303	(439,062)	(875,644)	(403,255)	(814,056)
Total Business-Type Activities Net Position	\$ 31,636,469	\$ 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
Primary Government										
Net Investment in Capital Assets	\$ 34,666,643	\$ 43,425,630	\$ 45,055,184	\$ 51,348,679	\$ 51,867,542	\$ 47,886,013	\$ 50,400,915	\$ 49,989,875	\$ 50,219,501	\$ 52,903,226
Restricted	2,403,420	1,647,599	963,489	838,448	730,593	837,720	959,300	1,598,865	1,646,350	1,030,088
Unrestricted	8,745,032	2,270,305	2,454,953	1,806,392	1,860,431	2,738,122	(2,295,721)	(3,905,898)	(2,894,152)	(4,450,547)
Total Primary Government Net Position	\$ 45,815,095	\$ 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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 768,892	\$ 1,472,469	\$ 1,630,295	\$ 1,795,179	\$ 2,192,293	\$ 507,929	\$ 1,901,557	\$ 2,008,770	\$ 1,828,406	\$ 2,727,715
Public Safety	6,005,490	5,968,153	5,611,920	5,336,015	5,467,142	6,117,513	7,279,129	7,380,867	7,015,197	6,269,939
Physical Environment	-	-	-	-	-	415,967	408,379	91,593	233,000	626,037
Transportation	1,129,653	697,212	681,907	577,407	511,114	573,372	115,762	505,409	861,820	381,563
Economic Environment	579,661	816,722	741,467	349,296	184,981	280,156	146,709	92,509	121,398	78,587
Human Services	266,804	209,332	177,551	150,327	151,906	174,967	178,223	78,523	37,322	69,468
Culture and Recreation	1,048,560	538,150	430,962	505,572	427,004	1,288,402	383,685	479,185	348,255	1,529,633
Interest on Long-Term Debt	203,215	182,996	165,174	148,904	155,598	67,579	61,641	56,534	46,948	35,048
Total Governmental Activities Expenses	\$ 10,002,275	\$ 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
Business-type Activities:										
Airport	\$ 1,273,476	\$ 1,593,744	\$ 1,627,231	\$ 1,626,167	\$ 1,672,638	\$ 1,868,470	\$ 1,490,532	\$ 1,433,879	\$ 1,563,492	\$ 1,658,643
Water	4,550,364	4,978,295	4,750,830	4,784,639	4,688,134	4,826,439	4,897,142	4,820,628	5,064,916	5,126,552
Golf	908,883	982,862	1,017,307	1,005,000	997,958	977,653	975,398	990,203	434,136	184,179
Sanitation	1,393,713	1,347,455	1,359,544	1,379,559	1,387,863	1,498,411	1,687,785	1,812,266	1,965,515	
Total Business-type Activities Expenses	\$ 8,126,436	\$ 8,902,356	\$ 8,754,912	\$ 8,795,365	\$ 8,756,609	\$ 9,060,425	\$ 8,861,483	\$ 8,932,495	\$ 8,874,810	\$ 8,934,889
Total Primary Government Expenses	\$ 18,128,711	\$ 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
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 102,882	\$ 105,351	\$ 106,446	\$ 92,185	\$ 114,051	\$ 115,895	\$ 107,744	\$ 108,498	\$ 113,410	\$ 90,743
Public Safety	296,767	248,591	296,395	285,578	608,594	1,106,771	1,015,140	855,598	1,129,789	1,902,535
Other	165,217	229,305	210,316	178,434	198,826	210,064	199,565	153,721	149,957	143,004
Operating Grants and Contributions	1,163,584	1,341,212	1,390,057	877,019	981,676	847,158	794,957	886,922	884,023	1,033,856
Capital Grants and Contributions	1,288,072	2,016,675	1,299,627	1,677,074	736,090	1,774,920	2,362,571	1,041,768	1,820,801	2,758,409
Total Governmental Activities Program Revenues	\$ 3,016,522	\$ 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
Business-type Activities:										
Charges for Services:										
Airport	\$ 572,594	\$ 704,750	\$ 895,300	\$ 851,615	\$ 895,597	\$ 787,233	\$ 781,847	\$ 723,767	\$ 808,116	\$ 867,455
Water	3,628,361	3,780,615	3,878,206	3,976,734	4,122,596	4,443,050	4,350,056	4,843,922	5,006,669	5,950,043
Golf	726,113	620,594	613,202	593,578	701,468	720,410	704,468	665,847	178,198	65,168
Sanitation	1,533,927	1,522,581	1,497,397	1,542,053	1,535,189	1,633,906	1,641,581	1,652,675	1,719,726	1,860,875
Operating Grants and Contributions	8,242,870	2,413,721	2,281,761	6,615,111	1,521,529	426,812	1,724,898	361,721	820,508	454,178
Capital Grants and Contributions	14,703,865	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
Total Business-type Activities Program Revenues	\$ 17,720,387	\$ 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
Net (Expense)/Revenue	\$ (6,985,753)	\$ (5,943,900)	\$ (6,136,435)	\$ (5,752,410)	\$ (6,450,801)	\$ (5,371,077)	\$ (5,995,108)	\$ (7,646,883)	\$ (6,394,366)	\$ (5,789,443)
Governmental Activities	6,577,429	139,905	410,954	4,783,726	19,770	(1,022,514)	341,745	(684,563)	(341,593)	262,830
Business-type Activities	(408,324)	(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)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 3,836,383	\$ 3,774,261	\$ 3,743,535	\$ 3,497,854	\$ 3,432,971	\$ 3,465,626	\$ 3,501,720	\$ 2,751,117	\$ 2,573,515	\$ 2,817,740
Sales Tax and Other State Shared Revenue	803,775	785,219	737,011	761,613	783,678	786,686	794,451	836,379	875,598	919,960
Special Assessment-Fire Protection	-	-	-	-	-	-	-	948,803	1,653,302	-
Franchise Fees	931,985	879,660	886,166	662,190	904,958	810,331	837,391	813,569	799,700	797,257
Other Taxes	1,632,411	1,409,048	1,189,645	1,035,332	1,053,895	1,124,693	1,141,195	1,154,169	1,389,860	1,470,465
Investment Earnings	55,790	5,689	1,384	181	220	2,530	1,829	1,850	2,668	2,753
Contribution from component unit	-	-	-	-	-	300,000	300,000	250,000	159,210	186,626
Miscellaneous	31,900	60,637	149,036	83,791	595,182	123,286	115,964	120,432	90,106	147,351
Loss on sale of land	-	-	-	-	-	(3,078,218)	-	-	-	-
Transfers	126,527	(803,896)	175,000	352,321	213,602	(1,628,519)	(19,536)	90,996	(68,790)	374,746
Total Governmental Activities	\$ 7,418,771	\$ 6,110,618	\$ 6,881,777	\$ 6,393,282	\$ 6,984,506	\$ 1,906,415	\$ 6,673,014	\$ 6,967,315	\$ 7,475,169	\$ 6,716,898
Business-type Activities:										
Investment Earnings	\$ 56,140	\$ 188,945	\$ 446	\$ 450	\$ 255	\$ 190	\$ 209	\$ 1,117	\$ 144	\$ 9,468
Miscellaneous	232,890	228,975	148,350	447,166	124,919	47,126	101,196	72,358	84,426	1,538
Transfers	(126,527)	803,896	(175,000)	(352,321)	(213,602)	1,628,519	19,536	(90,996)	68,790	(374,746)
Total Business-type Activities	\$ 162,503	\$ 1,221,816	\$ (26,204)	\$ 95,295	\$ (88,428)	\$ 1,675,835	\$ 120,941	\$ (17,521)	\$ 153,360	\$ (363,740)
Total Primary Government	\$ 7,581,274	\$ 7,332,434	\$ 6,855,573	\$ 6,488,577	\$ 6,896,078	\$ 3,582,250	\$ 6,793,955	\$ 6,949,794	\$ 7,628,529	\$ 6,353,158
Changes in Net Position										
Governmental Activities	\$ 433,018	\$ 166,718	\$ 745,342	\$ 640,872	\$ 533,705	\$ (3,464,662)	\$ 677,906	\$ (679,568)	\$ 1,080,803	\$ 927,455
Business-type Activities	6,739,932	1,361,721	384,750	4,879,021	(68,658)	653,321	462,686	(702,084)	(188,233)	(100,910)
Total Primary Government	\$ 7,172,950	\$ 1,528,439	\$ 1,130,092	\$ 5,519,893	\$ 465,047	(2,811,341)	\$ 1,140,592	(1,381,652)	\$ 892,570	\$ 826,545

Table 3
City of Palatka, Florida

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ -	\$ -	\$ 867,346	\$ 1,296,287	\$ 1,749,044	\$ 292,927	\$ 292,927	\$ 292,927	\$ 292,927	\$ 162,742
Restricted	-	-	511,570	483,518	826,352	195,513	218,278	207,315	213,309	231,084
Committed	-	-	17,246	106,948	22,656	33,128	49,206	45,761	55,416	60,617
Assigned	-	-	107,416	-	-	-	-	-	-	-
Unassigned	-	-	858,214	608,254	834,968	848,005	1,060,435	1,379,763	1,365,670	1,895,172
Reserved	-	-	-	414,758	-	-	-	-	-	-
Unreserved	1,682,108	1,262,722	-	-	-	-	-	-	-	-
Total General Fund	\$ 1,682,108	\$ 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
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	576,702	510,476	401,999	507,111	624,403	1,057,265	1,098,845	790,909
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(188,428)	(968,571)	-	-	-
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	1,592,936	1,128,395	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 1,592,936	\$ 1,128,395	\$ 576,702	\$ 510,476	\$ 401,999	\$ 318,683	\$ (344,168)	\$ 1,057,265	\$ 1,098,845	\$ 790,909

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 7,445,473	\$ 7,232,476	\$ 6,342,763	\$ 5,871,626	\$ 5,844,953	\$ 6,027,416	\$ 6,141,460	\$ 5,456,735	\$ 5,580,458	\$ 5,966,997
Permits, fees and special assessments	207,494	179,539	998,436	758,887	990,001	961,392	1,076,832	1,915,657	2,621,392	2,259,082
Intergovernmental	2,124,532	2,914,885	2,050,177	2,029,005	1,185,395	998,824	1,636,665	2,102,242	1,513,660	3,421,419
Charges for Services	176,629	267,914	249,991	209,738	245,095	276,570	295,691	212,004	180,804	207,554
Fines and Forfeitures	112,850	65,042	94,444	106,623	427,324	838,313	630,674	597,665	884,679	343,332
Miscellaneous	291,894	195,792	285,574	219,412	719,469	635,493	1,210,711	591,814	437,286	578,637
Total Revenues	\$ 10,358,872	\$ 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
Expenditures										
General Government	\$ 1,442,668	\$ 1,608,841	\$ 1,973,380	\$ 2,330,934	\$ 1,651,710	\$ 1,184,004	\$ 1,251,002	\$ 1,243,328	\$ 1,485,611	\$ 3,633,916
Public Safety	5,875,853	5,952,155	5,572,424	5,192,326	5,713,322	6,634,859	6,402,949	6,141,403	6,163,129	5,926,197
Physical Environment	-	-	-	-	-	415,967	404,042	85,925	233,000	356,376
Transportation	780,123	663,316	650,468	548,073	486,426	553,104	477,959	474,693	814,121	794,787
Economic Environment	579,661	816,722	741,467	349,296	184,981	280,156	146,709	92,509	121,398	78,587
Human Services	284,172	209,228	167,569	140,296	142,233	164,899	178,712	78,256	33,753	62,557
Culture and Recreation	1,038,817	703,621	453,438	465,756	449,550	1,253,442	2,361,161	553,865	1,672,744	2,150,486
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal Retirement	449,966	384,042	339,846	330,468	335,816	534,892	488,900	534,247	592,062	602,715
Interest and Fiscal Charges	203,215	182,996	165,174	149,483	155,598	67,579	61,641	56,534	46,948	35,048
Total Expenditures	\$ 10,654,475	\$ 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
Excess of Revenues Over (Under) Expenditures	\$ (295,603)	\$ 334,727	\$ (42,381)	\$ (311,341)	\$ 292,601	\$ (1,350,894)	\$ (781,042)	\$ 1,615,357	\$ 55,513	\$ (863,648)
Other Financing Sources (Uses)										
Capital Lease Issuance	\$ -	\$ -	\$ -	\$ 26,009	\$ 300,000	\$ 520,700	\$ 389,000	\$ -	\$ 56,413	\$ 680,000
Transfers In	275,000	193,850	757,243	1,088,468	685,099	1,308,196	482,992	782,517	1,344,802	1,695,017
Transfers Out	(148,473)	(997,746)	(582,243)	(736,147)	(471,497)	(2,936,715)	(502,528)	(691,521)	(1,413,592)	(1,320,271)
Payment to refunded bonds escrow agent	-	-	-	(1,866,667)	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	1,890,000	-	-	-	-	-
Total Other Financing Sources (Uses)	\$ 126,527	\$ (803,896)	\$ 175,000	\$ 378,330	\$ 536,935	\$ (1,107,819)	\$ 369,464	\$ 90,996	\$ (12,377)	\$ 1,054,746
Special items										
Proceeds from sale of land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 311,950	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balances	\$ (169,076)	\$ (469,169)	\$ 132,619	\$ 66,989	\$ 829,536	\$ (2,146,763)	\$ (411,578)	\$ 1,706,353	\$ 43,136	\$ 191,098
Acquisitions of Capital Assets	\$ 1,021,747	\$ 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
Debt Service as a Percentage of Non-Capital Expenditures	6.78%	5.99%	5.68%	5.75%	5.54%	6.73%	6.17%	6.72%	6.70%	6.12%

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		
2008-09	\$ 362,073,552	\$ 741,200,986	\$ 71,887,265	\$ 95,849,300	\$ 433,960,817	\$ 837,050,286	10.6500	51.84%
2009-10	349,743,213	743,823,588	65,330,966	95,725,559	415,074,179	839,549,147	8.6500	49.44%
2010-11	350,826,549	745,957,201	61,172,680	93,443,957	411,999,229	839,401,158	8.6500	49.08%
2011-12	331,832,689	691,859,577	57,098,415	89,429,756	388,931,104	781,289,333	8.6500	49.78%
2012-13	309,467,179	631,505,080	54,838,730	86,657,926	364,305,909	718,163,006	9.1749	50.73%
2013-14	312,960,196	638,829,722	54,787,757	89,543,661	367,747,953	728,373,383	9.1749	50.49%
2014-15	318,343,135	645,989,098	54,579,756	97,774,215	372,922,891	743,763,313	9.1749	50.14%
2015-16	332,051,212	657,991,860	51,457,342	96,823,302	383,508,554	754,815,162	6.9967	50.81%
2016-17	351,896,928	689,357,447	58,333,154	100,594,145	410,230,082	789,951,592	6.4000	51.93%
2017-18	369,198,476	723,289,677	68,504,101	107,053,941	437,702,577	830,343,618	6.4000	52.71%

* 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
2009	\$ 3,644,652	\$ 3,527,380	0.9678	\$ 17,701	\$ 3,545,081	0.9727
2010	3,575,819	3,472,692	0.9712	20,080	3,492,772	0.9768
2011	3,579,471	3,466,313	0.9684	6,903	3,473,216	0.9703
2012	3,364,254	3,261,185	0.9694	9,432	3,270,617	0.9722
2013	3,345,632	3,244,766	0.9699	12,660	3,257,426	0.9736
2014	3,323,508	3,262,179	0.9815	5,509	3,267,687	0.9832
2015	3,409,963	3,309,868	0.9706	8,707	3,318,575	0.9732
2016	2,757,997	2,545,988	0.9231	16,112	2,562,101	0.9290
2017	2,679,105	2,370,771	0.8849	16,305	2,387,076	0.8910
2018	2,768,368	2,540,806	0.9178	11,999	2,552,805	0.9221

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		
2009	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.705	0.000	7.705	0.4158	25.347
2010	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.813	0.000	7.813	0.4158	25.455
2011	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.457	0.000	7.457	0.4158	25.099
2012	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759
2015	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.204	0.000	7.204	0.3164	25.595
2016	6.9967	0.0000	6.9967	9.0914	0.0000	9.0914	6.924	0.000	6.924	0.3023	23.314
2017	6.4000	0.0000	6.4000	9.8892	0.0000	9.8892	6.354	0.000	6.354	0.2724	22.916
2018	6.4000	0.0000	6.4000	9.5946	0.0000	9.5946	6.155	0.000	6.155	0.2562	22.406

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 2018			Fiscal Year 2009		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
Putnam Community Medical Center	\$ 17,018,990	1	3.89%	\$ 17,467,313	1	4.20%
Wal-Mart Inc.	13,988,830	2	3.20%	13,251,250	2	3.18%
Florida Power & Light	12,643,849	3	2.89%	6,806,504	7	1.64%
9520 Bonita Beach Rd LLC	11,200,002	4	2.56%	-	-	-
Revenue Properties Town & Country	9,937,113	5	2.27%	8,990,346	3	2.16%
Lowe's Home Centers	7,736,740	6	1.77%	7,763,856	4	1.87%
Home Depot	7,246,334	7	1.66%	7,592,512	5	1.82%
FWI 5 LLC	4,527,564	8	1.03%	4,615,379	9	1.11%
SHP Hospitality	4,511,870	9	1.03%	-	-	-
Comcast	4,229,110	10	0.97%	4,518,067	10	1.04%
Bellsouth Telecommunications	-	-	-	7,496,934	6	1.80%
Southern Medical Associates, Inc.	-	-	-	5,780,115	8	1.39%
Total	\$ 93,040,402		21.26%	\$ 88,535,782		21.23%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	Road Improve ment Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
2009	\$ 37,498	\$ 37,498	0.01%	\$ 3
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%	-

Note: Personal income was determined to be the relevant base for analysis.

Source: Finance Department, audited financial statements

Table 10
City of Palatka, Florida

Computation of Legal Debt Margin
September 30, 2018

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, 2018

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	\$ 202,944	14.59%	\$ 29,613
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
SRF- Wastewater	862,505	18.12%	156,266
Series 2008B	3,831,000	18.12%	694,087
Series 2008A	1,855,000	18.12%	336,082
Debt repaid with 1/2 cent sales tax			
Putnam County Board of County Commissioners			
USDA-Jail	8,764,300	18.81%	1,648,465
USDA-Jail	8,730,500	18.81%	1,642,107
Subtotal, overlapping debt			\$ 4,506,620
City direct debt			\$ 1,555,466
Total direct and overlapping debt			\$ 6,062,086

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				
2009	\$ 3,705,273	\$ 37,498	\$ 37,513	\$ 16,997,451	\$ 5,383,638	-	\$ 26,161,373	9.28%	\$ 2,350		
2010	3,381,920	-	14,322	8,421,514	7,444,872	-	19,262,628	6.72%	1,763		
2011	3,056,396	-	-	7,761,469	7,346,458	-	18,164,323	6.43%	1,720		
2012	2,728,652	-	23,285	7,138,784	7,213,044	20,260	17,124,025	6.34%	1,678		
2013	2,424,226	-	315,228	6,734,477	7,074,630	177,382	16,725,943	6.19%	1,635		
2014	1,957,098	-	768,164	6,257,284	7,105,000	397,875	16,485,421	5.79%	1,589		
2015	1,636,778	-	988,584	5,760,423	6,950,000	624,217	15,960,002	5.30%	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		

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									
	Less					Less					Less					Less				
	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	Net Available Revenue	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage		
2009	\$ 597,590	\$ 768,310	\$ (170,720)	\$ 148,564	\$ 104,919	-67.35%	\$ 3,891,996	\$ 2,998,960	\$ 893,036	\$ 346,314	\$ 839,404	75.32%	\$ 893,036	\$ 2,998,960	\$ 893,036	\$ 346,314	\$ 839,404	75.32%		
2010	730,486	866,960	(136,474)	133,333	98,103	-58.97%	3,886,540	3,024,702	861,838	18,876,104	951,673	4.35%	861,838	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%	973,249	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%	1,027,733	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%	1,006,740	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%	1,292,838	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%	1,022,957	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%	1,590,924	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%	1,084,003	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%	2,164,137	3,785,906	2,164,137	436,734	378,238	265.55%		

Fiscal Year	Golf Revenue Bonds										Infrastructure Surtax Revenue Note									
	Less					Less					Less					Less				
	Golf Gross Revenues	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Sales Surtax	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Sales Surtax	Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage		
2009	\$ 726,513	\$ 722,239	\$ 4,274	\$ 28,125	\$ 111,586	3.06%	\$ 732,946	\$ 266,667	\$ 166,080	\$ 169,37%										
2010	624,462	800,372	(175,910)	62,033	107,431	-103.80%	715,264	266,667	152,240	170.75%										
2011	613,217	845,986	(232,769)	79,366	102,778	-127.79%	676,948	266,667	138,400	167.12%										
2012	593,718	838,545	(244,827)	141,804	97,560	-102.28%	683,697	266,667	124,560	174.76%										
2013	702,153	829,833	(127,680)	1,400,989	96,895	-8.52%	699,302	2,133,334	133,651	30.85%										
2014	724,954	846,859	(121,905)	96,000	56,372	-80.00%	733,349	411,000	43,096	161.50%										
2015	717,547	856,783	(139,236)	117,000	51,999	-82.39%	773,912	262,000	33,217	262.15%										
2016	680,937	880,507	(199,570)	122,000	46,984	-118.10%	833,084	269,000	27,013	281.43%										
2017	223,655	329,668	(106,013)	127,000	41,756	-62.82%	866,313	275,000	20,157	293.51%										
2018	65,168	85,195	(20,027)	162,810	36,274	-10.06%	936,623	345,367	25,701	252.41%										

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)
2009	11,133	\$ 292	\$ 25,319	4,768	12%
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%

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 2018			Fiscal Year 2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Putnam County School District	1,680	1	31.55%	1,380	1	24.79%
Putnam County Board of County Commissioners	600	2	11.27%	688	2	12.36%
St Johns River Water Management District	550	3	10.33%	488	4	8.77%
Putnam Community Medical Center, LLC	520	4	9.77%	540	3	9.70%
Walmart Supercenter	480	5	9.01%	426	6	7.65%
Palatka Healthcare Center	300	6	5.63%	-	n/a	-
St. Johns River State College	280	7	5.26%	156	9	2.80%
Putnam County Sheriff's Office	260	8	4.88%	-	n/a	-
City of Palatka	148	9	2.78%	159	8	2.86%
Publix Super Market	114	10	2.14%	450	5	8.08%
Lowes Home Center, Inc.	107	11	2.01%	150	10	2.69%
Home Depot USA, Inc.	96	12	1.80%	-	n/a	-
PRC	-	n/a	-	384	7	6.90%
Total	5,135		96.44%	3,057		86.61%

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function/Program										
General Government:										
Building permits issued	80	596	618	595	583	561	497	543	502	572
Building inspections conducted	1,499	1,359	1,360	1,257	898	913	994	1,415	996	1,138
Code enforcements	701	200	165	184	214	150	88	12	140	125
Occupational license issued	1,258	1,092	1,220	1,078	675	239	866	710	830	754
Police:										
Calls for service	31,264	34,559	29,847	32,709	30,616	30,595	29,946	23,586	19,490	21,535
Physical arrests	1,450	1,528	1,119	1,047	788	788	784	617	497	405
Citations	1,269	2,060	1,616	1,660	1,470	1,904	1,294	656	317	390
Fire:										
Emergency responses	2,610	2,412	2,687	2,498	2,173	2,142	2,128	2,967	3,125	3,095
Fires extinguished	538	98	10	41	125	374	398	58	63	85
Refuse collection:										
Customers	3,469	3,850	3,819	3,869	3,827	3,867	3,873	3,914	3,997	4,605
Other public works:										
Street resurfaced (miles)	-	-	-	-	-	-	-	-	0.4	0.3
Potholes repaired	100	100	110	58	63	65	40	16	128	97
Parks and recreation:										
Community center rentals	147	197	58	83	129	65	72	63	141	137
Human Services:										
Interments	103	146	122	107	117	79	111	97	99	113
Water:										
Water main breaks	10	7	16	7	26	64	107	269	292	338
Average daily consumption (thousands of gallons)	2,030	2,000	2,044	1,811	1,684	1,706	1,728	1,654	1,316	1,143
Peak daily consumption (thousands of gallons)	2,870	2,720	2,757	2,908	2,139	2,634	2,420	2,278	1,726	1,941
Wastewater:										
Average daily treatment (thousands of gallons)	2,500	1,940	1,490	2,040	1,540	1,700	1,500	1,330	1,429	1,429
Airport:										
Rentals-T Hangars	54	54	54	54	54	55	55	64	64	64
Building	1	1	1	1	2	2	2	2	2	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	2	3	3	3	3	3	3	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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	1	1	1	1	1	1	1	1	2	2
Patrol units	22	22	24	24	22	21	21	22	22	22
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Firefighters	23	23	23	23	23	23	23	23	22	22
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	6	8
Other public works:										
Streets(miles)	71.18	71.18	71.18	71.18	71.18	60.00	60.00	60.00	71.80	71.80
Traffic signals	22	22	22	21	21	12	12	39	33	18
Parks and Recreation:										
Acreage	24.26	24.26	24.26	26.67	26.67	45.36	45.36	45.36	45.36	46.36
Playgrounds	10	10	10	10	10	5	5	7	10	8
Baseball/softball diamonds	5	5	5	5	5	4	4	3	4	4
Community Centers	1	1	1	1	1	2	2	2	2	2
Water:										
Water mains (miles)	106	108	108	108	108	108	108	112	108	108
Fire hydrants	570	578	578	578	578	581	581	543	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	80	70	80	80
Storm sewers (miles)	60	60	60	60	60	61	61	61	61	61
Treatment capacity(millions of gals.)	1,095	1,278	1,278	1,278	1,278	6,000	6,000	6,000	6,000	3,150
Golf Courses:										
Acreage	99	99	99	99	99	124	124	124	124	124
Airports:										
Runways	3	3	3	3	3	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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General Government										
General Administration	9	8	8	8	8	8	8	7	9	9
Attorney	1	1	1	1	1	1	1	1	1	1
Mainstreet	1	0	1	1	1	1	1	0	0	0
Information Technology	0	0	0	0	1	1	1	1	0	0
Facilities Maintenance	0	0	0	0	1	1	1	1	1	1.5
Public Safety										
Building & Zoning	4	5	4	4	4	4.5	4	4	3	3
Police Officers	37	36	34	35	34	36	36	33	34	34
Police Clerical	6	6	7	7	6.5	6.5	6.5	6.5	6	6
Code Enforcement	1	1	1	1	1	1	1.5	1.5	1.5	1.5
Firefighters	23	23	23	23	23.5	23.5	23.5	23.5	22.5	22.5
Transportation										
Streets	6	6	6	6	6	6	6	6	9.5	9.5
Human Services										
Cemeteries	4	3	2	2	2	2	3	0	0	0
Culture/Recreation	8	7	5	5	5	6	3.5	2.5	1	1
Business Type Activities:										
Airport	3	3	2	3	3	3	3	3	3.5	3.5
Water	33	33	31	32	32	30	33	30.5	28	28
Golf	8	0	0	0	0	0	0	0	0	0
Sanitation	16	14	14	13	17	14	17	17.5	16	16

Source: City of Palatka Personnel Department

Single Audit Section



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MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated August 23, 2019. That report should be considered in conjunction with this management letter.

Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and an Independent Accountant's 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 August 23, 2019, 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 repeated with the exception of 2017-004 and 2017-008, which were corrected.

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. The application of such procedures did not reveal evidence of “deteriorating financial condition” as that term is defined in Rule 10.554.

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

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

Purpose of this Letter

The purpose of this management letter is solely to comply with the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this communication is not suitable for any other purpose. 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, 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
August 23, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 23, 2019.

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. However, as described in the accompanying schedule of findings as items 2018-001 to 2018-007, we identified certain deficiencies in internal control 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We did identify an other matter which is described in the accompanying schedule of findings and questioned costs as item 2018-008.

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
August 23, 2019



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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, 2018. 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, 2018.

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
August 23, 2019

Schedule of Expenditures of Federal Awards
Year ended September 30, 2018

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Agriculture				
Community Facilities Loans and Grants	10.766	n/a	\$ 324,646	\$ -
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	15DB-OJ-04-64-02-C04	444,154	-
U.S. Department of Justice				
Passed through Office of Attorney General Crime Victim Assistance	16.575	V00015	34,990	-
U.S. Department of Transportation				
FAA Airport Improvement Program	20.106	GOP04	13,205	-
Passed through Florida Department of Transportation Highway Planning and Construction Cluster: Highway Planning and Construction	20.205	41057229401	100,968	-
U.S. Environmental Protection Agency				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF- 00D32715-0	89,844	-
U.S. Department of Homeland Security				
Passed through Division of Emergency Management Disaster Grants- Public Assistance (Presidentially Declared Disasters)	97.036	4283	143,225	-
Total expenditures of federal awards			\$ 1,151,032	\$ -

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2. Summary of Significant Account Policies

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized when they become a demand on current available financial resources. Expenditures on contracts 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.



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

The Honorable Mayor and City Commissioners
City of Palatka, Florida

Report on Compliance for Each Major Federal Program

We have audited City of Palatka, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. 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, laws, 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, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-008, that we consider to be a significant deficiency.

The City's response to the internal control finding over compliance identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Carly Riggs & Ingram, L.L.C.

Gainesville, Florida
August 23, 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? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |

Schedule of Findings and Questioned Costs

4. The City's major federal programs were:

<u>Federal Programs</u>	<u>Federal CFDA Number</u>
Community Development Block Grant (CDBG)	14.228
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205

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

Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 (Similar to previously reported items 2017-001 and 2016-001.)
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 the following material adjustments to the City's financial statements:

- Certain unavailable revenues were recognized as revenue rather than deferred.
- Fund balance classifications required adjustment.
- Pension and OPEB liabilities required adjustments.
- A police bank account was not reported, requiring an adjustment.
- Accrued vacation and sick liabilities required adjustments.
- Long-outstanding accounts receivable were written off as audit adjustments.
- Advances to other funds were corrected.
- The liabilities for payroll benefits and deductions required correction.

Personnel 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.

2018-002 (Similar to previously reported items 2017-002 and 2016-003.)
Criteria: City procedures require time records to be evidenced with signatures to certify hours worked by the employee and approval by the supervisor.

Condition: In multiple instances, timesheets were not approved by supervisors.

Cause: Established procedures are not consistently followed.

Effect: Records to evidence time are incomplete.

Schedule of Findings and Questioned Costs

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

Views of responsible officials: See accompanying corrective action plan .

2018-003

(Similar to previously reported item 2017-003.)

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: Bank reconciliations did not show evidence of review and approval of the reconciliations.

Cause: Personnel were not available to review due to management changes.

Effect: Issues in the reconciliations may not be detected timely.

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

Views of responsible officials: See accompanying corrective action plan .

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 preparations of an accurate Schedule of Expenditures of Federal Awards. Certain grants required material adjustments to the amount of expenditures.

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 and review a complete and accurate Schedule of Expenditures of Federal Awards.

Views of responsible officials: See accompanying corrective action plan .

Schedule of Findings and Questioned Costs

2018-005

(Similar to previously reported item 2017-005.)

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: Capital asset reconciliations did not agree to the general ledger, resulting in material adjustments. No evidence existed showing review of disposals and depreciation expense. The capital asset system in ADG produces Error Summary for Depreciation Edit reports to identify any exceptions. This report should be reviewed to determine disposition of said exceptions.

Cause: Procedures were not in place to adequately reconcile the capital assets to the general ledger, including reviewing disposals and depreciation expense and monitoring the exception reports.

Effect: Capital assets required material adjustments. Risk of misstatement of capital assets and/or depreciation expense is elevated.

Recommendation: Implement control procedures to ensure reconciliation of the capital assets subsidiary ledger to the general ledger, including review of disposals, depreciation expense, and exception reports and determine proper disposition.

Views of responsible officials: See accompanying corrective action plan.

2018-006

(Similar to previously reported item 2017-006.)

Criteria: City of Palatka Code of Ordinances, Article II, Section 166(b) and 168 allow for the City to assign collection, accounting, and tracking of certain City functions to the Palatka Gas Authority (“the Authority”), and for the Authority to transfer such collections monthly to the City, in addition to providing reports of such activities at such times and detail as required by the City. In May 2017 the City exercised that assignment with regard to the City’s utility billings and collections. Prior to that date, the City performed the billings and collections process in-house.

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: We did not see evidence that the City implemented controls to ensure the information provided to and received from the Authority was regularly reviewed by the City for accuracy and completeness. Accounts receivable and allowance for doubtful

Schedule of Findings and Questioned Costs

accounts related to utility billings and collections required material adjustments. Other activity between the City and the Authority required adjustments to the transfer account.

Cause: The City relied on the Authority to ensure the amounts billed are accurate and complete.

Effect: Material adjustments were required to utility billing and collection related accounts.

Recommendation: We recommend that the City develop and implement review procedures over the utility billing and collections information provided to and obtained from the Authority.

Views of responsible officials: See accompanying corrective action plan .

2018-007

(Similar to previously reported item 2017-007.)

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: While all journal entries selected for testing had a second approver, we noted multiple errors related to journal entries that were not identified through the review process.

Cause: Procedures to document review of journal entries by other appropriate personnel were not effective to detect and correct errors.

Effect: Errors were not be detected timely.

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

Views of responsible officials: See accompanying corrective action plan .

Schedule of Findings and Questioned Costs

SECTION III – FINDINGS AND QUESTIONED COSTS – FEDERAL PROGRAMS

**2018-008 Highway Planning and Construction Cluster – Highway Planning and Construction – 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.

TERRILL L. HILL
MAYOR-COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR –
COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE McCASKILL
COMMISSIONER



CITY of *Palatka*
FLORIDA

ELMON (LEE) GARNER
INTERIM CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

LOGAN B. BECKER
FINANCE DIRECTOR

JASON SHAW, SR.
CHIEF OF POLICE

KEITH "J.R." GRIMES
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

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

The following were audit findings in the auditors' report for the year ended September 30, 2017

2017-001 (Reported in previous audit report as item 2016-001 and 2015-001.)

Criteria: Financial statements must be presented in accordance with generally accepted accounting principles.

Condition: As part of the audit process, we proposed material adjustments to the City's financial statements. It was also necessary for us to assist with the preparation of the City's financial statements.

Cause: Certain unavailable revenues were recognized as revenue rather than deferred. Also, lease proceeds were recorded as revenue, rather than long-term liabilities in the proprietary funds. And accrued payroll was not accurately stated in the general ledger. Personnel required assistance to prepare financial statements, including notes, in accordance with generally accepted accounting principles.

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

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

Followup: Partially corrected. Substantially repeated as 2018-001.

2017-002 (Reported in previous audit report as item 2016-003.)

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

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

Cause: Established procedures are not consistently followed.

Effect: Records to evidence time are incomplete.

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

Followup: Partially corrected. Substantially repeated as 2018-002.

Prior Year Audit Findings, Continued

2017-003

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

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

Cause: Personnel were not available to review due to management changes.

Effect: Issues in the reconciliations may not be detected timely.

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

Followup: Partially corrected. Substantially repeated as 2018-003.

2017-004

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

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

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

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

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

Followup: Corrected.

Prior Year Audit Findings, Continued

2017-005

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

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

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

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

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

Followup: Partially corrected. Substantially repeated as 2018-005.

2017-006

Criteria: City of Palatka Code of Ordinances, Article II, Section 166(b) and 168 allow for the City to assign collection, accounting, and tracking of certain City functions to the Palatka Gas Authority, and for the Authority to transfer such collections monthly to the City, in addition to providing reports of such activities at such times and detail as required by the City. In May 2017 the City exercised that assignment with regard to the City's utility billings and collections. Prior to that date, the City performed the billings and collections process in-house.

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

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

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

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

Followup: Repeated as 2018-006.

Prior Year Audit Findings, Concluded

2017-007

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

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

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

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

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

Followup: Partially corrected. Substantially repeated as 2018-007.

2017-008 Federal Award Reporting Requirement

Brownfields Assessment and Cleanup Cooperative Agreements- CFDA Number 66.818, Contract BF-00D32715, 2015, Environmental Protection Agency
Questioned costs - none

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

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

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

Effect: Noncompliance with grant reporting requirements.

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

Followup: This finding was corrected as of September 8, 2017.

TERRILL HILL
MAYOR-COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR –
COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

TAMMIE M. WILLIAMS
COMMISSIONER



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

ELMON 'LEE' GARNER
INTERIM CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

LOGAN B. BECKER
FINANCE DIRECTOR

JASON SHAW
CHIEF OF POLICE

KEITH 'JR' GRIMES
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

August 23, 2019

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, 2018.

2018-001 *Condition* – As part of the audit process, we proposed material adjustments to the City's financial statements:

- Certain unavailable revenues were recognized as revenue rather than deferred.
- Fund balance classifications required adjustments.
- Pension and OPEB liabilities required adjustments.
- A police bank account was not reported, requiring an adjustment.
- Accrued vacation and sick liabilities required adjustments.
- Long-outstanding accounts receivable were written off as audit adjustments.
- Advances to other funds were corrected.
- The liabilities for payroll benefits and deductions required correction.

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 has included a new finance position in the FY19-20 budget that will allow for additional internal controls, including supplementary review of year end material adjustments. However, the City anticipates the potential of a recurrence as there will be obligatory training upon the hire of said position.

2018-002 *Condition* – In multiple instances, timesheets were not approved by supervisors.

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

Resolution – The City implemented a payroll process to include multiple reviews to help alleviate this repeat finding back in June 2018. Since this control was not initiated until mid-fiscal year, the City did fall short of verifying each timesheet. Also, the City has initiated the conversation of transitioning to bi-weekly payroll to allow for additional review time. The City feels confident that this should not be an issue going forward.

2018-003 *Condition* – Bank reconciliations did not show evidence of review and approval of reconciliations.

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

Resolution – Per our resolution to prior finding 2017-003, Accounting Supervisor or Finance Director has begun routinely reviewing and signing the bank reconciliations beginning with those of October 2018. During the fiscal year audited, appropriate personnel were not always available to review these reconciliations due to management changes.

2018-004 *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 required material adjustments to the amount of expenditures.

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 – Over the past two years the responsibility of the Schedule of Expenditures of Federal Awards has shifted multiple times. The City has recently 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. Said review now allows for both the Financial/Accounting administration to better coordinate with the Grant/Project administration.

2018-005 *Condition* – Capital asset reconciliations did not agree to the general ledger, resulting in material adjustments. No evidence existed showing review of disposals and depreciation expense. The capital asset system in ADG produces Error Summary for Depreciation Edit reports to identify any exceptions. This report should be reviewed to determine disposition of said exceptions.

Recommendation – Implement control procedures to ensure reconciliation of the capital assets subsidiary ledger to the general ledger, including review of disposals, depreciation expense, and exception reports and determine proper disposition.

Resolution – The capital asset system in ADG produces Error Summary for Depreciation Edit reports to identify any exceptions. Prior to the past two fiscal years, adjustments were not made to resolve the exceptions. Fiscal Year 2017-2018 required an entry to realign a multiyear issue. To ensure the year-end review is taking place, the Finance Director will sign the Error Summary report and any entries made as evidence. Additionally, the City will work towards implementing a citywide process that will allow for ongoing review of capital assets verses a one-time annual review.

2018-006 *Condition* – We did not see evidence that the City implemented controls to ensure the information provided to and received from the Authority was regularly reviewed by the City for accuracy and completeness. Accounts Receivable and allowance for doubtful accounts related to utility billings and collections required material adjustments. Other activity between the City and the Authority required adjustments to the transfer account.

Recommendation – We recommend that the City develop and implement review procedures over the utility billing and collections information provided to and obtained from the Authority.

Resolution – The Finance Director along with the Director of Public Works have developed and implemented review procedures for the utility billing and collections as of Fiscal Year 18-19. The review includes detailed supporting documentation to be retained for independent audit. Additionally, City Staff meets regularly (twice a month) with the Gas Authority to ensure effective communication.

2018-007 *Condition* – While all journal entries selected for testing had a second approver, we noted multiple errors related to journal entries that were not identified through the review process. Certain accounts payable entries were entered multiple times in error.

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

Resolution – The Finance Department has implemented established controls over the journal entry process when preparing manual journal entries and will continue reviewing entries accordingly. Also, a process for maintaining all relevant support documentation and routinely reviewing journal entry reports from ADG to be sure duplicate entries were not made has been put in place.

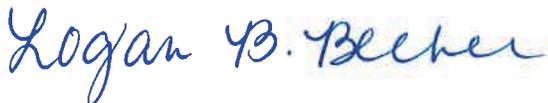
2018-008 *Condition* – The City was unable to locate evidence of the certified weekly payrolls for the construction vendor for this grant.

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

Resolution – The City has implemented controls over grant document records and retention to prevent this in the future.

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

Sincerely,



Logan B. Becker
Finance Director