

City of Palatka, Florida

Comprehensive Annual Financial Report

For the Year Ended September 30, 2014

PREPARED BY:

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

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 September 30, 2014

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TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

JAMES A. GRIFFITH
INTERIM CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

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

April 29, 2015

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, 2014.

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

THE REPORTING ENTITY

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,377 residents by providing a full range of municipal services including General Administration, Public Safety, Planning and Zoning and Community Enrichment and Development. In addition, the City operates a Municipal Golf Course; an Airport; Sanitation, Water and Wastewater utility systems. The Palatka Downtown Redevelopment Agency, and the Palatka Gas Authority are considered component units of the City, and the City is financially accountable for them.

THE REPORTING ENTITY (Concluded)

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

ECONOMIC CONDITION

Palatka's population is 10,377 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2014. Due to current economic conditions, the City of Palatka like many communities continues to experience serious budget constraints. During the budget planning for fiscal year 2014-15, the City proposed a General Fund operating budget that was 1.40% less than the previous year decreasing from \$10.893 million to \$10.740 million. Many revenue sources such as ad valorem taxes, utility taxes, and telecommunication service taxes increased from the prior year, however the estimated revenues from the City's red light camera program was decreased substantially from \$1.253 million in FY2013-2014 to approximately \$775,000 in FY2014-2015. Other categories such as state shared revenues, charges for services and fines and forfeits continued to decline as they have in the past several years. As in the prior year, a one-time transfer from the Palatka Gas Authority was requested in the amount of \$300,000, which is \$200,000 less than the prior year. Several capital expenditures were included in the budget; however they were small in nature and were primarily for equipment in the Cemetery and Fire Department. Operating budgets were scrutinized again as in past years and several positions which were vacated by attrition or retirement were not filled.

Taxable value increased by 1.14% which provided for a rollback rate of 9.0715; however the millage rate was maintained at 9.1749 mills. Overall, the City continues to face the challenge of maintaining the current level of service it provides its citizens without increasing the millage rate.

The General Fund total fund balance decreased by approximately \$2,063,000 due to a large transfer from the General Fund to the Golf Course Fund to eliminate the liability within the Golf Course Fund that had accumulated since FY2008-2009 due to ongoing operational losses. Another contributing factor to the large decrease in fund balance was a large transfer to establish the Better Place Plan Fund. These monies were included in the General Fund in previous fiscal years however they will now be accounted for within their own fund.

Approximately twenty-one percent (21%) of the General Fund total fund balance is non-spendable due to advances to other funds (Airport Fund), therefore the City will not have this portion available for use in the immediate future. Restricted and committed fund balances comprise an additional seventeen percent (17%) of the total fund balance. The remaining unassigned fund balance is 9.61% of the total general fund expenditures, which increased slightly from 9.35% last fiscal year. This amount is still well below the minimum balance recommended by the GFOA of approximately 16.67% or two months worth of operating expenditures.

ECONOMIC CONDITION (Concluded)

The net position of the sanitation and golf course funds increased by approximately \$200,000 and \$1,546,000 respectively, while the net position of the water and airport funds decreased by approximately \$405,000 and \$688,000, respectively.

The City's golf course continues to operate at a financial deficit with money from the general fund being budgeted as a transfer to offset this deficit. Attempts to minimize these losses have been made over the past several fiscal years, however the annual deficit continues to occur each year before any General Fund subsidies take place. The conditions at the course have continued to improve drastically in FY14-15 and the rounds of play have dramatically increased, therefore revenues have increased when compared to last fiscal year. The City is hopeful that the operations at the course will become self-sufficient in the near future.

MAJOR INITIATIVES

CURRENT PROJECTS

The City's Riverfront property redevelopment and revitalization efforts continue to be a critical and vital improvement project in order to reinvigorate the downtown and City. The City was successful in attracting two development partners to build a new hotel and to revitalize several historic buildings along the riverfront which will be a high quality mixed use development. The new hotel and mixed use development is expected to add over five million dollars (\$5,000,000) to the City's total taxable value and up to fifty new jobs. Construction of the hotel and demolition of the interior of the historic buildings is currently underway. The hotel is expected to be completed in the fall of 2015 and restoration of the historic buildings has an estimated completion date of the winter of 2015.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed approximately two point two million dollars of improvements to the Riverfront. The City is in the process of expending an additional three million dollars of improvements which include improvements to the road way, storm drainage, parking facilities, landscaping, dockage, boat ramps, restaurant, restroom and shower facilities, fuel farm, riverboats, and appurtenant facilities. The City is projected to expend an additional one point five million dollars on improvements on the Riverfront property and park within the next few years. The funding for these improvements has come from the downtown tax increment fund and infrastructure surtax revenues as well as significant grant dollars from various State and Federal sources. The City also previously issued a RFP for dock operations, concessions and park management and was successful in attracting a qualified vendor. The City will receive an enhanced level of service and maintenance at those facilities from the vendor and will share in a portion of the vendor's earned revenue.

Over the past three years the City has formed a partnership with the Georgia Pacific Corporation in order to assist the company in fulfilling its permit requirements with the Florida Department of Environmental Protection. Georgia Pacific has elected to construct an environmental center near the riverfront to educate students, residents, and guests about the importance of wetlands

**MAJOR INITIATIVES
(Concluded)**

CURRENT PROJECTS (continued)

and the river to our ecosystem and community. The newly titled St. Johns River Center will be a tremendous resource for the community which will provide education, tourism, entertainment, and eco-tourism opportunities for guests of all ages. The center is projected to cost one point two million dollars and will be financed completely by Georgia Pacific with the City assuming the operational costs once it is completed. Construction of the center is underway and is expected to be completed by June of 2015.

Infrastructure surtax revenues (Better Place Funds) are dedicated to capital improvements within the City. This year's improvements were primarily used for grant match, sidewalk replacement, drainage improvements and repayment of capital-related loan obligations.

The City continues to upgrade the pavement and drainage systems and add new hangar facilities at the airport with the help of Federal Aviation Administration and Florida Department of Transportation grants. The City in cooperation with the funding partners will be expending over one and half million dollars to expand apron and aircraft parking, build new T-Hangars and corporate hangars to satisfy the demand for these amenities. These improvements will enhance 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 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 in order to finance the equipment and processes which would produce a class A bio-solid which could be sold for fill and ground cover. The improvements are expected to cost three million dollars with some of the funding expected to come from State and Federal sources.

The City is seeking additional Federal and State grant funds to identify, plan and finance needed water system deficiencies. The City will continue to evaluate any appropriate water and sanitary sewer extensions to the present system to serve new areas and customers outside of the current service limits. The City continues to work with Putnam County and Chamber of Commerce representatives to expand utility services in order to promote and facilitate economic development. The City continues to meet with Putnam County to discuss annexation of enclaves around the City and potential utility boundary service areas which could spark and promote economic development in the region.

FINANCIAL POLICIES

INTERNAL CONTROL STRUCTURE

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

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

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

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

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

BUDGETARY CONTROL

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

INDEPENDENT AUDIT

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palatka for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This was the twenty-second year in a row that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

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

ACKNOWLEDGMENTS

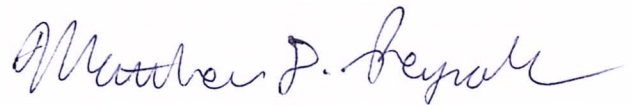
The preparation of this report was accomplished through the efforts and dedication of the City's financial staff.

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

Respectfully submitted,



Allen Bush
Interim City Manager



Matthew D. Reynolds
Finance Director

GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2013 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

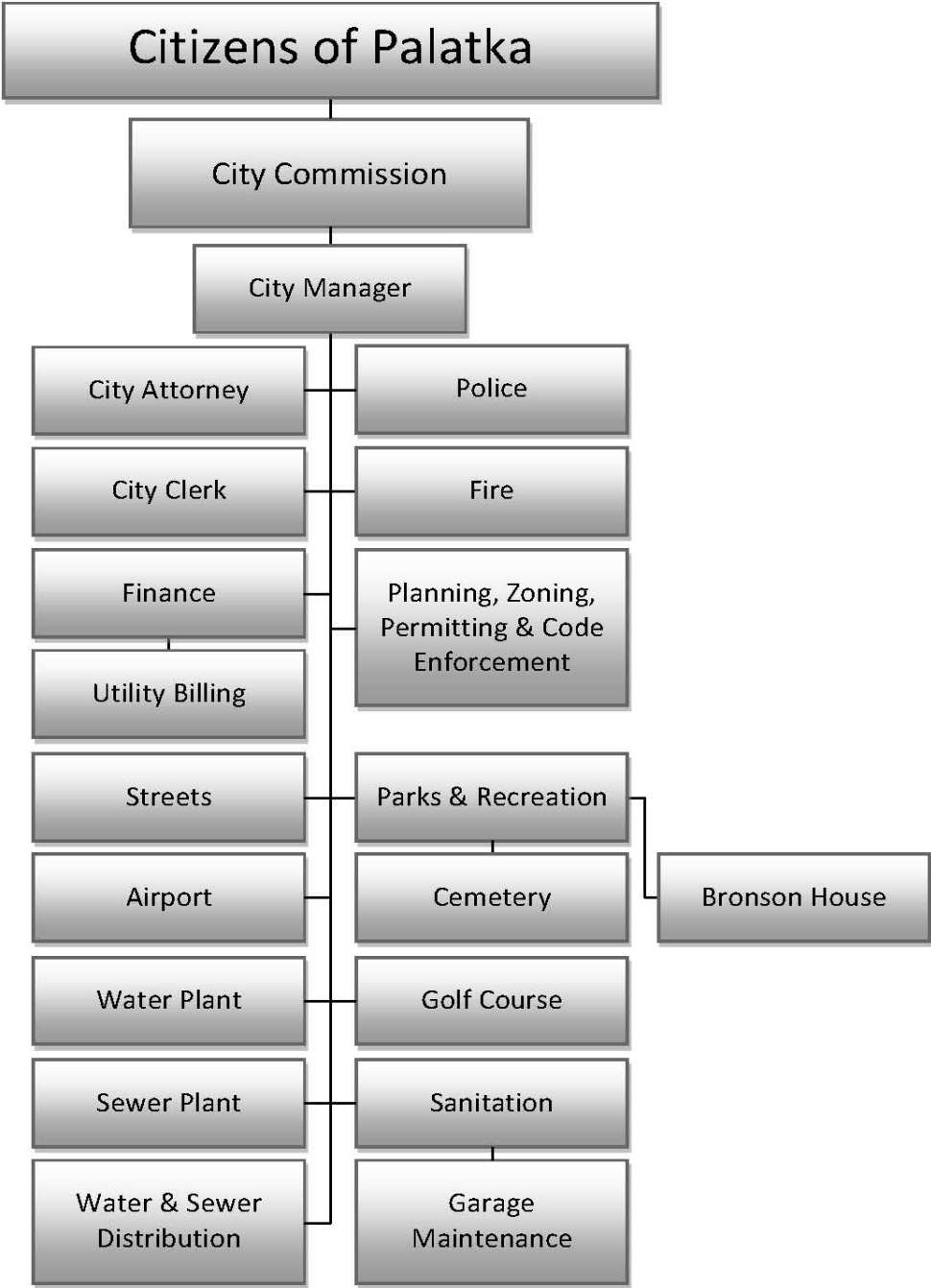
September 30, 2013

Executive Director/CEO

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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

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

APPOINTED OFFICIALS

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

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

DEPARTMENT SUPERINTENDENTS

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

John Youell
Thad Crowe
Andy Hertz
Ed Chandler
Melvin Register
Brian McCann
Rhett McCamey

AUDITORS

Carr, Riggs & Ingram, LLC

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, the City implemented the provisions of GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, information listed in the table of contents as "supplementary information," including the Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Palatka, Florida
April 29, 2015

**City of Palatka
Management's Discussion and Analysis
September 30, 2014**

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, 2014. 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 \$51,461,855. Of this amount, \$2,738,122 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$2,811,341 (5.18%). Due to a loss on the sale of land and a large transfer to the Golf Course fund, governmental net position decreased by \$3,464,662 (21.30%). The Enterprise funds net position increased by \$653,321 (1.72%) due to a large transfer to the Golf Course fund from the General Fund.
- The total net position of each Enterprise fund were: Water \$19,456,031, Sanitation \$952,758, Golf \$361,435 and Airport \$17,891,030.
- As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$1,688,256, a decrease of \$2,146,763 (55.98%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$848,005 or 9.61% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$468,979.
- Net position of the General, Police Officers' and Firefighters' Pension Trust Funds increased by \$977,004, \$772,020 and \$612,732, respectively. These increases were the result of appreciation in the fair value of investments in each fund.

Overview of Financial Statements

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

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City of Palatka's assets and liabilities, with the difference between the two reported as net position. The City has no deferred outflows or deferred inflows in the government-wide statements. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 43 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 44 – 54 of this report.

Supplementary information can be found on pages 55 – 57 of this report immediately following the required supplementary information.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palatka, assets exceeded liabilities by \$51,461,855 at the close of the most recent fiscal year. There were deferred inflows of \$929,952 and no deferred outflows.

The majority of the City's net position (93.05%) 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, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$3,045,239	\$4,180,647	\$2,915,739	\$2,297,664	\$5,960,978	\$6,478,311
Capital assets	\$13,460,933	\$15,662,293	\$50,910,500	\$52,715,044	\$64,371,433	\$68,377,337
Total assets	\$16,506,172	\$19,842,940	\$53,826,239	\$55,012,708	\$70,332,411	\$74,855,648
Long-term liabilities						
Outstanding	\$3,278,540	\$3,232,049	\$14,548,180	\$16,209,729	\$17,826,720	\$19,441,778
Other liabilities	\$427,031	\$345,628	\$616,805	\$609,676	\$1,043,836	\$955,304
Total liabilities	\$3,705,571	\$3,577,677	\$15,164,985	\$16,819,405	\$18,870,556	\$20,397,082
Net assets:						
Net investment in capital assets	\$10,735,671	\$13,138,987	\$37,150,342	\$38,728,555	\$47,886,013	\$51,867,542
Restricted	\$507,111	\$401,999	\$330,609	\$328,594	\$837,720	\$730,593
Unrestricted	\$1,557,819	\$2,724,277	\$1,180,303	(\$863,846)	\$2,738,122	\$1,860,431
Total net position	\$12,800,601	\$16,265,263	\$38,661,254	\$38,193,303	\$51,461,855	\$54,458,566

An additional portion of the City's net position \$837,720 (1.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,738,122 (5.32%) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for both the governmental activities and business activities of the City.

Change in Net Position

The City's total net position decreased \$2,811,341 over the previous year with a decrease of \$3,464,662 resulting from governmental activities and an increase of \$653,321 from business activities.

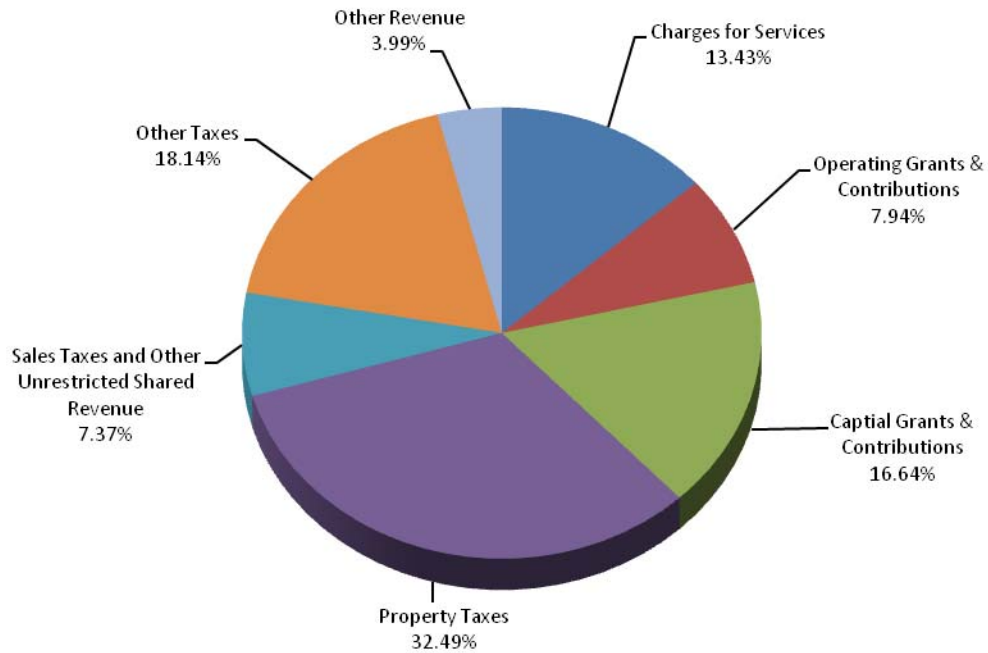
City of Palatka Changes in Net Position For the year ended September 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$1,432,730	\$921,471	\$7,584,599	\$7,254,850	\$9,017,329	\$8,176,321
Operating Grants & Contributions	\$847,158	\$981,676	\$26,500		\$873,658	\$981,676
Capital Grants & Contributions	\$1,774,920	\$736,090	\$426,812	\$1,521,529	\$2,201,732	\$2,257,619
General Revenues:						
Property Taxes	\$3,465,626	\$3,432,971			\$3,465,626	\$3,432,971
Sales Taxes and Other Unrestricted Shared Revenues	\$786,686	\$783,678			\$786,686	\$783,678
Other Taxes	\$1,935,024	\$1,958,853			\$1,935,024	\$1,958,853
Other Revenue	\$425,816	\$595,402	\$47,316	\$125,174	\$473,132	\$720,576
Total Revenues	\$10,667,960	\$9,410,141	\$8,085,227	\$8,901,553	\$18,753,187	\$18,311,694
Expenses:						
General Government	\$507,929	\$2,192,293			\$507,929	\$2,192,293
Public Safety	\$6,117,513	\$5,467,142			\$6,117,513	\$5,467,142
Physical Environment	\$415,967	\$0			\$415,967	\$0
Transportation	\$573,372	\$511,114			\$573,372	\$511,114
Economic Environment	\$280,156	\$184,981			\$280,156	\$184,981
Human Services	\$174,967	\$151,906			\$174,967	\$151,906
Culture/Recreation	\$1,288,402	\$427,004			\$1,288,402	\$427,004
Interest on Long-Term Debt	\$67,579	\$155,598			\$67,579	\$155,598
Water			\$4,826,439	\$4,688,134	\$4,826,439	\$4,688,134
Sanitation			\$1,387,863	\$1,397,879	\$1,387,863	\$1,397,879
Golf Course			\$977,653	\$997,958	\$977,653	\$997,958
Airport			\$1,868,470	\$1,672,638	\$1,868,470	\$1,672,638
Total Expenses	\$9,425,885	\$9,090,038	\$9,060,425	\$8,756,609	\$18,486,310	\$17,846,647
Increase in Net Position before Transfers	\$1,242,075	\$320,103	(\$975,198)	\$144,944	\$266,877	\$465,047
Loss on sale of land	(\$3,078,218)				(\$3,078,218)	\$0
Transfers	(\$1,628,519)	\$213,602	\$1,628,519	(\$213,602)	\$0	\$0
Increase in Net Position	(\$3,464,662)	\$533,705	\$653,321	(\$68,658)	(\$2,811,341)	\$465,047
Net Position-Beginning of Year	\$16,265,263	\$15,731,558	\$38,007,933	\$38,261,961	\$54,273,196	\$53,993,519
Net Position-End of Year	\$12,800,601	\$16,265,263	\$38,661,254	\$38,193,303	\$51,461,855	\$54,458,566

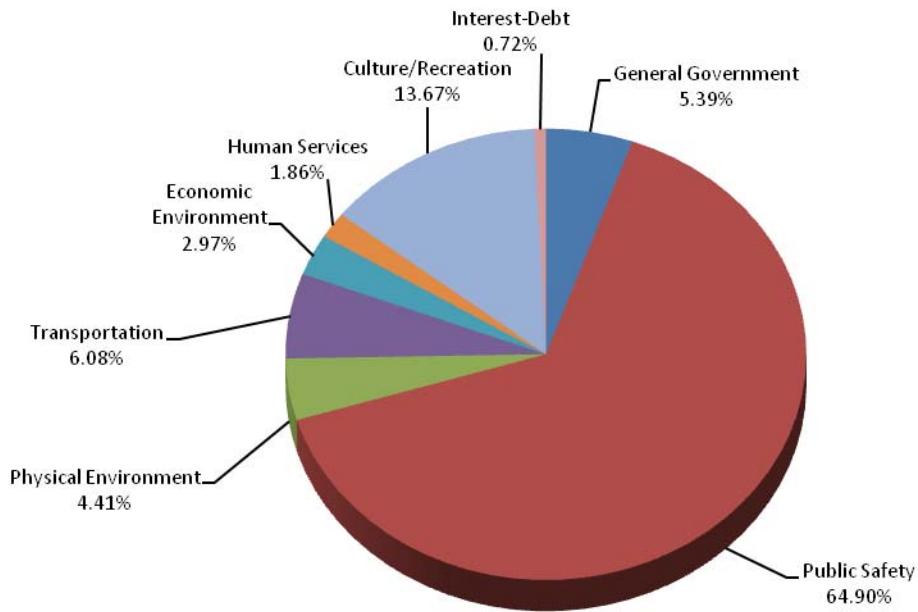
Governmental Activities

Governmental activities decreased the City's net position by \$3,464,662 thereby accounting for 123.24% of the total decrease in the net position of the City. A key element of this decrease was the substantial loss on the sale of land as well as a large transfer from the General Fund to the Golf Course fund.

Revenue by Source - Governmental Activity



Expenses - Governmental Activities



Business-type Activities

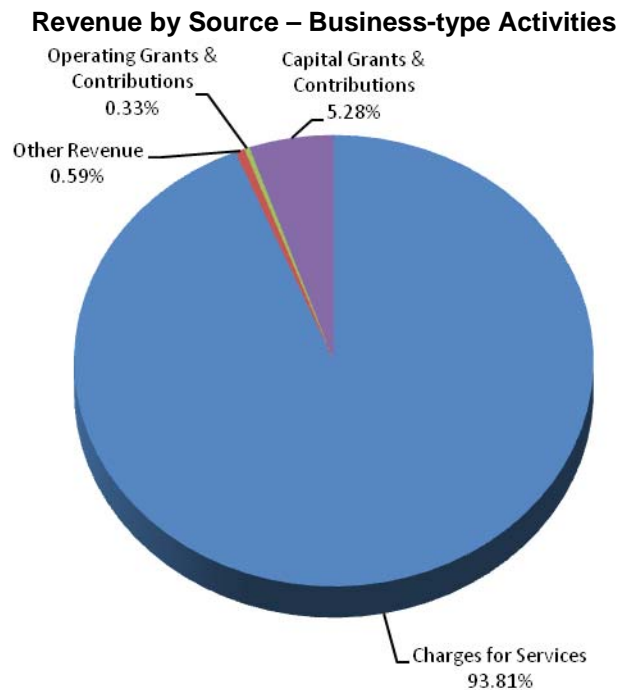
Business-type activities increased the City's net position by \$653,321 accounting for -23.24% of the total decrease in the City's net position. Key elements in this increase are as follows:

The Water fund had an operating income of \$181,556, however nonoperating revenues and expenses totaled \$558,872 resulting in a loss of \$377,316 before capital contributions and transfers. After capital contributions and transfers, the net position decreased by \$405,394. The net position at the end of the fiscal year in the Water fund totaled \$19,456,031.

The Sanitation fund net position increased by \$200,723 due to ongoing sustained charges for services which exceed the operating expenses of the fund. The net position at the end of the fiscal year in the Sanitation fund totaled \$952,758.

The Golf Course fund net position increased by \$1,546,232 due to a large transfer from the General Fund which eliminated the outstanding advance to the Golf Course fund. The net position at the end of the fiscal year in the Golf Course fund was \$361,435.

The Airport fund received state and federal grants of \$179,562 during the fiscal year. These funds were used for several capital improvement projects that included drainage rehabilitation and hangar construction. The operating loss for the Airport which includes depreciation totaled \$668,844. This loss combined with a total nonoperating expense of \$398,874 ultimately resulted in a decrease in the net position of \$688,240 after capital contributions and transfers in were factored in. The net position at the end of the fiscal year in the Airport fund totaled \$17,891,030.



Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular,

unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,688,256, a decrease of \$2,146,763 (55.98%) in comparison to the prior year. This total includes a nonspendable fund balance of \$292,927, a restricted fund balance of \$702,624, a committed fund balance of \$33,128 and an unassigned fund balance of \$659,577 which is available for spending at the government's discretion.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$1,369,573, a decrease of \$2,063,447 (60.11%) from the prior year. This was due to a substantial transfer from the General Fund to the Golf Course Fund which substantially decreased the amount of nonspendable fund balance. Another contributor to the decrease was the creation of the Better Place Plan Fund which reduced the amount of restricted fund balance within the General Fund since there was a large transfer from the General Fund to the Better Place Plan Fund when the fund was created.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes decreased by \$557,696 from the prior year primarily due to the creation of the Better Place Plan Fund which realized \$733,349 in taxes that were included in the taxes of the General Fund in prior years. If the taxes from the Better Place Plan Fund had been included in the General Fund, the increase in taxes from the prior year would have been \$175,653.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 9.1749 mills and generated \$3,465,626, an increase of \$32,655 from the prior year.

The General Fund had a decrease of \$106,746 in expenditures due to a substantial decrease in general government, transportation, culture and recreation as well as debt service expenditures which was partially offset by a large increase in public safety expenditures.

Unassigned fund balance in the General Fund increased by \$13,037 from the prior year.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$468,979, an increase of \$105,085 from the prior year. This increase was caused by an excess of tax revenues over economic environment expenditures.

The Better Place Plan fund balance did not have a beginning balance since it was created at the beginning of the fiscal year. It ended the fiscal year with a negative balance of \$188,428 due to an excess of expenditures over revenues including the transfer from the General Fund to establish the Better Place Plan Fund. There was a deferred inflow of \$914,437 which more than offsets the negative fund balance.

Other Governmental Funds fund balance was \$38,132, an increase of \$27 (0.07%) from the prior year. This was due to a slight amount of interest revenue.

Proprietary Funds

Proprietary funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis is financed through user charges. The City operates four proprietary enterprise funds: the Water Revenue Fund, Municipal Golf Course Fund, Sanitation Fund, and Airport Fund.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. As of September 30, 2014, total proprietary fund net position amounted to \$38,661,254.

Water Revenue Fund

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Operating revenue increased by \$315,055 or 7.62% from the prior year while expenses increased slightly by a total of \$8,615. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to \$831,189.

Sanitation Fund

There was an increase in operating revenue of \$100,225 or 6.53% from the prior year. Expenses decreased slightly by a total of \$9,967. Unrestricted net position for the sanitation fund totaled \$511,516.

Golf Course Fund

Operating revenues increased slightly by \$22,801 or 3.25% from the prior year. Operating expenses increased slightly by \$20,217 or 2.24%, exceeding operating revenues by \$196,327. Unrestricted net position increased by \$1,473,874 to arrive at a negative unrestricted net position balance of \$41,999 for the year. This large increase in unrestricted net position was due to a substantial transfer of \$1,784,603 from the General Fund. The city has made significant improvements to the condition of the course and as a result we have seen an increase in the amount of play. This has resulted in an increase to the revenues of the Golf Course Fund and will continue to improve into the next fiscal year as well.

Airport Fund

Operating revenue decreased by \$115,758 from the prior year due to a substantial decrease in sales of 100 low lead fuel. Unrestricted net position increased by \$59,392 from the prior year. This resulted in a continued negative unrestricted net position balance of \$120,403 at fiscal year end.

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

General Fund Budgetary Highlights

The general fund budget was amended during the fiscal year by \$(362,024) (including transfers) which is a decrease of 3.57% over the original projections. This decrease was primarily attributed to an adjustment to the telecommunication service tax revenue line as well as the ad valorem taxes line to transfer a portion of taxes to the Downtown Redevelopment Fund. The variance between original and final budget amounts for the year is composed of the following:

- A decrease in ad valorem taxes of \$196,047;
- A decrease in telecommunication service taxes of \$99,273;
- Removal of a USDA grant for two fire trucks in the amount of \$76,000;
- An increase to the refunds and reimbursements line of \$4,968;
- A contribution for a new canine police officer of \$9,225.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$394,245 less than budgeted.

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

- General government actual expenditures were \$122,503 less than final budget primarily due to savings in the information technology department.
- Public safety actual expenditures were \$567,497 less than final budget primarily due to the amount of red light camera tickets not meeting original estimates which resulted in reimbursements to the State of Florida being substantially below the budgeted amount.
- Additionally, \$94,624 reserved for contingencies was unspent.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Improvements	\$3,329,027	\$6,746,180	\$4,245,409	\$10,129,294	\$7,574,436	\$16,875,474
Buildings and Improvements	\$3,271,818	\$3,465,080	\$16,840,105	\$12,056,154	\$20,111,923	\$15,521,234
Infrastructure	\$2,862,105	\$3,265,652	\$0	\$0	\$2,862,105	\$3,265,652
Equipment	\$1,924,502	\$1,414,787	\$2,220,414	\$1,897,358	\$4,144,916	\$3,312,145
Intangibles	\$158,192	\$170,500	\$0	\$0	\$158,192	\$170,500
Water/Sewer Distribution System	\$0	\$0	\$5,510,711	\$5,656,695	\$5,510,711	\$5,656,695
Plant Assets and Equipment	\$0	\$0	\$21,902,652	\$22,973,043	\$21,902,652	\$22,973,043
Construction in Progress	\$1,915,289	\$600,094	\$191,209	\$2,500	\$2,106,498	\$602,594
	<u>\$13,460,933</u>	<u>\$15,662,293</u>	<u>\$50,910,500</u>	<u>\$52,715,044</u>	<u>\$64,371,433</u>	<u>\$68,377,337</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, 2014, the governmental capital assets of the City amounted to \$13,460,933, net of depreciation. This was a decrease of \$2,201,360 over the prior year. Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at fair value at the date of contribution.

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, (net of accumulated depreciation) amounts to \$64,371,433. This investment in capital assets includes land, buildings, infrastructure, improvements, furniture, equipment, water and sewer distribution system and construction in progress. The total decrease in the City's net investment in capital assets was \$4,005,904.

Major capital asset events during the fiscal year were in the Better Place Plan Fund which is under the governmental activities section. The city received various grants and private contributions that paid for project costs at the City's riverfront as well as storm water improvements. The capital asset expenditures of approximately \$1.3 million were for the following:

- Boat ramp and parking improvements.
- Storm water and drainage improvements at two different locations.
- Refurbishment of two riverboats.
- Construction of an environmental center near the riverfront.

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

Long-Term Debt

At September 30, 2014, the City had \$2,725,262 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$7,105,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$284,458 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,511,826 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$1,253,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem taxes; \$458,000 Airport Hangar Revenue notes and a \$750,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes and a \$397,875 capital lease payable from the net revenues of the Golf Course Fund.

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

At the end of the current fiscal year, the City had total debt outstanding of \$16,622,452. Of this amount, \$478,098 comprises debt backed by the full faith and credit of the City, \$1,166,039 capital leases, \$137,031 water/sewer agreements with other agencies and the remainder represents bonds and notes secured solely by specified revenue sources (i.e., revenue bonds).

**City of Palatka
Long-Term Debt Obligations**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue Bonds	\$1,479,000	\$1,890,000	\$7,105,000	\$7,074,630	\$8,584,000	\$8,964,630
Notes Payable	478,098	534,226	6,257,284	6,734,477	6,735,382	7,268,703
Capital Lease Obligations	768,164	315,228	397,875	177,382	1,166,039	492,610
Water/Sewer Agreements	0	0	137,031	137,031	137,031	137,031
Total	\$2,725,262	\$2,739,454	\$13,897,190	\$14,123,520	\$16,622,452	\$16,862,974

The City's total long-term debt decreased \$240,522 from the prior year, while the long-term liability for compensated absences increased by \$48,682.

Governmental Activities:

- The City received proceeds of \$520,700 from a capital lease for the purchase of police department vehicles.
- The City made the following principal payments during the year: revenue bonds - \$411,000; notes payable - \$56,128; and capital lease - \$67,764.
- Governmental obligations for compensated absences increased by 10.08% or \$39,000.

Business-type activities:

- The City received proceeds of \$257,100 from a capital lease for a sanitation truck.
- The following principal payments were made during the year: revenue bonds - \$155,000, notes payable - \$477,193; and capital lease - \$36,607.
- Compensated absences increased by 5.37% or \$9,682.

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

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

Economic Factors and Next Year's Budgets and Rates

The development of the FY 2014-15 budget document was challenging and difficult and resulted in the budgeting of approximately \$280,000 of unassigned fund balance to balance the budget. City staff is hopeful that as the fiscal year progresses, the actual revenues realized will exceed the budgeted amounts and actual expenses will be held below budget in order to minimize the use of fund balance. Our approach included holding three (3) budget development workshops in which the Commissioners and staff worked together to discuss and understand all of the factors and building blocks which impact (positively and negatively) the development of our municipal budget. These building blocks include the City's taxable value, stability and enhancement of the budget revenue sources, employee salary and benefit costs, and the operational costs required to continue to provide public services to our residents. The workshops also produced candid and in depth discussions on the ongoing costs of maintaining current service and program levels, costs to retain quality public employees, and exploring various new revenue opportunities and sources. These fruitful discussions and

debates ultimately produced consensus among the Commissioners in order to assist in the construction of the proposed budget.

The FY 2014-15 Budget continues to evaluate, review and implement bold strategic measures to ensure the continued delivery of excellent public services and increase the financial solvency of the organization. These measures include:

- Developing and implementing a comprehensive annexation policy;
- Increasing user fees and charges to completely cover the cost of services received;
- Developing and implementing a fire service fee special assessment;
- Comprehensive review and competitive bidding of all goods and services purchased to lower overall cost;
- Developing an urban service boundary to extend municipal utility systems to gain new customers and lower operating costs, in cooperation with Putnam County;
- Actively pursuing economic development and redevelopment within and near the City;
- Actively pursuing and obtaining grant funding for capital improvement projects.
- Sale of surplus equipment and materials
- Cultivating non-traditional partnerships to provide quality public services
- Actively promote all forms of tourism in our community

The City also has been implementing decisive cost cutting and revenue enhancing activities at the Palatka Municipal Golf Club and the Palatka Municipal Airport in order to move these community assets toward financial solvency. In the event that these measures do not prove to be successful, the City may consider more drastic actions including the lease, sale, or other measure for these assets.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Palatka Gas Authority
Assets				
Cash and equivalents	\$ 1,593,181	\$ 1,041,057	\$ 2,634,238	\$ 50,574
Investments	-	-	-	1,113,682
Accounts receivable	31,060	689,130	720,190	81,791
Internal balances	292,927	(292,927)	-	-
Due from other governments	1,128,071	311,121	1,439,192	-
Inventory	-	205,500	205,500	75,950
Prepays	-	-	-	4,003
Restricted cash and equivalents	-	88,894	88,894	-
Restricted investments	-	478,562	478,562	-
Capital assets:				
Non-depreciable	5,244,316	4,436,618	9,680,934	211,543
Depreciable, net	8,216,617	46,473,882	54,690,499	5,060,475
Total assets	16,506,172	53,431,837	69,938,009	6,598,018
Liabilities				
Accounts payable and accrued liabilities	422,908	130,157	553,065	84,930
Deposits	4,123	474,940	479,063	250,925
Unearned revenue	-	11,708	11,708	-
Noncurrent liabilities:				
Due within one year	485,753	763,871	1,249,624	-
Due in more than one year	2,792,787	13,389,907	16,182,694	8,577
Total liabilities	3,705,571	14,770,583	18,476,154	344,432
Net position				
Net investment in capital assets	10,735,671	37,150,342	47,886,013	5,272,018
Restricted for:				
Downtown redevelopment	468,979	-	468,979	-
Housing and community development	38,132	-	38,132	-
Capital projects	-	8,095	8,095	-
Bond reserve	-	322,514	322,514	-
Unrestricted	1,557,819	1,180,303	2,738,122	981,568
Total net position	\$ 12,800,601	\$ 38,661,254	\$ 51,461,855	\$ 6,253,586

See accompanying notes.

City of Palatka, Florida
Statement of Activities
Year ended September 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Palatka Gas Authority
Primary government								
Governmental activities:								
General government	\$ 507,929	\$ 115,895	\$ -	\$ -	\$ (392,034)	\$ -	\$ (392,034)	\$ -
Public safety	6,117,513	1,106,771	307,895	-	(4,702,847)	-	(4,702,847)	-
Physical environment	415,967	-	-	311,975	(103,992)	-	(103,992)	-
Transportation	573,372	51,654	528,798	-	7,080	-	7,080	-
Economic environment	280,156	-	3,000	733,349	456,193	-	456,193	-
Human services	174,967	136,137	-	-	(38,830)	-	(38,830)	-
Culture and recreation	1,288,402	22,273	7,465	729,596	(529,068)	-	(529,068)	-
Interest on long-term debt	67,579	-	-	-	(67,579)	-	(67,579)	-
Total governmental activities	9,425,885	1,432,730	847,158	1,774,920	(5,371,077)	-	(5,371,077)	-
Business-type activities:								
Water	4,826,439	4,443,050	-	232,922	-	(150,467)	(150,467)	-
Sanitation	1,387,863	1,633,906	25,000	-	-	271,043	271,043	-
Golf course	977,653	720,410	1,500	14,328	-	(241,415)	(241,415)	-
Airport	1,868,470	787,233	-	179,562	-	(901,675)	(901,675)	-
Total business-type activities	9,060,425	7,584,599	26,500	426,812	-	(1,022,514)	(1,022,514)	-
Total primary government	\$ 18,486,310	\$ 9,017,329	\$ 873,658	\$ 2,201,732	(5,371,077)	(1,022,514)	(6,393,591)	-
Component unit								
Palatka gas authority	\$ 2,078,964	\$ 1,853,033	\$ 50,000	\$ -	-	-	-	(175,931)
General revenues								
Property taxes					3,465,626	-	3,465,626	-
Sales tax and intergovernmental unrestricted shared revenues					786,686	-	786,686	-
Franchise taxes					810,331	-	810,331	-
Utility taxes					998,935	-	998,935	-
Communications service tax					125,758	-	125,758	-
Investment earnings					2,530	190	2,720	7,327
Contribution from component unit					300,000	-	300,000	-
Miscellaneous					123,286	47,126	170,412	3,134
Special items								
Loss on sale of land					(3,078,218)	-	-	-
Transfers					(1,628,519)	1,628,519	-	-
Total general revenues, special items, and transfers					1,906,415	1,675,835	3,582,250	10,461
Change in net position					(3,464,662)	653,321	(2,811,341)	(165,470)
Net position – beginning of year, as restated					16,265,263	38,007,933	54,273,196	6,419,056
Net position – end of year					\$ 12,800,601	\$ 38,661,254	\$ 51,461,855	\$ 6,253,586

See accompanying notes.

City of Palatka, Florida

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Assets					
Cash and equivalents	\$ 939,480	\$ 468,959	\$ 146,610	\$ 38,132	\$ 1,593,181
Accounts receivable	26,989	-	4,071	-	31,060
Due from other funds	385,936	-	-	-	385,936
Due from other governments	28,391	20,515	1,079,165	-	1,128,071
Advances to other funds	292,927	-	-	-	292,927
Total assets	\$ 1,673,723	\$ 489,474	\$ 1,229,846	\$ 38,132	\$ 3,431,175
Liabilities					
Accounts payable and accrued liabilities	\$ 300,027	\$ 4,980	\$ 117,901	\$ -	\$ 422,908
Due to other funds	-	-	385,936	-	385,936
Deposits	4,123	-	-	-	4,123
Total liabilities	304,150	4,980	503,837	-	812,967
Deferred inflow of resources					
Unavailable revenue	-	15,515	914,437	-	929,952
Fund balances					
Nonspendable	292,927	-	-	-	292,927
Restricted	195,513	468,979	-	38,132	702,624
Committed	33,128	-	-	-	33,128
Unassigned	848,005	-	(188,428)	-	659,577
Total fund balances	1,369,573	468,979	(188,428)	38,132	1,688,256
Total liabilities, deferred inflows of resources and fund balances	\$ 1,673,723	\$ 489,474	\$ 1,229,846	\$ 38,132	\$ 3,431,175

See accompanying notes.

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2014

Fund balances – total governmental funds	\$	1,688,256
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		13,460,933
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(1,957,098)
Capital leases		(768,164)
Compensated absences		(426,000)
Net OPEB obligation		(127,278)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.		
Unavailable revenue		929,952
<hr/>		
Net position of governmental activities	\$	12,800,601

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2014

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Revenues					
Taxes	\$ 4,907,847	\$ 386,220	\$ 733,349	\$ -	\$ 6,027,416
Permits, fees and special assessments	961,392	-	-	-	961,392
Intergovernmental	950,847	-	47,977	-	998,824
Charges for services	276,570	-	-	-	276,570
Fines and forfeitures	838,313	-	-	-	838,313
Miscellaneous	556,403	15,421	63,642	27	635,493
Total revenues	8,491,372	401,641	844,968	27	9,738,008
Expenditures					
Current:					
General government	1,113,203	-	70,801	-	1,184,004
Public safety	6,634,859	-	-	-	6,634,859
Physical environment	-	-	415,967	-	415,967
Transportation	550,065	-	3,039	-	553,104
Economic environment	-	280,156	-	-	280,156
Human services	164,899	-	-	-	164,899
Culture and recreation	292,405	-	961,037	-	1,253,442
Debt service:					
Principal retirement	67,764	-	467,128	-	534,892
Interest and fiscal charges	4,714	-	62,865	-	67,579
Total expenditures	8,827,909	280,156	1,980,837	-	11,088,902
Excess of revenues over (under) expenditures	(336,537)	121,485	(1,135,869)	27	(1,350,894)
Other financing sources (uses)					
Transfers in	371,400	-	936,796	-	1,308,196
Transfers out	(2,619,010)	(165,350)	(152,355)	-	(2,936,715)
Capital lease	520,700	-	-	-	520,700
Total other financing sources (uses)	(1,726,910)	(165,350)	784,441	-	(1,107,819)
Special items					
Proceeds from sale of land	-	148,950	163,000	-	311,950
Net change in fund balances	(2,063,447)	105,085	(188,428)	27	(2,146,763)
Fund balances – beginning of year	3,433,020	363,894	-	38,105	3,835,019
Fund balances – end of year	\$ 1,369,573	\$ 468,979	\$ (188,428)	\$ 38,132	\$ 1,688,256

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, 2014

Net change in fund balances – total governmental funds \$ (2,146,763)

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

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

Acquisitions of capital assets	2,137,099
Current year depreciation expense	(907,513)

In the statement of activities, only the gain or loss on the disposal of capital assets is reported. However in the governmental funds, proceeds from sales of capital assets are reported as revenues.

Loss on disposal of tangible capital assets	(40,778)
Loss on disposal of land	(3,078,218)
Proceeds from sale of land	(311,950)

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

Capital lease	(520,700)
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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	534,892
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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	(39,000)
Net OPEB obligation	(21,683)

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

Change in unavailable revenue	929,952
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Change in net position of governmental activities **\$ (3,464,662)**

See accompanying notes.

City of Palatka, Florida
Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 667,714	\$ 368,552	\$ 1,697	\$ 3,094	\$ 1,041,057
Restricted cash and equivalents	52,076	-	14,275	14,448	80,799
Accounts receivable	493,547	170,120	16,390	9,073	689,130
Due from other governments	134,921	-	14,328	161,872	311,121
Inventory	143,494	-	36,291	25,715	205,500
Total current assets	1,491,752	538,672	82,981	214,202	2,327,607
Noncurrent assets					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	478,562	-	-	-	478,562
Advance to other funds	20,505	80,970	-	-	101,475
Capital assets, net	29,195,701	698,342	1,797,204	19,219,253	50,910,500
Total noncurrent assets	29,702,863	779,312	1,797,204	19,219,253	51,498,632
Total assets	31,194,615	1,317,984	1,880,185	19,433,455	53,826,239
Current liabilities					
Accounts payable and accrued liabilities	66,033	42,087	11,793	10,244	130,157
Deposits	454,818	-	-	20,122	474,940
Unearned revenue	-	-	11,708	-	11,708
Current portion of long-term liabilities	432,251	38,479	154,839	138,302	763,871
Total current liabilities	953,102	80,566	178,340	168,668	1,380,676
Noncurrent liabilities					
Net OPEB obligation	44,402	18,660	-	3,697	66,759
Advances from other funds	-	-	101,475	292,927	394,402
Other long-term liabilities	10,741,080	266,000	1,238,935	1,077,133	13,323,148
Total noncurrent liabilities	10,785,482	284,660	1,340,410	1,373,757	13,784,309
Total liabilities	11,738,584	365,226	1,518,750	1,542,425	15,164,985
Net position					
Net investment in capital assets	18,294,417	441,242	403,430	18,011,253	37,150,342
Restricted for capital projects	8,095	-	-	-	8,095
Restricted for bond reserve	322,330	-	4	180	322,514
Unrestricted	831,189	511,516	(41,999)	(120,403)	1,180,303
Total net position	\$ 19,456,031	\$ 952,758	\$ 361,435	\$ 17,891,030	\$ 38,661,254

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2014

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 4,443,050	\$ 1,633,906	\$ 720,410	\$ 787,233	\$ 7,584,599
Other operating revenues	5,305	1,830	4,544	4,415	16,094
Total operating revenues	4,448,355	1,635,736	724,954	791,648	7,600,693
Operating expenses					
Personal services	1,822,172	714,558	7,500	150,545	2,694,775
Operating expenses	1,330,928	610,750	839,359	613,182	3,394,219
Depreciation	1,113,699	62,555	74,422	696,765	1,947,441
Total operating expenses	4,266,799	1,387,863	921,281	1,460,492	8,036,435
Operating income (loss)	181,556	247,873	(196,327)	(668,844)	(435,742)
Nonoperating revenues (expenses)					
Investment earnings	190	-	-	-	190
Noncapital grant	-	25,000	-	-	25,000
Interest expense	(421,220)	-	(56,372)	(39,490)	(517,082)
Sale of surplus property	578	22,850	-	9,104	32,532
Loss on disposal of assets	(138,420)	-	-	(368,488)	(506,908)
Total nonoperating revenues (expenses)	(558,872)	47,850	(56,372)	(398,874)	(966,268)
Income (loss) before capital contributions and transfers	(377,316)	295,723	(252,699)	(1,067,718)	(1,402,010)
Capital contributions	232,922	-	14,328	179,562	426,812
Transfers in	-	-	1,784,603	199,916	1,984,519
Transfers out	(261,000)	(95,000)	-	-	(356,000)
Change in net position	(405,394)	200,723	1,546,232	(688,240)	653,321
Net position – beginning of year (as restated)	19,861,425	752,035	(1,184,797)	18,579,270	38,007,933
Net position – end of year	\$ 19,456,031	\$ 952,758	\$ 361,435	\$ 17,891,030	\$ 38,661,254

See accompanying notes.

City of Palatka, Florida

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2014

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 4,488,827	\$ 1,618,955	\$ 711,634	\$ 717,100	\$ 7,536,516
Payments to suppliers	(1,404,247)	(627,565)	(2,298,896)	(596,227)	(4,926,935)
Payments to employees	(1,803,235)	(702,645)	(7,500)	(153,268)	(2,666,648)
Net cash provided (used) by operating activities	1,281,345	288,745	(1,594,762)	(32,395)	(57,067)
Noncapital financing activities					
Transfers in	-	-	1,784,603	199,916	1,984,519
Transfers out	(261,000)	(95,000)	-	-	(356,000)
Noncapital grants	-	25,000	-	-	25,000
Net cash provided (used) by noncapital financing activities	(261,000)	(70,000)	1,784,603	199,916	1,653,519
Capital and related financing activities					
Debt issued	-	257,100	-	-	257,100
Capital contributions	232,922	-	14,328	179,562	426,812
Acquisitions of capital assets	(200,003)	(261,090)	(14,168)	(174,541)	(649,802)
Sale of surplus property	578	22,850	-	9,104	32,532
Principal paid on debt	(393,193)	-	(132,607)	(143,000)	(668,800)
Interest paid on debt	(421,220)	-	(56,372)	(39,490)	(517,082)
Net cash provided (used) by capital and related financing activities	(780,916)	18,860	(188,819)	(168,365)	(1,119,240)
Investing activities					
Interest received	190	-	-	-	190
Purchase of investments	(158)	-	-	-	(158)
Net cash provided by investing activities	32	-	-	-	32
Change in cash and equivalents	239,461	237,605	1,022	(844)	477,244
Cash and equivalents – beginning of year	488,424	130,947	14,950	18,386	652,707
Cash and equivalents – end of year	\$ 727,885	\$ 368,552	\$ 15,972	\$ 17,542	\$ 1,129,951

See accompanying notes.

City of Palatka, Florida

Statement of Cash Flows
 Proprietary Funds
 Year ended September 30, 2014

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ 181,556	\$ 247,873	\$ (196,327)	\$ (668,844)	\$ (435,742)
Depreciation	1,113,699	62,555	74,422	696,765	1,947,441
Change in:					
Accounts receivable	(84,045)	(16,781)	(1,015)	(2,404)	(104,245)
Due from other governments	42,217	-	(14,328)	(71,364)	(43,475)
Inventory	(12,524)	-	(157)	19,728	7,047
Accounts payable and accrued liabilities	(56,685)	(13,917)	(3,263)	(2,547)	(76,412)
Due to other funds	-	-	-	-	-
Advance from other funds	-	-	(1,456,116)	-	(1,456,116)
Compensated absences	7,536	5,837	-	(3,696)	9,677
Net OPEB obligation	7,290	3,178	-	748	11,216
Unearned revenue	-	-	2,022	-	2,022
Customer deposits	82,301	-	-	(781)	81,520
Net cash provided (used) by operating activities	\$ 1,281,345	\$ 288,745	\$ (1,594,762)	\$ (32,395)	\$ (57,067)

Noncash capital and related financing activities:

Asset acquired via capital lease	\$ -	\$ 257,100	\$ -	\$ -	\$ 257,100
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(Concluded)

See accompanying notes.

Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2014

Assets

Investments:

Money market and other cash equivalents	\$ 393,031
Government bonds and notes	1,999,442
Corporate bonds and notes	4,270,865
Mutual funds - equities	28,567,886
Mutual funds (REIT)	414,740

Total investments	35,645,964
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Accounts receivable	129,047
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Total assets	35,775,011
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Liabilities	28,733
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Net position

Restricted for pension benefits	\$ 35,746,278
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See accompanying notes.

Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year ended September 30, 2014

Additions	
Contributions	
Employer	\$ 1,305,889
Member	309,951
State on behalf, through general fund	146,469
Total contributions	1,762,309
Investment income	
Net appreciation in fair value of investments	2,188,051
Interest	148,563
Dividends	968,215
	3,304,829
Less investment management fee	153,882
Net investment income	3,150,947
Total additions	4,913,256
Deductions	
Member benefits	2,430,951
Withdrawals	55,392
Administrative expense	65,157
Total deductions	2,551,500
Change in net position	2,361,756
Net position restricted for pension benefits, beginning of year	33,384,522
Net position restricted for pension benefits, end of year	\$ 35,746,278

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Blended Component Unit

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

Discretely Presented Component Unit

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Palatka Gas Authority
518 Main Street
Palatka, Florida 32177

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 2013-2014 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*.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City has one nonmajor governmental fund.

Additionally, the City reports the following fiduciary funds:

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

Measurement Focus and Basis of Accounting

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$170,798 allowance. Accounts receivable of the Gas Authority are net of a \$41,408 allowance.

Investments

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

Inventories

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

Long-Term Receivables

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

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

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2014.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, 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

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.

Deferred Inflows

Deferred inflows represent the acquisition of resources that are applicable to future reporting periods.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City has no net position restricted by enabling legislation.

Fund Balance

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

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

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.

City of Palatka, Florida
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in 2015. The statements address:

- Accounting and financial reporting for pensions; and
- Mergers, acquisitions and transfers of operations

The City is currently evaluating the effects that these statements will have on its 2015 financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Unit
<u>Statement of net position:</u>		
Cash and equivalents	\$ 2,634,238	\$ 50,574
Investments	-	1,113,682
Restricted cash and equivalents	88,894	-
Restricted investments	478,562	-
<u>Statement of fiduciary net position:</u>		
Investments	35,645,964	-
Total deposits and investments	\$ 38,847,658	\$ 1,164,256

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

	Primary Government	Component Unit
Deposits with financial institutions, including certificates of deposit	\$ 2,723,132	\$ 1,164,256
Investments - other than pension	478,562	-
Investments - pension	35,645,964	-
Total deposits and investments	\$ 38,847,658	\$ 1,164,256

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:

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The City's investments at September 30, 2014 are summarized in the following table:

		Maturities		
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 393,031	\$ 393,031	\$ -	\$ -
Government bonds and notes	1,999,442	1,252,742	32,991	713,709
Corporate bonds and notes	4,270,865	2,853,144	1,109,654	308,067
Mutual funds (equities)	12,959,323	12,959,323	-	-
Mutual funds (REIT)	414,740	414,740	-	-
Mutual funds (ETF Equities)	10,087,083	10,087,083	-	-
Mutual funds (taxable-equity)	5,521,480	5,521,480	-	-
Common stock	-	-	-	-
Total pension investments	35,645,964	33,481,543	1,142,645	1,021,776
Other investments:				
Government bonds and notes	478,562	-	-	-
Total	\$ 36,124,526	\$ 33,481,543	\$ 1,142,645	\$ 1,021,776

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

Corporate Bonds and Notes		Government Bonds and Notes	
AAA	1%	AAA	69%
A1	31%	-	-
A2	18%	-	-
A3	25%	-	-
BAA1	9%	-	-
BAA2	16%	-	-
Not rated	-	Not rated	31%
	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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2014, interfund balances are as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General fund	\$ 678,863	\$ -
Major capital projects funds:		
Better place plan fund	-	385,936
Major enterprise funds:		
Water	20,505	-
Sanitation	80,970	-
Golf course	-	101,475
Airport	-	292,927
Total	\$ 780,338	\$ 780,338

As summarized below, the interfund balances arose because three funds had overdrawn their share of the City’s pooled cash account. All of the interfund balances, other than the amount due from the Better Place Plan Fund, are “advances,” which are not expected to be repaid within one year.

City of Palatka, Florida
Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

	Cash and Equivalents As Reported	Adjustment for Overdraft	True Balance
General fund	\$ 939,480	\$ 678,863	\$ 1,618,343
Major capital projects funds:			
Better place plan fund	146,610	(385,936)	(239,326)
Major enterprise fund:			
Water	727,885	20,505	748,390
Sanitation	368,552	80,970	449,522
Golf course	15,972	(101,475)	(85,503)
Airport	17,542	(292,927)	(275,385)
Total	\$ 2,216,041	\$ -	\$ 2,216,041

Interfund transfers for the year ended September 30, 2014 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 371,400	\$ 2,619,010
Downtown redevelopment agency fund	-	165,350
Better place plan fund	936,796	152,355
Major enterprise funds:		
Water	-	261,000
Sanitation	-	95,000
Golf course	1,784,603	-
Airport	199,916	-
Total	\$ 3,292,715	\$ 3,292,715

The interfund transfers were made in the normal course of operations and are consistent with the activities of the fund making the transfer, with the exception of transfers from the General fund received by both the Better Place Plan fund and the Golf fund. \$787,846 was transferred from the General fund to separate activities now accounted for in the Better Place Plan fund. \$1,631,248 was transferred to the Golf fund for forgiveness of prior period advances from the General fund.

City of Palatka, Florida
Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2014, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 6,746,180	\$ -	\$ 3,417,153	\$ 3,329,027
Construction in progress	600,094	1,321,641	6,446	1,915,289
Total capital assets not being depreciated	7,346,274	1,321,641	3,423,599	5,244,316
Capital assets being depreciated:				
Buildings and improvements	6,910,245	68,474	8,633	6,970,086
Infrastructure	10,067,543	-	38,695	10,028,848
Furniture and equipment	3,699,531	773,156	435,705	4,036,982
Intangibles	234,827	12,523	-	247,350
Total capital assets being depreciated	20,912,146	854,153	483,033	21,283,266
Less accumulated depreciation for:				
Buildings and improvements	3,445,165	257,680	4,577	3,698,268
Infrastructure	6,801,891	364,852	-	7,166,743
Furniture and equipment	2,284,744	260,150	432,414	2,112,480
Intangibles	64,327	24,831	-	89,158
Total accumulated depreciation	12,596,127	907,513	436,991	13,066,649
Total capital assets being depreciated, net	8,316,019	(53,360)	46,042	8,216,617
Governmental activities capital assets, net	\$ 15,662,293	\$ 1,268,281	\$ 3,469,641	\$ 13,460,933

City of Palatka, Florida
Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 10,129,294	\$ -	\$ 5,883,885	\$ 4,245,409
Construction in progress	2,500	188,709	-	191,209
Total capital assets not being depreciated	10,131,794	188,709	5,883,885	4,436,618
Capital assets being depreciated:				
Buildings and improvements	21,377,880	5,883,885	4,326,869	22,934,896
Furniture and equipment	4,037,252	303,992	354,169	3,987,075
Water and sewer distribution system	9,827,457	-	-	9,827,457
Plant assets and equipment	34,744,575	171,271	335,746	34,580,100
Total capital assets being depreciated	69,987,164	6,359,148	5,016,784	71,329,528
Less accumulated depreciation for:				
Building and improvements	9,321,726	736,265	3,963,200	6,094,791
Furniture and equipment	2,139,894	88,926	462,159	1,766,661
Water and sewer distribution system	4,170,762	216,334	70,350	4,316,746
Plant assets and equipment	11,771,532	905,916	-	12,677,448
Total accumulated depreciation	27,403,914	1,947,441	4,495,709	24,855,646
Total capital assets being depreciated, net	42,583,250	4,411,707	521,075	46,473,882
Business-type activities capital assets, net	\$ 52,715,044	\$ 4,600,416	\$ 6,404,960	\$ 50,910,500

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

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

Governmental activities:	
General government	\$ 604,841
Public safety	234,286
Transportation	20,865
Human services	7,199
Culture and recreation	40,322
<hr/>	
Total depreciation expense - governmental activities	<u>\$ 907,513</u>
Business-type activities:	
Water and sewer	\$ 1,113,699
Sanitation	62,555
Golf course	696,765
Airport	74,422
<hr/>	
Total depreciation expense - business-type activities	<u>\$ 1,947,441</u>

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2014 follows:

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
<hr/>				
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
<hr/>				
Capital assets being depreciated:				
Buildings and improvements	1,413,600	2,527	-	1,416,127
Furniture and equipment	718,248	120,008	39,494	798,762
Plant assets and equipment	4,931,101	858,518	191,917	5,597,702
Total capital assets being depreciated	<u>7,062,949</u>	<u>981,053</u>	<u>231,411</u>	<u>7,812,591</u>
<hr/>				
Less accumulated depreciation for:				
Buildings and improvements	215,966	35,393	-	251,359
Furniture and equipment	428,984	59,903	39,494	449,393
Plant assets and equipment	2,134,341	108,940	191,917	2,051,364
Total accumulated depreciation	<u>2,779,291</u>	<u>204,236</u>	<u>231,411</u>	<u>2,752,116</u>
<hr/>				
Total capital assets being depreciated, net	4,283,658	776,817	-	5,060,475
<hr/>				
Gas Authority capital assets, net	<u>\$4,495,201</u>	<u>\$ 776,817</u>	<u>\$ -</u>	<u>\$ 5,272,018</u>

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS

Long-term debt is described below:

Governmental Activities

\$850,000 Fire truck loan, payable in quarterly installments through 10/1/2021, plus interest at 3.85%, revenue source - non-ad valorem revenues. \$ 478,098

\$1,890,000 Infrastructure Surtax Revenue Bonds, amended Series 2008, payable in annual installments ranging from \$124,000 to 141,000 through April 2020, plus interest at 2.35%, payable semiannually, secured by the One-Cent Infrastructure Surtax and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,582,929. During the current year, the City recognized infrastructure surtax revenues of \$733,349 and made \$454,096 principal and interest payments. 1,479,000

Total \$ 1,957,098

Business-Type Activities

\$7,665,000 Florida Municipal Loan Council Revenue Bonds, Series 2010A; payable in varying installments through October 1, 2040, bearing interest from 2.0% to 4.625%, secured by a pledge of Half-Cent Sales Tax Revenues, Public Service Tax Revenues, and Communications Service Tax Revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$12,284,469. During the current year, the City recognized pledged revenues of \$1,499,861, and made \$467,663 principal and interest payments. \$ 7,105,000

\$714,914 Water Reuse System State Revolving Loan; interest rate of 1.34%. Repayment began in September 2005 in 30 semiannual payments. Secured by a pledge of the net revenues of the water and sewer system after satisfaction of senior obligations. The approximate amount of the pledge is equal to the remaining principal and interest of \$295,931. During the current year, the City recognized net revenues of \$1,292,838, and made \$53,822 principal and interest payments. 284,458

\$4,268,622 Drinking Water State Revolving Fund Loan, plus capitalized interest of \$15,953, payable in semiannual installments of \$142,476, including interest at 2.61%, through January 2029, from net revenues of the water and sewer system. The proceeds were used to repay the portion of interim loan for construction of the drinking water treatment/distribution project, that was not covered by a DEP grant. The approximate amount of the pledge is equal to the remaining principal and interest of \$4,260,892. During the current year, the City recognized net revenues of \$1,292,838, and paid principal and interest payments in the amount of \$284,953. 3,511,826

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$539,900. During the current year, the City recognized net revenues of \$37,025 and made \$71,714 principal and interest payments.

458,000

\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$841,889. During the current year, the City recognized net revenues of \$37,025 and made \$110,776 principal and interest payments.

750,000

\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,520,899. During the current year, the City had net revenues of \$(121,905) and made \$152,372 principal and interest payments.

1,253,000

Total

\$ 13,362,284

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 320,320	\$ 50,794	\$ 652,812	\$ 492,093
2016	329,576	42,333	661,599	473,175
2017	337,983	33,570	680,530	452,615
2018	346,424	24,008	694,608	430,655
2019	348,988	15,484	724,807	408,017
2020-2024	273,807	9,344	3,390,380	1,682,938
2025-2029	-	-	2,572,548	1,208,545
2030-2034	-	-	1,565,000	814,678
2035-2039	-	-	1,970,000	378,788
2040	-	-	450,000	41,163
Totals	\$ 1,957,098	\$ 175,533	\$ 13,362,284	\$ 6,382,667

Governmental Activities

	Balance October 1, 2013			Balance September 30, 2014		Due Within One Year
		Additions	Deductions			
Revenue bonds and notes	\$ 2,424,226	\$ -	\$ 467,128	\$ 1,957,098	\$ 320,320	
Capital leases	315,228	520,700	67,764	768,164	66,433	
Compensated absences	387,000	262,000	223,000	426,000	99,000	
Net OPEB obligation	105,595	21,683	-	127,278	-	
Total	\$ 3,232,049	\$ 804,383	\$ 757,892	\$ 3,278,540	\$ 485,753	

Capital Leases

The City has a \$26,009, 8.9% capital lease for computer equipment due in monthly installments of \$826, a \$300,000, 1.68% for police vehicles due in monthly installments of \$5,304 and a \$520,700, 1.62% for police vehicles due in semi-annual installments of approximately \$54,000. All three leases are payable from the General Fund and reported in governmental activities.

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

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Additionally, the City has a \$257,100, 1.62% capital lease for a sanitation truck due in semi-annual payments of approximately \$20,000. The lease is payable from the Sanitation Fund and is reported in business-type activities.

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

Year Ending September 30,	Governmental Activities	Business-type Activities
2015	\$ 180,472	\$ 71,118
2016	172,110	81,950
2017	172,149	77,022
2018	166,728	71,056
2019	108,502	40,768
2020-2024	-	81,523
Less: amount representing interest	(31,797)	(25,562)
Present value of net minimum lease payments	\$ 768,164	\$ 397,875

Business-type Activities

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
Florida Municipal Loan Council revenue					
bonds series 2010A	\$ 7,260,000	\$ -	\$ 155,000	\$ 7,105,000	\$ 155,000
Drinking water state revolving fund loan	3,700,506	-	188,680	3,511,826	194,634
Water reuse loan	333,971	-	49,513	284,458	50,178
Golf revenue note series 2013A	1,349,000	-	96,000	1,253,000	117,000
Airport revenue note series 2013B	511,000	-	53,000	458,000	52,000
Airport revenue note series 2013C	840,000	-	90,000	750,000	84,000
Total revenue bonds and notes	13,994,477	-	632,193	13,362,284	652,812
Capital lease	177,382	257,100	36,607	397,875	62,839
County water/sewer agreement	125,738	-	-	125,738	-
SJRWMD water/sewer agreement	11,293	-	-	11,293	-
Compensated absences	180,147	125,982	116,300	189,829	48,220
Net OPEB obligation	55,543	11,216	-	66,759	-
Total	\$ 14,544,580	\$ 394,298	\$ 785,100	\$ 14,153,778	\$ 763,871

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

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.

NOTE 6 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES

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

	Business-type Activities
<hr/>	
Restricted assets:	
Cash and equivalents	\$ 88,894
Investments	478,562
<hr/>	
Total	567,456
<hr/>	
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	56,738
Interest	180,109
<hr/>	
Total	236,847
<hr/>	
Restricted net position	\$ 330,609
<hr/> <hr/>	

City of Palatka, Florida
Notes to Financial Statements

NOTE 6 – RESTRICTED NET POSITION – BUSINESS-TYPE ACTIVITIES (CONTINUED)

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

Capital projects	\$ 8,095
Bond reserve	322,514
<hr/>	
Total	\$ 330,609

NOTE 7 – FUND BALANCE CLASSIFICATIONS

	General Fund	Downtown Redevelopment Agency Fund	Better Place Plan Fund	Other Governmental Fund	Total Governmental Funds
Nonspendable:					
Advances	\$ 292,927	\$ -	\$ -	\$ -	\$ 292,927
<hr/>					
Restricted for:					
Special needs recreation	5,000	-	-	-	5,000
Law enforcement	57,790	-	-	-	57,790
Fire safety education	24,142	-	-	-	24,142
Fire protection	5,841	-	-	-	5,841
Cemetery improvements	102,740	-	-	-	102,740
Downtown redevelopment	-	468,979	-	-	468,979
Housing and community development	-	-	-	38,132	38,132
Total restricted	195,513	468,979	-	38,132	702,624
<hr/>					
Committed for:					
Law enforcement	6,058	-	-	-	6,058
Demolition and lot cleanup	27,070	-	-	-	27,070
Total committed	33,128	-	-	-	33,128
Unassigned	848,005	-	(188,428)	-	659,577
Total fund balances	\$1,369,573	\$ 468,979	\$(188,428)	\$ 38,132	\$ 1,688,256

NOTE 8 – PENSION PLANS***Defined Benefit Plan***

Plan Description. The City sponsors a single-employer public employee retirement system (the “System”) administered by the City of Palatka, Pension Boards of Trustees. The General Pension Board consists of five members, including the City Manager, two City Commission appointees, one member elected by a majority of the other covered General employees, and one citizen having financial experience appointed by the City Commission. The Police Officer Pension Board and Firefighters Pension Board each consist of two City Commission appointees, two members of the Plan elected by a majority of the other covered members and a fifth member elected by the other four board trustees and appointed by the City Commission. The System administers the City Employees Retirement Plan (the “Plan”) which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2014 the City recognized \$66,189 and \$80,280 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. General members who will attain age 50 on or before September 30, 2014 shall be allowed to retire at age 50 with 7 years of service. Police officer members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, 3) age 52 and 25 years of credited service, or 4) 30 years of credited service, regardless of age. Firefighter members are eligible at the earlier of: 1) age 50 and 7 years of credited service, 2) age 55 and 10 years of credited service, or 3) 25 years of credited service, regardless of age. The Plan also provides for disability, retirement, termination and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer and firefighter members, annual benefits for the plan year beginning October 1, 2012, 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 0.61% 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, 2012. 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

City of Palatka, Florida
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

all members is 25% of final average compensation. A member who terminates with less than 7 years' service may withdraw his or her member contributions.

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

Current membership in the Plan as of September 30, 2014 is as follows:

	General	Police Officers	Fire Fighters	Total
Inactive plan members or beneficiaries				
currently receiving benefits	97	19	12	128
Inactive plan members entitled to but				
not yet receiving benefits	10	8	2	20
Active plan members	88	32	20	140
Total	195	59	34	288

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.

Investment Policy. The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset class	General	Police Officers & Firefighters
	Target Allocation	Target Allocation
Domestic equity	27%	32%
International equity	15%	15%
Bonds	34%	25%
High yields bonds	5%	5%
Convertibles	8%	8%
REITS	5%	5%
MLPs	5%	5%
Cash	1%	5%
Total	100%	100%

Concentrations. As of September 30, 2014, the Plans did not hold investments in any one organization that represents 5% or more of the Plans' fiduciary net position.

Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Rate of Return. For the year ended September 30, 2014 the annual money-weighted rate of return on General, Police Officers and Firefighters Pension Plans investments, net of pension plan investment expense was 9.51%, 9.66%, and 9.69%, 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 DROP participants may choose actual net rate of return as reported by the Fund's monitor each September 30 or a fixed 6.5% per annum compounded monthly. Effective year ending September 30, 2008 the rate of return was limited to 0% for general members in DROP. Rate of return for police officer DROP participants is the rate reported by the Fund's monitor each September 30. 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, 2014 was \$501,092, \$20,017 and \$619,869, respectively, for general, police officer and firefighters.

Net Pension Liability. The components of the net pension liability for the plans at September 30, 2014 were as follows:

	General	Police Officers	Firefighters
Total pension liability	\$ 21,608,977	\$ 10,239,856	\$ 8,907,156
Plan fiduciary net position	(18,151,051)	(10,217,860)	(7,377,367)
Net pension liability	\$ 3,457,926	\$ 21,996	\$ 1,529,789

Plan fiduciary net position as a percentage of the total pension li	84.00%	99.79%	82.83%
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Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2013, updated to September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality Rates	RP-2000 Table	RP-2000 Table	RP-2000 Table
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NOTE 8 – PENSION PLANS (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in all three pension plans' target asset allocations as of September, 30 2014 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.80%
International equity	2.20%
Bonds	3.70%
High yields bonds	5.20%
Convertibles	5.30%
REITS	8.20%
MLPs	12.70%
Cash	1.20%

Discount Rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the 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.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

Net Pension Liability	Current Discount		
	1% Decrease 7.00%	Rate 8.00%	1% Increase 9.00%
General	\$ 5,715,679	\$ 3,457,926	\$ 1,549,157
Police officers'	1,245,008	21,996	(998,244)
Firefighters'	2,471,286	1,529,789	743,457

City of Palatka, Florida
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Funded Status and Funding Progress. The funded status of each plan as of the most recent valuation date, October 1, 2013 was as follows:

	Actuarial Value of Assets (000's)	Actuarial Accrued Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As a Percent of Covered Payroll
General plan	\$ 16,500	\$ 21,365	\$ 4,865	77%	\$ 2,959	164%
Police officers' plan	9,090	9,757	668	93%	1,485	45%
Firefighters' plan	6,451	8,543	2,092	76%	778	269%

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

	General	Police Officers	Firefighters
Contribution rates:			
City	27.0%	19.4%	49.8%
Plan members	6.0%	6.0%	6.0%
Annual pension cost	\$ 778,233	\$ 291,403	\$ 390,581
Contributions made	\$ 778,233	\$ 291,403	\$ 390,581
Actuarial valuation date	10/1/2012	10/1/2012	10/1/2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level % of payroll- closed	Level % of payroll- closed	Level % of payroll- closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	4 year average	4 year average	4 year average

City of Palatka, Florida
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Three Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General	9/30/2014	\$ 778,233	100%	\$ -
	9/30/2013	789,508	100%	-
	9/30/2012	630,970	100%	-
Police Officers	9/30/2014	\$ 291,403	100%	\$ -
	9/30/2013	302,296	100%	-
	9/30/2012	300,169	100%	-
Firefighters	9/30/2014	\$ 390,581	100%	\$ -
	9/30/2013	335,316	100%	-
	9/30/2012	263,494	100%	-

Combining Statement of Fiduciary Net Position

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 67,874	\$ 147,689	\$ 177,468	\$ 393,031
Government bonds and notes	-	1,209,281	790,161	1,999,442
Corporate bonds and notes	-	2,487,632	1,783,233	4,270,865
Mutual funds - equities	18,013,246	6,112,915	4,441,725	28,567,886
Mutual funds (REIT)	-	242,428	172,312	414,740
Total investments	18,081,120	10,199,945	7,364,899	35,645,964
Receivables	74,377	24,647	30,023	129,047
 Total assets	 18,155,497	 10,224,592	 7,394,922	 35,775,011
 Liabilities	 4,446	 6,732	 17,555	 28,733
 Net position:				
Restricted for pension benefits	\$ 18,151,051	\$ 10,217,860	\$ 7,377,367	\$ 35,746,278

City of Palatka, Florida
Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Combining Statement of Changes in Fiduciary Net Position

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Additions:				
Contributions:				
Employer	\$ 774,136	\$ 221,593	\$ 310,160	\$ 1,305,889
Member	172,782	90,128	47,041	309,951
State on behalf, through general fund	-	66,189	80,280	146,469
Total contributions	946,918	377,910	437,481	1,762,309
Investment income:				
Net appreciation in fair value of investments	926,256	735,269	526,526	2,188,051
Interest	-	96,531	52,032	148,563
Dividends	724,135	129,492	114,588	968,215
	1,650,391	961,292	693,146	3,304,829
Less investment management fee	49,786	60,012	44,084	153,882
Net investment income	1,600,605	901,280	649,062	3,150,947
Total additions	2,547,523	1,279,190	1,086,543	4,913,256
Deductions:				
Member benefits	1,533,991	438,050	458,910	2,430,951
Withdrawals	5,830	49,562	-	55,392
Administrative expense	30,698	19,558	14,901	65,157
Total deductions	1,570,519	507,170	473,811	2,551,500
Change in net position	977,004	772,020	612,732	2,361,756
Net position restricted for pension benefits, beginning of year	17,174,047	9,445,840	6,764,635	33,384,522
Net position restricted for pension benefits, end of year	\$18,151,051	\$ 10,217,860	\$7,377,367	\$35,746,278

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.

City of Palatka, Florida
Notes to Financial Statements

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan).

The City's health care plan includes certain health care benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach normal retirement age while working for the City. The premiums for the retirees are deducted from their pension account, and are entirely paid by those participants. The City pays no portion of the premiums attributable to the retirees, but does contribute any remaining amount necessary for payment of claims. In future years, contributions are assumed to increase at the same rate as premiums.

The OPEB Plan does not issue a stand-alone financial report.

At September 30, 2014, participants consisted of:

Active employees	138
Retirees participants	16
Covered spouses	7
Total	161

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 01, 2013 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2014. The City's annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 61,739
Interest on net OPEB obligation	6,446
Adjustments to ARC	(6,828)
Annual OPEB cost (expense)	61,357
Contributions made	(28,458)
Increase in net OPEB obligation	32,899
Net OPEB obligation - beginning of year	161,138
Net OPEB obligation - end of year	\$ 194,037

City of Palatka, Florida
Notes to Financial Statements

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2014	\$61,357	\$28,458	46.4%	\$ 194,037
September 30, 2013	47,165	24,486	51.9%	161,138
September 30, 2012	54,997	20,043	36.4%	138,459

Funded Status

The funded status of the OPEB Plan as of September 30, 2014 was as follows:

Actuarial Accrued Liability (AAL) Entry Age	Actuarial Value of Plan Assets	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
\$ 533,953	\$ -	\$533,953	0.0%	\$4,956,792	10.8%

Funding Policy

Funding for the OPEB Plan is from the City's general resources. The General Fund has been used in prior years to liquidate the net OPEB. There is no separate trust through which benefits for retirees are funded. No resources are currently accumulated or earmarked for this purpose.

Actuarial Methods and Assumptions

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

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

The following actuarial methods and assumptions were used:

Actuarial cost method	Entry age normal
Amortization method	Level % of payroll-closed
Amortization period	30 Years
Remaining amortization period	27 Years
Asset valuation method	Unfunded
Actuarial assumptions:	
Funding interest rate	4%
Payroll growth/inflation	3%
Healthcare inflation	7.5%; grading down to 4.5% in 2019

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – DEFICIT BALANCE

At September 30, 2014, the Better Place Plan Fund had a deficit fund balance of \$188,428. The deficit balance resulted from certain costs claimable as grant reimbursements, but not yet claimed. The claims are expected to be made and collected in the 2015 fiscal year.

City of Palatka, Florida
Notes to Financial Statements

NOTE 12 – COMMITMENTS

The City leases some of its police vehicles and golf carts under operating leases. Lease payments for the year ended September 30, 2014 were \$196,603. Future lease payments are as follows:

	Governmental Activities	Business-type Activities
2015	\$ 38,851	\$ 28,538
Total	\$ 38,851	\$ 28,538

NOTE 13 – CONTINGENCIES

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

NOTE 14 – RESTATEMENT

Effective October 1, 2013, the City restated certain beginning balances in order to implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effects of these restatements are summarized below.

	Business-type Activities	Water Fund
Net position, September 30, 2013 as previously reported	\$ 38,193,303	\$ 20,046,795
Bond issuance cost restatement	(185,370)	(185,370)
Net position, October 1, 2013, as restated	\$ 38,007,933	\$ 19,861,425

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,090,425	\$ 4,795,107	\$ 4,907,847	\$ 112,740
Permits, fees & special assessments	917,262	917,262	961,392	44,130
Intergovernmental	1,059,498	982,836	950,847	(31,989)
Charges for services	307,839	307,839	276,570	(31,269)
Fines and forfeitures	1,353,236	1,353,236	838,313	(514,923)
Miscellaneous	515,344	529,537	556,403	26,866
Total revenues	9,243,604	8,885,817	8,491,372	(394,445)
Expenditures				
Current:				
General government	1,239,403	1,235,706	1,113,203	122,503
Public safety	7,381,726	7,202,356	6,634,859	567,497
Transportation	512,663	512,662	550,065	(37,403)
Human services	121,779	121,779	164,899	(43,120)
Culture and recreation	282,409	319,702	292,405	27,297
Reserve for contingencies	275,721	94,624	-	94,624
Debt service:				
Principal retirement	68,824	68,824	67,764	1,060
Interest and fiscal charges	4,729	4,729	4,714	15
Total expenditures	9,887,254	9,560,382	8,827,909	732,473
Excess of revenues over (under) expenditures	(643,650)	(674,565)	(336,537)	338,028
Other financing sources (uses)				
Transfers in	370,000	370,000	371,400	1,400
Transfers out	(196,047)	(2,619,011)	(2,619,010)	1
Capital lease	524,937	520,700	520,700	-
Total other financing sources (uses)	698,890	(1,728,311)	(1,726,910)	1,401
Net change in fund balances	55,240	(2,402,876)	(2,063,447)	339,429
Fund balances – beginning of year	1,291,714	3,241,846	3,433,020	191,174
Fund balances – end of year	\$ 1,346,954	\$ 838,970	\$ 1,369,573	\$ 530,603

See accompanying notes.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund
Year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 379,307	\$ 379,307	\$ 386,220	\$ 6,913
Intergovernmental	25,000	20,000	-	(20,000)
Miscellaneous	-	-	15,421	15,421
Total revenues	404,307	399,307	401,641	2,334
Expenditures				
Economic environment	659,293	714,929	280,156	434,773
Reserve for contingencies	29,048	26,872	-	26,872
Total expenditures	688,341	741,801	280,156	461,645
Excess of revenues over (under) expenditures	(284,034)	(342,494)	121,485	463,979
Other financing uses				
Transfers out	(16,400)	(166,400)	(165,350)	1,050
Special items				
Proceeds from sale of land	-	150,000	148,950	(1,050)
Net change in fund balances	(300,434)	(358,894)	105,085	463,979
Fund balances – beginning of year	300,434	358,894	363,894	5,000
Fund balances – end of year	\$ -	\$ -	\$ 468,979	\$ 468,979

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, 2014

	2014	2013
Total pension liability		
Service cost	\$ 352,477	\$ 326,368
Interest	1,657,695	1,638,624
Change in excess state money	-	-
Share plan allocation	-	-
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Change of assumptions	-	-
Contributions-buy back	-	-
Benefit payments, including refunds of employee contributions	(1,539,820)	(1,965,592)
Net change in total pension liability	470,352	(600)
Total pension liability-beginning	21,138,625	21,139,225
Total pension liability-ending (a)	\$ 21,608,977	\$ 21,138,625
Plan fiduciary net position		
Contributions		
Employer	\$ 774,136	\$ 790,325
State	-	-
Employee	172,782	177,921
Buy back	-	-
Net investment income	1,600,605	1,741,522
Benefit payments including refunds of employee contributions	(1,539,821)	(1,965,591)
Administrative expense	(30,698)	(21,905)
Other	-	-
Net change in plan fiduciary net position	977,004	722,272
Plan fiduciary net position-beginning	17,174,047	16,451,775
Plan fiduciary net position-ending (b)	\$ 18,151,051	\$ 17,174,047
Net pension liability-ending (a)-(b)	\$ 3,457,926	\$ 3,964,578
Plan fiduciary net position as a percentage of the total pension liability	84.00%	81.24%
Covered employee payroll	\$ 2,879,693	\$ 2,965,343
Net pension liability as a percentage of covered employee payroll	120.08%	133.70%

Note to Schedule

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

Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers Pension Plan
September 30, 2014

	2014	2013
Total pension liability		
Service cost	\$ 285,022	\$ 263,909
Interest	776,568	733,062
Change in excess state money	-	-
Share plan allocation	-	-
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Change of assumptions	-	-
Contributions-buy back	-	-
Benefit payments, including refunds of employee contributions	(487,612)	(460,915)
Net change in total pension liability	573,978	536,056
Total pension liability-beginning	9,665,878	9,129,822
Total pension liability-ending (a)	\$ 10,239,856	\$ 9,665,878
Plan fiduciary net position		
Contributions		
Employer	\$ 221,593	\$ 240,401
State	66,189	59,256
Employee	90,128	88,479
Buy back	-	-
Net investment income	901,280	1,042,891
Benefit payments including refunds of employee contributions	(487,612)	(460,916)
Administrative expense	(19,558)	(18,312)
Other	-	-
Net change in plan fiduciary net position	772,020	951,799
Plan fiduciary net position-beginning	9,445,840	8,494,041
Plan fiduciary net position-ending (b)	\$ 10,217,860	\$ 9,445,840
Net pension liability-ending (a)-(b)	\$ 21,996	\$ 220,038
Plan fiduciary net position as a percentage of the total pension liability	99.79%	97.72%
Covered employee payroll	\$ 1,502,132	\$ 1,474,649
Net pension liability as a percentage of covered employee payroll	1.46%	14.92%

Note to Schedule

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

Schedule of Changes in Net Pension Liability and Related Ratios
Firefighters Pension Plan
September 30, 2014

	2014	2013
Total pension liability		
Service cost	\$ 168,142	\$ 155,687
Interest	676,786	648,419
Change in excess state money	-	-
Share plan allocation	-	-
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Change of assumptions	-	-
Contributions-buy back	-	-
Benefit payments, including refunds of employee contributions	(458,910)	(465,041)
Net change in total pension liability	386,018	339,065
Total pension liability-beginning	8,521,138	8,182,073
Total pension liability-ending (a)	\$ 8,907,156	\$ 8,521,138
Plan fiduciary net position		
Contributions		
Employer	\$ 310,160	\$ 252,906
State	80,280	78,504
Employee	47,041	44,711
Buy back	-	-
Net investment income	649,062	757,642
Benefit payments including refunds of employee contributions	(458,910)	(465,042)
Administrative expense	(14,901)	(15,407)
Other	-	-
Net change in plan fiduciary net position	612,732	653,314
Plan fiduciary net position-beginning	6,764,635	6,111,321
Plan fiduciary net position-ending (b)	\$ 7,377,367	\$ 6,764,635
Net pension liability-ending (a)-(b)	\$ 1,529,789	\$ 1,756,503
Plan fiduciary net position as a percentage of the total pension liability	82.83%	79.39%
Covered employee payroll	\$ 784,020	\$ 745,184
Net pension liability as a percentage of covered employee payroll	195.12%	235.71%

Note to Schedule

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

Schedule of Employer Contributions
General Pension Plan
September 30, 2014

	2014	2013
Actuarially determined contribution	\$ 777,517	\$ 788,781
Contributions in relation to the actuarially determined contributions	777,517	788,781
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 2,879,693	\$ 2,965,343
Contributions as a percentage of covered employee payroll	27.00%	26.60%

Note to Schedule

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

Methods and assumption used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	30 years (as of 10/01/2012)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.50%
Interest rate:	8.00%
Payroll growth:	None, for purposes of amortizing the unfunded actuarial liability
Retirement age:	Earlier of: 1) age 55 with 7 years of credited service; or 2) 30 years of service, regardless of age, or age 50 with 7 years service if age 50 is attained on or before September 30, 2014.
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 75% of disablements and active members deaths are service related.
Mortality:	RP-2000 Table

Age	Percent Terminating during the year	Percent becoming disabled during the year
20	34.40%	0.07%
30	30.00%	0.11%
40	16.40%	0.19%
50	3.40%	0.51%

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

Schedule of Employer Contributions
Police Officers Pension Plan
September 30, 2014

	2014	2013
Actuarially determined contribution	\$ 291,414	\$ 302,303
Contributions in relation to the actuarially determined contributions	291,414	302,303
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,502,132	\$ 1,474,649
Contributions as a percentage of covered employee payroll	19.40%	20.50%

Note to Schedule

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

Methods and assumption used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	30 years (as of 10/01/2012)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.50%
Interest rate:	8.00%
Payroll growth:	Up to 3.0% annually (3.0% for 10/1/12 valuation).
Retirement age:	Earlier of: 1) age 50 with 7 years of credited service, 2) age 55 with 10 years of credited service, 3) age 52 with 25 years of service, or 4) 30 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Termination rates:	See following table.
Disability rates:	See following table.
Mortality:	RP-2000 Table

Age	Percent	
	Terminating during the year	Percent becoming disabled during the year
20	17.20%	0.07%
30	15.00%	0.11%
40	8.20%	0.19%
50	1.70%	0.51%

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

Schedule of Employer Contributions
 Firefighters Pension Plan
 September 30, 2014

	2014	2013
Actuarially determined contribution	\$ 390,441	\$ 335,333
Contributions in relation to the actuarially determined contributions	390,441	335,333
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 784,020	\$ 745,184
Contributions as a percentage of covered employee payroll	49.80%	45.00%

Note to Schedule

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

Methods and assumption used to determine contribution rates:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll, closed
Remaining amortization period:	30 years (as of 10/01/2012)
Actuarial asset method:	4 year average
Inflation:	3.00%
Salary increases:	5.00%
Interest rate:	8.00%
Payroll growth:	Up to 5.0% annually (1.1% for the 10/1/12 valuation).
Retirement age:	Earlier of: 1) age 50 with 7 years of credited service, 2) age 55 with 10 years of credited service, or 3) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Termination rates:	See following table.
Disability rates:	See following table. It is assumed that 75% of disablements and active members deaths are service related.
Mortality:	RP-2000 Table

Age	Percent	
	Terminating during the year	Percent becoming disabled during the year
20	6.00%	0.07%
30	5.00%	0.11%
40	2.60%	0.19%
50	0.80%	0.51%

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

City of Palatka, Florida
Schedules of Investment Returns
Pension Plans
September 30, 2014

General Plan	2014	2013
Annual money-weighted rate of return, net of investment expense	9.51%	10.92%
Police Officers' Plan	2014	2013
Annual money-weighted rate of return, net of investment expense	9.66%	12.34%
Firefighters' Plan	2014	2013
Annual money-weighted rate of return, net of investment expense	9.69%	12.50%

Note to Schedule

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

Other Postemployment Benefits Plan
Year ended September 30, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
10/1/2013	\$ -	\$ 533,953	\$ 533,953	0.0%	\$ 4,956,792	10.8%
10/1/2012	-	433,544	433,544	0.0%	5,109,582	8.5%
10/1/2010	-	454,493	483,795	0.0%	5,354,492	8.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2014	\$ 61,357	46.4%
9/30/2013	47,165	51.9%
9/30/2012	54,997	36.4%

Notes:

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

Supplementary Information

NON-MAJOR GOVERNMENTAL FUND

SPECIAL REVENUE FUND

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

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

MAJOR GOVERNMENTAL CAPITAL PROJECTS FUND

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

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual – Community Development Block Grant Fund
 Year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 750,000	\$ -	\$ -	\$ -
Miscellaneous	6	6	27	21
Total revenues	750,006	6	27	21
Expenditures				
Current:				
Reserve for contingencies	-	38,113	-	38,113
Excess of revenues over (under) expenditures	750,006	(38,107)	27	38,134
Other financing sources (uses)				
Transfers out	(788,113)	-	-	-
Net change in fund balances	(38,107)	(38,107)	27	38,134
Fund balances – beginning of year	38,107	38,107	38,105	(2)
Fund balances – end of year	\$ -	\$ -	\$ 38,132	\$ 38,132

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual – Better Place Plan Fund
 Year ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 695,762	\$ 695,762	\$ 733,349	\$ 37,587
Intergovernmental	1,851,077	1,958,078	47,977	(1,910,101)
Miscellaneous	781,962	781,962	63,642	(718,320)
Total revenues	3,328,801	3,435,802	844,968	(2,590,834)
Expenditures				
Current:				
General government	285,004	78,004	70,801	7,203
Physical environment	611,217	761,803	415,967	345,836
Transportation	5,720	5,720	3,039	2,681
Culture and recreation	2,388,971	2,815,946	961,037	1,854,909
Reserve for contingencies	69,178	189,463	-	189,463
Debt service:				
Principal retirement	302,048	465,048	467,128	(2,080)
Interest and fiscal charges	64,806	64,806	62,865	1,941
Total expenditures	3,726,944	4,380,790	1,980,837	2,399,953
Excess of revenues over (under) expenditures	(398,143)	(944,988)	(1,135,869)	(190,881)
Other financing sources (uses)				
Transfers in	-	934,343	936,796	2,453
Transfers out	(152,355)	(152,355)	(152,355)	-
Total other financing sources (uses)	(152,355)	781,988	784,441	2,453
Special items				
Proceeds from sale of land	-	163,000	163,000	-
Net change in fund balances	(550,498)	-	(188,428)	(188,428)
Fund balances – beginning of year	550,498	-	-	-
Fund balances – end of year	\$ -	\$ -	\$ (188,428)	\$ (188,428)

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	59
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	63
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	67
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	72
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	74
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

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

Table 1
City of Palatka, Florida

Net Position by Component - Last Ten Fiscal Years

	Fiscal Years Ending September 30 -----									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Activities										
Net Investment in Capital Assets	\$5,387,086	\$5,506,649	\$10,466,693	\$10,614,552	\$11,281,907	\$11,915,772	\$12,545,081	\$13,191,795	\$13,138,987	\$10,735,671
Restricted	\$416,950	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999	\$507,111
Unrestricted	<u>\$1,460,887</u>	<u>\$1,496,520</u>	<u>\$1,328,481</u>	<u>\$1,693,797</u>	<u>\$1,303,783</u>	<u>\$1,301,177</u>	<u>\$1,968,903</u>	<u>\$2,029,287</u>	<u>\$2,724,277</u>	<u>\$1,557,819</u>
Total Governmental Activities Net Position	<u>\$7,264,923</u>	<u>\$7,602,006</u>	<u>\$12,837,915</u>	<u>\$13,745,608</u>	<u>\$14,178,626</u>	<u>\$14,345,344</u>	<u>\$15,090,686</u>	<u>\$15,731,558</u>	<u>\$16,265,263</u>	<u>\$12,800,601</u>
Business-Type Activities										
Net Investment in Capital Assets	\$15,725,064	\$17,072,755	\$18,066,125	\$15,276,203	\$23,384,736	\$31,509,858	\$32,510,103	\$38,156,884	\$38,728,555	\$37,150,342
Restricted	\$830,601	\$779,907	\$773,851	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972	\$328,594	\$330,609
Unrestricted	<u>\$655,193</u>	<u>-\$17,020</u>	<u>\$802,248</u>	<u>\$8,827,626</u>	<u>\$7,441,249</u>	<u>\$969,128</u>	<u>\$486,050</u>	<u>-\$222,895</u>	<u>-\$863,846</u>	<u>\$1,180,303</u>
Total Business-Type Activities Net Position	<u>\$17,210,858</u>	<u>\$17,835,642</u>	<u>\$19,642,224</u>	<u>\$24,896,537</u>	<u>\$31,636,469</u>	<u>\$32,998,190</u>	<u>\$33,382,940</u>	<u>\$38,261,961</u>	<u>\$38,193,303</u>	<u>\$38,661,254</u>
Primary Government										
Net Investment in Capital Assets	\$21,112,150	\$22,579,404	\$28,532,818	\$25,890,755	\$34,666,643	\$43,425,630	\$45,055,184	\$51,348,679	\$51,867,542	\$47,886,013
Restricted	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448	\$730,593	\$837,720
Unrestricted	<u>\$2,116,080</u>	<u>\$1,479,500</u>	<u>\$2,130,729</u>	<u>\$10,521,423</u>	<u>\$8,745,032</u>	<u>\$2,270,305</u>	<u>\$2,454,953</u>	<u>\$1,806,392</u>	<u>\$1,860,431</u>	<u>\$2,738,122</u>
Total Primary Government Net Position	<u>\$24,475,781</u>	<u>\$25,437,648</u>	<u>\$32,480,139</u>	<u>\$38,642,145</u>	<u>\$45,815,095</u>	<u>\$47,343,534</u>	<u>\$48,473,626</u>	<u>\$53,993,519</u>	<u>\$54,458,566</u>	<u>\$51,461,855</u>

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

	Fiscal Years Ending September 30 --									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$957,828	\$882,002	\$677,251	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179	\$2,192,293	\$507,929
Public Safety	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601	\$6,005,490	\$5,968,153	\$5,611,920	\$5,336,015	\$5,467,142	\$6,117,513
Physical Environment	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-	-	\$415,967
Transportation	\$1,142,443	\$1,382,910	\$1,282,350	\$973,566	\$1,129,653	\$697,212	\$681,907	\$577,407	\$511,114	\$573,372
Economic Environment	\$63,715	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156
Human Services	\$176,399	\$212,165	\$227,525	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327	\$151,906	\$174,967
Culture and Recreation	\$443,796	\$505,841	\$561,238	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572	\$427,004	\$1,288,402
Interest on Long-Term Debt	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904	\$155,598	\$67,579
Total Governmental Activities Expenses	\$7,701,947	\$8,767,035	\$9,573,034	\$9,585,412	\$10,002,275	\$9,885,034	\$9,439,276	\$8,862,700	\$9,090,038	\$9,425,885
Business-type Activities:										
Airport	\$659,324	\$854,457	\$974,382	\$1,127,150	\$1,273,476	\$1,593,744	\$1,627,231	\$1,626,167	\$1,672,638	\$1,868,470
Water	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295	\$4,750,830	\$4,784,639	\$4,688,134	\$4,826,439
Golf	\$803,434	\$933,767	\$1,004,007	\$1,014,105	\$908,883	\$982,862	\$1,017,307	\$1,005,000	\$997,958	\$977,653
Sanitation	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689	\$1,393,713	\$1,347,455	\$1,359,544	\$1,379,559	\$1,397,879	\$1,387,863
Total Business-type Activities Expenses	\$6,405,360	\$6,871,457	\$7,218,931	\$7,957,391	\$8,126,436	\$8,902,356	\$8,754,912	\$8,795,365	\$8,756,609	\$9,060,425
Total Primary Government Expenses	\$14,107,307	\$15,638,492	\$16,791,965	\$17,542,803	\$18,128,711	\$18,787,390	\$18,194,188	\$17,658,065	\$17,846,647	\$18,486,310
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$108,424	\$102,416	\$100,431	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185	\$114,051	\$115,895
Public Safety	\$279,116	\$322,191	\$234,747	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578	\$608,594	\$1,106,771
Other	\$179,865	\$167,965	\$198,985	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434	\$198,826	\$210,064
Operating Grants and Contributions	\$573,201	\$832,506	\$912,670	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019	\$981,676	\$847,158
Capital Grants and Contributions	\$765,763	\$874,390	\$1,463,953	\$1,090,723	\$1,288,072	\$2,016,675	\$1,299,627	\$1,677,074	\$736,090	\$1,774,920
Total Governmental Activities Program Revenue	\$1,906,369	\$2,299,468	\$2,910,786	\$2,329,954	\$3,016,522	\$3,941,134	\$3,302,841	\$3,110,290	\$2,639,237	\$4,054,808
Business-type Activities:										
Charges for Services :										
Airport	\$386,036	\$567,999	\$506,385	\$709,468	\$572,594	\$704,750	\$895,300	\$851,615	\$895,597	\$787,233
Water	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813	\$3,628,361	\$3,780,615	\$3,878,206	\$3,976,734	\$4,122,596	\$4,443,050
Golf	\$711,672	\$762,061	\$751,903	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578	\$701,468	\$720,410
Sanitation	\$1,426,784	\$1,430,572	\$1,518,191	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053	\$1,535,189	\$1,633,906
Operating Grants and Contributions	\$139,118	-	\$7,000	-	-	-	-	-	-	\$26,500
Capital Grants and Contributions	\$981,176	\$1,423,874	\$2,451,986	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111	\$1,521,529	\$426,812
Total Business-type Activities Program Revenue	\$6,779,585	\$7,298,393	\$8,694,853	\$12,881,813	\$14,703,865	\$9,042,261	\$9,165,866	\$13,579,091	\$8,776,379	\$8,037,911
Total Primary Government Program Revenue	\$8,685,954	\$9,597,861	\$11,605,639	\$15,211,767	\$17,720,387	\$12,983,395	\$12,468,707	\$16,689,381	\$11,415,616	\$12,092,719
Net (Expense)/Revenue										
Governmental Activities	(\$5,795,578)	(\$6,467,567)	(\$6,662,248)	(\$7,255,458)	(\$6,985,753)	(\$5,943,900)	(\$6,136,435)	(\$5,752,410)	(\$6,450,801)	(\$5,371,077)
Business-type Activities	\$374,225	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726	\$19,770	(\$1,022,514)
Total Primary Government Net Expense	(\$5,421,353)	(\$6,040,631)	(\$5,186,326)	(\$2,331,036)	(\$408,324)	(\$5,803,995)	(\$5,725,481)	(\$968,684)	(\$6,431,031)	(\$6,393,591)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$2,765,692	\$3,334,384	\$3,805,051	\$3,942,201	\$3,836,383	\$3,774,261	\$3,743,535	\$3,497,854	\$3,432,971	\$3,465,626
Sales Tax and Other State Shared Revenue	\$848,661	\$888,738	\$894,912	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613	\$783,678	\$786,686
Franchise Fees	\$684,678	\$911,188	\$915,447	\$898,638	\$931,985	\$879,660	\$886,166	\$662,190	\$904,958	\$810,331
Other Taxes	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411	\$1,409,048	\$1,189,645	\$1,035,332	\$1,053,895	\$1,124,693
Investment Earnings	\$50,519	\$64,090	\$62,975	\$81,319	\$55,790	\$5,689	\$1,384	\$181	\$220	\$2,530
Contribution from component unit	-	-	-	-	-	-	-	-	-	\$300,000
Miscellaneous	\$54,804	\$79,721	\$85,774	\$50,031	\$31,900	\$60,637	\$149,036	\$83,791	\$595,182	\$123,286
Loss on sale of land	-	-	-	-	-	-	-	-	-	(\$3,078,218)
Transfers	\$135,297	\$22,214	\$142,873	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321	\$213,602	(\$1,628,519)
Total Governmental Activities	\$5,846,770	\$6,804,650	\$7,650,391	\$8,163,151	\$7,418,771	\$6,110,618	\$6,881,777	\$6,393,282	\$6,984,506	\$1,906,415
Business-type Activities:										
Investment Earnings	\$11,071	\$19,859	\$17,786	\$421,634	\$56,140	\$188,945	\$446	\$450	\$255	\$190
Gain on Sale of Assets	-	-	-	-	\$22,174	-	-	-	-	-
Miscellaneous	\$72,754	\$200,203	\$455,747	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166	\$124,919	\$47,126
Transfers	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)	\$803,896	(\$175,000)	(\$352,321)	(\$213,602)	\$1,628,519
Total Business-type Activities	(\$51,472)	\$197,848	\$330,660	\$329,891	\$162,503	\$1,221,816	(\$26,204)	\$95,295	(\$88,428)	\$1,675,835
Total Primary Government	\$5,795,298	\$7,002,498	\$7,981,051	\$8,493,042	\$7,581,274	\$7,332,434	\$6,855,573	\$6,488,577	\$6,896,078	\$3,582,250
Changes in Net Position										
Governmental Activities	\$51,192	\$337,083	\$988,143	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872	\$533,705	(\$3,464,662)
Business-type Activities	\$322,753	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932	\$1,361,721	\$384,750	\$4,879,021	(\$68,658)	\$653,321
Total Primary Government	\$373,945	\$961,867	\$2,794,725	\$6,162,006	\$7,172,950	\$1,528,439	\$1,130,092	\$5,519,893	\$465,047	(\$2,811,341)

Table 3
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund										
Nonspendable	-	-	-	-	-	-	\$867,346	\$1,296,287	\$1,749,044	\$292,927
Restricted	-	-	-	-	-	-	\$511,570	\$483,518	\$826,352	\$195,513
Committed	-	-	-	-	-	-	\$17,246	\$106,948	\$22,656	\$33,128
Assigned	-	-	-	-	-	-	\$107,416	\$0	\$0	\$0
Unassigned	-	-	-	-	-	-	\$858,214	\$608,254	\$834,968	\$848,005
Reserved	\$0	\$0	\$1,269,605	\$0	\$0	\$414,758	-	-	-	-
Unreserved	\$1,785,860	\$1,767,288	\$414,620	\$2,006,861	\$1,682,108	\$1,262,722	-	-	-	-
Total General Fund	<u>\$1,785,860</u>	<u>\$1,767,288</u>	<u>\$1,684,225</u>	<u>\$2,006,861</u>	<u>\$1,682,108</u>	<u>\$1,677,480</u>	<u>\$2,361,792</u>	<u>\$2,495,007</u>	<u>\$3,433,020</u>	<u>\$1,369,573</u>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	\$0	\$0	\$0	\$0
Restricted	-	-	-	-	-	-	\$576,702	\$510,476	\$401,999	\$507,111
Committed	-	-	-	-	-	-	\$0	\$0	\$0	\$0
Assigned	-	-	-	-	-	-	\$0	\$0	\$0	\$0
Unassigned	-	-	-	-	-	-	\$0	\$0	\$0	-\$188,428
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	-	-	-	-
Unreserved, reported in:										
Special Revenue Funds	\$490,642	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	-	-	-	-
Total All Other Governmental Funds	<u>\$490,642</u>	<u>\$681,477</u>	<u>\$1,042,741</u>	<u>\$1,437,259</u>	<u>\$1,592,936</u>	<u>\$1,128,395</u>	<u>\$576,702</u>	<u>\$510,476</u>	<u>\$401,999</u>	<u>\$318,683</u>

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$5,844,778	\$6,939,634	\$7,681,577	\$8,090,897	\$7,445,473	\$7,232,476	\$6,342,763	\$5,871,626	\$5,844,953	\$6,027,416
License and Permits	\$194,268	\$219,316	\$199,194	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887	\$990,001	\$961,392
Intergovernmental	\$1,339,897	\$1,414,018	\$2,052,538	\$1,521,038	\$2,124,532	\$2,914,885	\$2,050,177	\$2,029,005	\$1,185,395	\$998,824
Charges for Services	\$156,139	\$138,910	\$196,549	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738	\$245,095	\$276,570
Fines and Forfeitures	\$146,437	\$151,038	\$75,607	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623	\$427,324	\$838,313
Miscellaneous	\$115,696	\$225,377	\$227,782	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412	\$719,469	\$635,493
Total Revenues	\$7,797,215	\$9,088,293	\$10,433,247	\$10,300,484	\$10,358,872	\$10,855,648	\$10,021,385	\$9,195,291	\$9,412,237	\$9,738,008
Expenditures										
General Government	\$799,618	\$869,487	\$1,022,291	\$3,900,803	\$1,442,668	\$1,608,841	\$1,973,380	\$2,330,934	\$1,651,710	\$1,184,004
Public Safety	\$4,891,385	\$5,571,450	\$7,546,297	\$6,127,251	\$5,875,853	\$5,952,155	\$5,572,424	\$5,192,326	\$5,713,322	\$6,634,859
Physical Environment	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-	-	\$415,967
Transportation	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073	\$486,426	\$553,104
Economic Environment	\$129,128	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981	\$280,156
Human Services	\$226,867	\$217,471	\$257,208	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296	\$142,233	\$164,899
Culture and Recreation	\$454,624	\$571,372	\$708,890	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756	\$449,550	\$1,253,442
Debt Service										
Principal Retirement	\$155,134	\$148,626	\$146,794	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468	\$335,816	\$534,892
Interest and Fiscal Charges	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483	\$155,598	\$67,579
Total Expenditures	\$7,866,158	\$8,938,244	\$11,695,518	\$13,040,042	\$10,654,475	\$10,520,921	\$10,063,766	\$9,506,632	\$9,119,636	\$11,088,902
Excess of Revenues Over (Under) Expenditures	(\$68,943)	\$150,049	(\$1,262,271)	(\$2,739,558)	(\$295,603)	\$334,727	(\$42,381)	(\$311,341)	\$292,601	(\$1,350,894)
Other Financing Sources (Uses)										
Proceeds From Borrowing	-	-	\$1,379,225	\$3,243,802	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-	\$26,009	\$300,000	\$520,700
Transfers In	\$282,766	\$332,837	\$247,957	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468	\$685,099	\$1,308,196
Transfers Out	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)	(\$471,497)	(\$2,936,715)
Debt Issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-	(\$1,866,667)	-
Issuance of refunding bonds	-	-	-	-	-	-	-	-	\$1,890,000	-
Total Other Financing Sources (Uses)	\$135,297	\$22,214	\$1,540,472	\$3,456,712	\$126,527	-\$803,896	\$175,000	\$378,330	\$536,935	(\$1,107,819)
Special items										
Proceeds from sale of land	-	-	-	-	-	-	-	-	-	\$311,950
Total Special items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$311,950
Net Change in Fund Balances	\$66,354	\$172,263	\$278,201	\$717,154	(\$169,076)	(\$469,169)	\$132,619	\$66,989	\$829,536	(\$2,146,763)
Acquisitions of Capital Assets	\$356,524	\$275,970	\$2,459,657	\$3,359,965	\$1,021,747	\$1,051,693	\$1,165,834	\$1,157,811	\$245,613	\$2,137,099
Debt Service as a Percentage of Non-Capital Expenditures	2.43%	1.99%	1.99%	7.06%	6.78%	5.99%	5.68%	5.75%	5.54%	6.73%

Source: Finance Department, audited financial statements

Table 5
CITY OF PALATKA, FLORIDA

TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
September 30, 2014

Fiscal Year	REAL PROPERTY		PERSONAL PROPERTY *		TOTALS			Ratio Total Taxable Value to Estimated Actual Value
	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Taxable Value	Estimated Actual Value	Total Direct Tax Rate	
2004-05	\$245,544,610	\$493,678,930	\$59,022,315	\$88,864,358	\$304,566,925	\$582,543,288	8.0000	52.28%
2005-06	\$268,616,535	\$541,682,448	\$62,032,313	\$89,947,767	\$330,648,848	\$631,630,215	8.0000	52.35%
2006-07	\$320,669,058	\$619,824,299	\$69,748,674	\$95,461,683	\$390,417,732	\$715,285,982	8.6500	54.58%
2007-08	\$353,141,525	\$701,211,013	\$70,909,071	\$96,205,495	\$424,050,596	\$797,416,508	8.6500	53.18%
2008-09	\$362,073,552	\$741,200,986	\$71,887,265	\$95,849,300	\$433,960,817	\$837,050,286	8.5000	51.84%
2009-10	\$349,743,213	\$743,823,588	\$65,330,966	\$95,725,559	\$415,074,179	\$839,549,147	8.6500	49.44%
2010-11	\$350,826,549	\$745,957,201	\$61,172,680	\$93,443,957	\$411,999,229	\$839,401,158	8.6500	49.08%
2011-12	\$331,832,689	\$691,859,577	\$57,098,415	\$89,429,756	\$388,931,104	\$781,289,333	8.6500	49.78%
2012-13	\$309,467,179	\$631,505,080	\$54,838,730	\$86,657,926	\$364,305,909	\$718,163,006	9.1749	50.73%
2013-14	\$318,343,135	\$645,989,098	\$53,586,092	\$96,712,360	\$371,929,227	\$742,701,458	9.1749	50.08%

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

Source: Putnam County Property Appraiser

Table 6
City of Palatka, Florida

Property Tax Levies and Collections
Last Ten Fiscal Years
September 30, 2014

Fiscal Year	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	Percent of <u>Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Collections to Levy</u>
2005	\$2,436,535	\$2,290,702	0.9401	\$14,777	\$2,305,479	0.9462
2006	\$2,645,191	\$2,529,526	0.9563	\$59,668	\$2,589,194	0.9788
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768
2011	\$3,579,471	\$3,466,313	0.9684	\$6,903	\$3,473,216	0.9703
2012	\$3,364,254	\$3,261,185	0.9694	\$9,432	\$3,270,617	0.9722
2013	\$3,345,632	\$3,244,766	0.9699	\$12,660	\$3,257,426	0.9736
2014	\$3,419,455	\$3,262,179	0.9540	\$5,509	\$3,267,687	0.9556

Source: Putnam County Tax Collector

Table 7
City of Palatka

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years
September 30, 2013

Fiscal Year	City of Palatka			Putnam County			Schools				
	Operating Millage	Debt Service	Total City Millage	Operating Millage	Debt Service	Total County Millage	Operating Millage	Debt Service	Total Schools	Other	Total
2005	8.0000	0.0000	8.0000	9.2000	0.0000	9.2000	8.310	0.800	9.110	0.4620	26.772
2006	8.6500	0.0000	8.6500	9.2000	0.0000	9.2000	7.934	0.600	8.534	0.4620	26.846
2007	8.5000	0.0000	8.5000	9.2000	0.0000	9.2000	7.774	0.500	8.274	0.4620	26.436
2008	8.5000	0.0000	8.5000	8.5765	0.0000	8.5765	7.494	0.000	7.494	0.4158	24.986
2009	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.705	0.000	7.705	0.4158	25.347
2010	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.813	0.000	7.813	0.4158	25.455
2011	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.457	0.000	7.457	0.4158	25.099
2012	8.6500	0.0000	8.6500	8.5765	0.0000	8.5765	7.520	0.000	7.520	0.3313	25.078
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439
2014	9.1749	0.0000	9.1749	8.9000	0.0000	8.9000	7.356	0.000	7.356	0.3283	25.759

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

Table 8
City of Palatka, Florida

Principal Taxpayers
Current and Nine Years Ago

<u>Taxpayer</u>	<u>Fiscal Year 2014</u>			<u>Fiscal Year 2005</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Assessed Value</u>
Putnam Community Medical Center	\$16,624,158	1	4.56%	\$18,039,026	1	4.62%
Wal-Mart Inc.	\$12,962,078	2	3.56%	\$13,182,559	2	3.38%
Revenue Properties Town & Country	\$9,473,101	3	2.60%	-	-	-
Florida Power & Light	\$8,005,824	4	2.20%	\$8,065,160	4	2.07%
Home Depot	\$6,574,372	5	1.80%	-	-	-
Lowe's Home Centers	\$6,508,442	6	1.79%	-	-	-
Bellsouth Telecommunications	\$5,182,267	7	1.42%	\$8,853,530	3	2.27%
FWI 5 LLC	\$4,289,754	8	1.18%	\$6,456,260	8	1.65%
Palatka Mall LLC	\$4,269,363	9	1.17%	\$6,242,404	9	1.60%
STAG II Palatka LLC	\$4,009,266	10	1.10%	-	-	-
Total	\$77,898,625		21.38%	\$60,838,939		15.59%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
September 30, 2014

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
2005	\$186,333	\$265,155	\$451,488	0.19%	\$41
2006	\$149,067	\$213,472	\$362,539	0.14%	\$31
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9
2009	\$0	\$37,498	\$37,498	0.01%	\$3
2010	\$0	\$0	\$0	0.00%	\$0
2011	\$0	\$0	\$0	0.00%	\$0
2012	\$0	\$0	\$0	0.00%	\$0
2013	\$0	\$0	\$0	0.00%	\$0
2014	\$0	\$0	\$0	0.00%	\$0

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

Source: Finance Department, audited financial statements

Table 10
City of Palatka, Florida

Computation of Legal Debt Margin
September 30, 2014

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, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Putnam County School District			
SBE 2005-A New Money	\$5,000	11.05%	\$552
SBE 2005-A Refunding	\$100,000	11.05%	\$11,046
SBE 2005-B	\$140,000	11.05%	\$15,465
SBE 2008-A	\$560,000	11.05%	\$61,859
SBE 2009-A Refunding	\$90,000	11.05%	\$9,942
SBE 2011-A Refunding	\$190,000	11.05%	\$20,988
SBE 2014-A Refunding	\$317,000	11.05%	\$35,017
Putnam County Board of County Commissioners			
Suntrust Vehicles	\$62,150	11.05%	\$6,865
Debt repaid with non-ad valorem taxes			
Putnam County Board of County Commissioners			
Communications Improvement	\$617,017	14.92%	\$92,079
MSBU Special Assessments	\$652,164	14.92%	\$97,324
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
Better Place Plan	\$3,755,000	12.56%	\$471,616
Better Place Plan	\$1,570,000	12.56%	\$197,187
<i>Subtotal, overlapping debt</i>			\$1,019,940
City direct debt			<u>\$2,725,262</u>
Total direct and overlapping debt			<u><u>\$3,745,202</u></u>

Source: Putnam County School Board, Putnam County Board of County Commissioners

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

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

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

Table 12
City of Palatka, Florida

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities-----			Business Type Activities-----			Total Primary Government	Percentage of Personal Income(1)	Outstanding Debt Per Capita(1)
	Loans/Notes Payable	Revenue Bonds	Capital Leases	Loans/Notes Payable	Revenue Bonds	Capital Leases			
2005	\$85,079	\$451,488	-	\$883,935	\$6,649,458	\$164,416	\$8,234,376	3.47%	\$742
2006	\$25,402	\$362,539	-	\$1,487,045	\$6,414,918	\$127,900	\$8,417,804	3.34%	\$736
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	8.93%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.36%	\$1,763
2011	\$3,056,396	-	-	\$7,761,469	\$7,346,458	-	\$18,164,323	6.06%	\$1,720
2012	\$2,728,652	-	\$23,285	\$7,138,784	\$7,213,044	\$20,260	\$17,124,025	5.97%	\$1,678
2013	\$2,424,226	-	\$315,228	\$6,734,477	\$7,074,630	\$177,382	\$16,725,943	5.63%	\$1,635
2014	\$1,957,098	-	\$768,164	\$6,257,284	\$7,105,000	\$397,875	\$16,485,421	5.32%	\$1,589

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

Table 13
City of Palatka, Florida

Pledged Revenue Coverage
Last Ten Fiscal Years

Airport Revenue Notes							Water Revenue Bonds and Notes					
Fiscal Year	Airport	Less	Net	Debt Service			Utility	Less	Net	Debt Service		
	Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage		Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest
2005	\$386,028	\$386,746	(\$718)	\$17,369	\$3,503	-3.44%	\$3,216,565	\$2,474,061	\$742,504	\$220,783	\$319,403	137.45%
2006	\$567,999	\$558,239	\$9,760	\$14,375	\$2,691	57.19%	\$3,299,223	\$2,678,856	\$620,367	\$244,495	\$312,594	111.36%
2007	\$506,385	\$637,292	(\$130,907)	\$14,375	\$1,899	-804.39%	\$3,801,745	\$2,806,060	\$995,685	\$320,093	\$301,834	160.10%
2008	\$711,499	\$751,145	(\$39,646)	\$13,551	\$1,257	-267.73%	\$3,714,949	\$2,767,208	\$947,741	\$335,698	\$700,862	91.43%
2009	\$597,590	\$768,310	(\$170,720)	\$148,564	\$104,919	-67.35%	\$3,891,996	\$2,998,960	\$893,036	\$346,314	\$839,404	75.32%
2010	\$730,486	\$866,960	(\$136,474)	\$133,333	\$98,103	-58.97%	\$3,886,540	\$3,024,702	\$861,838	\$18,876,104	\$951,673	4.35%
2011	\$919,491	\$855,822	\$63,669	\$133,333	\$91,056	28.37%	\$3,889,028	\$2,915,779	\$973,249	\$1,349,230	\$482,845	53.12%
2012	\$865,806	\$858,383	\$7,423	\$133,333	\$84,282	3.41%	\$4,018,770	\$2,991,037	\$1,027,733	\$372,266	\$443,637	125.96%
2013	\$907,406	\$856,688	\$50,718	\$1,526,668	\$81,774	3.15%	\$4,133,555	\$3,126,815	\$1,006,740	\$382,662	\$429,950	123.89%
2014	\$800,752	\$763,727	\$37,025	\$143,000	\$39,490	20.29%	\$4,445,938	\$3,153,100	\$1,292,838	\$393,193	\$421,220	158.74%

Golf Revenue Bonds						Infrastructure Surtax Revenue Note				
Fiscal Year	Golf	Less	Net	Debt Service			Sales Surtax	Debt Service		
	Gross Revenues	Operating Expenses	Available Revenue	Principal	Interest	Coverage		Principal	Interest	Coverage
2005	\$711,672	\$685,303	\$26,369	\$48,880	\$16,236	40.50%	\$0	\$0	\$0	n/a
2006	\$762,181	\$815,457	(\$53,276)	\$51,683	\$13,433	-81.82%	\$0	\$0	\$0	n/a
2007	\$782,670	\$934,609	(\$151,939)	\$54,622	\$10,493	-233.34%	\$0	\$0	\$0	n/a
2008	\$755,011	\$934,572	(\$179,561)	\$158,849	\$7,590	-107.88%	\$802,482	\$0	\$0	n/a
2009	\$726,513	\$722,239	\$4,274	\$28,125	\$111,586	3.06%	\$732,946	\$266,667	\$166,080	169.37%
2010	\$624,462	\$800,372	(\$175,910)	\$62,033	\$107,431	-103.80%	\$715,264	\$266,667	\$152,240	170.75%
2011	\$613,217	\$845,986	(\$232,769)	\$79,366	\$102,778	-127.79%	\$676,948	\$266,667	\$138,400	167.12%
2012	\$593,718	\$838,545	(\$244,827)	\$141,804	\$97,560	-102.28%	\$683,697	\$266,667	\$124,560	174.76%
2013	\$702,153	\$829,833	(\$127,680)	\$1,400,989	\$96,895	-8.52%	\$699,302	\$2,133,334	\$133,651	30.85%
2014	\$724,954	\$846,859	(\$121,905)	\$96,000	\$56,372	-80.00%	\$733,349	\$411,000	\$43,096	161.50%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2014

Fiscal Year	Population (1)	Personal Income(million of dollars) (2)	Per Capita Personal Income (3)	School (4) Enrollment	Unemployment Rate (5)
2005	11,100	\$259	\$23,434	5371	4.1%
2006	11,417	\$277	\$24,383	5508	3.8%
2007	11,470	\$291	\$25,508	5555	4.8%
2008	11,264	\$297	\$26,479	4101	8.4%
2009	11,133	\$292	\$26,312	4768	12.1%
2010	10,926	\$302	\$27,725	4860	12.5%
2011	10,558	\$297	\$28,379	5642	11.9%
2012	10,203	\$291	\$28,090	5585	11.0%
2013	10,230	\$297	\$29,048	4888	8.9%
2014	10,377	\$310	\$29,845	4959	8.1%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2005-2010, 2012-2014), 2010 Census (2011)
- (2) Personal Income figures are the results of multiplying Per Capita Personal Income by the population
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
Figures from 2003 - 2011 are based on per capita personal income data.
Figures from 2012 are projected estimates based on trend analysis calculations.
- (4) District School Board of Putnam County
- (5) United States Department of Labor-Bureau of Labor Statistics

Table 15
City of Palatka, Florida

Principal Employers
Current and Nine Years Ago

<u>Employer</u>	<u>Fiscal Year 2014-----</u>			<u>Fiscal Year 2005 -----</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Putnam County School District	1,756	1	33.84%	684	2	12.32%
Putnam Community Medical Center, LLC	482	2	9.29%	533	4	9.60%
St. Johns River State College	478	3	9.21%	225	6	4.05%
St Johns River Water Management District	379	4	7.30%	686	1	12.36%
Walmart Supercenter	351	5	6.76%	523	5	9.42%
Putnam County Board of County Commission	289	6	5.57%	656	3	11.82%
Putnam County Sheriff's Office	246	7	4.74%	-	-	-
Palatka Healthcare Center	225	8	4.34%	-	-	-
City of Palatka	159	9	3.06%	179	7	3.23%
Publix Super Market	127	10	2.45%	120	8	2.16%
Total	4,492		86.58%	2,922		52.65%

Note: Percentages were derived from 50% of population of the City of Palatka
Source: Individual employers, Chamber of Commerce, Career Source of Northeast Florida

Table 16
City of Palatka, Florida

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government:										
Building permits issued	982	884	804	621	80	596	618	595	583	561
Building inspections conducted	1905	1843	1987	1543	1499	1359	1360	1257	898	913
Code enforcements	532	281	547	311	701	200	165	184	214	150
Occupational license issued	1014	904	1072	1013	1258	1092	1220	1078	675	239
Police:										
Calls for service	30,595	36,196	32,350	31,933	31,264	34,559	29,847	32,709	30,616	30,595
Physical arrests	1,989	2,264	2,003	1,798	1,450	1,528	1,119	1,047	788	788
Citations	1,989	2,747	2,299	1,217	1,269	2,060	1,616	1,660	1,470	1,904
Fire:										
Emergency responses	1,987	1,958	2,063	2,590	2,610	2,412	2,687	2,498	2,173	1,789
Fires extinguished	1,020	923	721	457	538	98	10	41	125	222
Refuse collection:										
Customers	4,998	5,062	5,027	4,935	3,469	3,850	3,819	3,869	3,827	3,867
Other public works:										
Street resurfaced (miles)	6	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Potholes repaired	125	100	100	98	100	100	110	58	63	65
Parks and recreation:										
Community center rentals	75	68	68	142	147	197	58	83	129	65
Human Services:										
Interments	113	150	145	133	103	146	122	107	117	79
Water:										
Water main breaks	12	12	30	16	10	7	16	7	26	64
Average daily consumption (thousands of gallons)	1,905	2,366	1,735	2,229	2,030	2,000	2,044	1,811	1,684	1,706
Peak daily consumption (thousands of gallons)	2,757	3,189	2,300	2,997	2,870	2,720	2,757	2,908	2,139	2,634
Wastewater:										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	1,940	1,490	2,040	1,540	1,700
Airport:										
Rentals-T Hangars	49	49	49	49	54	54	54	54	54	55
Building	2	2	2	1	1	1	1	1	2	2
Land leases	2	2	2	1	1	1	1	1	1	1

Source: Departments of the city

Table 17
City of Palatka, Florida

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	26	24	22	22	24	24	22	21
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	20	20	20	23	23	23	23	23	23
Refuse collection:										
Collection trucks	6	6	6	6	6	6	6	6	6	6
Other public works:										
Streets(miles)	71.18	71.18	71.18	71.18	71.18	71.18	71.18	71.18	71.18	60.00
Traffic signals	16	16	22	22	22	22	22	21	21	9
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	24.26	24.26	26.67	26.67	45.36
Playgrounds	10	10	10	10	10	10	10	10	10	5
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	4
Community Centers	1	1	1	1	1	1	1	1	1	2
Water:										
Water mains (miles)	105	106	106	106	106	108	108	108	108	108
Fire hydrants	450	455	455	565	570	578	578	578	578	581
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:										
Sanitary sewers (miles)	75	76	80	80	80	80	80	80	80	80
Storm sewers (miles)	60	60	60	60	60	60	60	60	60	61
Treatment capacity(millions of gals.)	912	912	912	1095	1095	1278	1278	1278	1278	6,000
Golf Courses:										
Acreage	99	99	99	99	99	99	99	99	99	124
Airports:										
Runways	3	3	3	3	3	3	3	3	3	2

Source:
Individual departments of the city

Table 18
City of Palatka, Florida

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

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
General Administration	9	9	8	8	9	8	8	8	8	8
Attorney	1	1	1	1	1	1	1	1	0.5	0.5
General Service Director	0	1	0	0	0	0	0	0	0	0
Mainstreet	1	1	0	0	1	0	1	1	1	1
Information Technology	0	0	0	0	0	0	0	0	1	1
Public Safety										
Building & Zoning	6	7	7	6	4	5	4	4	4	4.5
Police Officers	32	39	39	39	37	36	34	35	34	36
Police Clerical	8	7	7	7	6	6	7	7	6.5	6.5
Code Enforcement	1	1	1	1	1	1	1	1	1	1
Firefighters	17	20	20	20	23	23	23	23	23.5	23.5
Transportation										
Streets	9	9	9	7	6	6	6	6	6	6
Human Services										
Cemeteries	5	5	5	5	4	3	2	2	2	2
Culture/Recreation	6	7	7	7	8	7	5	5	5	6
Business Type Activities:										
Airport	4	4	4	4	3	3	2	3	3	3
Water	36	37	37	37	33	33	31	32	32	30
Golf	8	7	10	9	8	0	0	0	0	0
Sanitation	19	19	19	19	16	14	14	13	17	14

Source: City of Palatka Personnel Department

Single Audit Section

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 29, 2015. That report should be considered in conjunction with this management letter.

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

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective action have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. There are no uncorrected prior audit findings that are required to be identified pursuant to the Rules of the Auditor General.

Financial Condition

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

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554. However, we did note that the general operating reserves of the City are currently below the recommended minimum level, but are estimated to be sufficient to cover approximately 1.2 months of normal expenditures.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that City's annual financial report for the fiscal year ended September 30, 2014, filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, is in substantial agreement with the audit report for the fiscal year ended September 30, 2014.

Other Matters

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

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

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

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

Palatka, Florida
April 29, 2015

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

The Honorable Mayor and City Commissioners
City of Palatka, Florida

We have audited 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 29, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Palatka, Florida
April 29, 2015

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and City Commissioners
City of Palatka, Florida

We have examined the City of Palatka, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

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

Palatka, Florida
April 29, 2015

Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10.766	PM	\$ 5,836
Community Facilities Loans and Grants	10.766	PV	40,239
Program total			46,075
Rural Business Enterprise Grants	10.769	GC	14,168
U.S. Department of the Interior			
Passed through Florida Wildlife Commission Sport Fish Restoration Program	15.605	FL-F-199-B-1	493,862
U.S. Department of Justice			
Passed through Office of Attorney General Crime victim assistance	16.575	V13045	37,694
Bulletproof Vest Partnership Program	16.607		5,814
Passed through Florida Department of Law Enforcement Byrne Justice Assistance Grant Program	16.738	JAG 2013-DJ-BX-0134	10,986
Byrne Justice Assistance Grant Program	16.738	2014-JAGC-PUTN-2-ES-010	16,219
Program total			27,205
U.S. Department of Transportation			
FAA Airport Improvement Program	20.106	AIP 3-12-0061023-2013	64,800
FAA Airport Improvement Program	20.106	AIP 3-12-006122-2012	14,447
Program total			79,247
Passed through Florida Department of Transportation Highway Planning and Construction	20.205	41057219401, 41057219490, 41057229401	112,100
Pipeline and Hazardous Materials Safety Administration Passed through Palatka Gas Authority Technical Assistance Grant	20.710		50,000
National Endowment for the Arts			
Promotion of the Arts- Grants to Organizations & Individuals	45.024		36,030
National Endowment for the Humanities			
Promotion of the Humanities Federal/State Partnership	45.129	GR 0313 3881 2302	8,892
Department of Homeland Security, Federal Emergency Management Agency			
Hazard Mitigation Grant	97.039	11HM-3H-04-64-02-007	161,784
Hazard Mitigation Grant	97.039	11HM-3E-04-64-02-015	150,191
Program total			311,975
Total expenditures of federal awards			\$ 1,223,062

Note 1. Significant Accounting Policies

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

Note 2. Subrecipients

The City did not provide awards to subrecipients.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Palatka, Florida (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organization*. Those standards and OMB Circular A-133 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 the major federal programs. 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, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Carly Riggs & Ingram, L.L.C.

Palatka, Florida
April 29, 2015

Schedule of Findings and Questioned Costs

Part I – Summary of Auditors’ Results

1. The independent auditors’ report on the financial statements was unmodified.
2. The audit did not report significant deficiencies in internal control over financial reporting.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. The audit did not report any significant deficiencies in internal control over compliance with requirements applicable to the major federal award programs.
5. The report on compliance with requirements applicable to the major federal award programs expressed an unmodified opinion.
6. No findings were disclosed relative to the major federal programs.
7. The City’s major federal programs were:

	<u>Federal CFDA Number</u>
Sport Fish Restoration Program	15.605
Hazard Mitigation Grant	97.039

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

Part II – Financial Statement Findings

There were no findings relative to the financial statements.

Part III – Findings and Questioned Costs – Federal Awards

There were no findings relating to the major federal programs.

Summary Schedule of Prior Audit Findings

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

TERRILL L. HILL
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

RUFUS J. BOROM
COMMISSIONER

JUSTIN R. CAMPBELL
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

JAMES A. GRIFFITH
INTERIM CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

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

April 29, 2015

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

Dear Mr. Martin:

I write to you in response to the findings noted in the audit of the City of Palatka, prepared by Carr, Riggs & Ingram for the year ended in September 30, 2014.

Part II – Financial Statement Findings Section

There were no findings relating to the financial statements.

Part III – Findings and Questioned Costs – Federal Awards

There were no findings relating to the major federal program.

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

Sincerely,

Matthew D. Reynolds
Finance Director