

City of Palatka, Florida

Comprehensive Annual Financial Report

For the Year Ended September 30, 2013

PREPARED BY:

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

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September 30, 2013

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VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT

DONALD E. HOLMES
CITY ATTORNEY

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

April 24, 2014

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, 2013.

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

THE REPORTING ENTITY

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

The City operates under a Commission/Manager form of government. It has an elected Mayor-Commissioner and a Board of Commissioners (four members) and serves approximately 10,230 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 10,230 persons according to the University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population for 2013. 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 2013-14, the City proposed a General Fund operating budget that was 1.61% more than the previous year increasing from \$9.977 million to \$10.138 million. Many revenue sources such as utility taxes, telecommunication service taxes, charges for services and fines and forfeits increased from the prior year. Other categories such as local option, use and fuel taxes as well as state shared revenues 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 a decrease from the prior year amount of \$500,000. Several capital expenditures were included in the budget; however they were small in nature and were primarily for equipment in the Information Technology and Fire Departments. Operating budgets were scrutinized again as in past years and several positions which were vacated by attrition or retirement were not filled. However, a new department was created within the General Fund which will be responsible for Facilities Maintenance. The creation of this department allowed for an additional position to be added to the General Fund.

Taxable value decreased by .57% which provided for a rollback rate of 9.2428; however the millage rate was maintained at 9.1749 mills. Even with the decrease in taxable value, the estimated ad valorem revenues increased slightly due to a higher estimated collection rate than had been used in past years. Overall, the City continues to face the challenge of maintaining the current level of service it provides its citizens without increasing the millage rate.

Although the General Fund total fund balance increased by approximately \$938,000, approximately fifty-one percent (51%) is non-spendable due to advances to other funds, therefore the City will not have this portion available for use in the immediate future. Restricted and committed fund balances comprise an additional twenty-five percent (25%) of the total fund balance. The remaining unassigned fund balance is 9.35% of the total general fund expenditures, which increased from 6.64% 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.

The net position of the sanitation and airport funds increased by approximately \$43,000 and \$835,000 respectively, while the net position of the water fund decreased by approximately \$803,000. The net position of the golf course fund also decreased by approximately \$143,000 resulting in a negative net position balance of approximately \$1,185,000. The City's golf course

ECONOMIC CONDITION (Concluded)

continues to operate at a financial deficit with money from the general fund being held to offset this deficit. Attempts to minimize these losses have been made over the past several fiscal years, however the annual deficit continues to occur each year. However, the decrease in fiscal year 2012-2013 is much smaller than in previous years and the estimated deficit for fiscal year 2013-2014 is approximately \$77,000. The conditions at the course have continued to improve drastically in FY13-14 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 is expected to commence in the summer of 2014 and be completed in 2015.

The City Commission adopted a Riverfront Conceptual Master Plan in March 2010 and has successfully completed over one million dollars of improvements to the Riverfront. The City is in the process of expending an additional three million dollars of improvements which include improvements to the road way, storm drainage, parking facilities, landscaping, dockage, boat ramps, concession stand, restroom and shower facilities, 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 two 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 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

**MAJOR INITIATIVES
(Concluded)**

CURRENT PROJECTS (continued)

two million dollars and will be financed completely by Georgia Pacific with the City assuming the operational costs once it is completed. The center is expected to be completed by mid-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, building renovations 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 improve drainage at the airport, 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 will be evaluating 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 reviewing equipment and processes which would produce a class A bio-solid which could be sold for fill and ground cover. The process if authorized is expected to cost two and a half million dollars with some of the funding expected to come from State and Federal sources. The City will also be considering building expansions at the City's police department and gun range to accommodate current and future special demands.

The City will dedicate significant resources to identify, plan and finance needed water system infrastructure 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 will also be meeting 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, 2012. This was the twenty-first year that the City received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report.

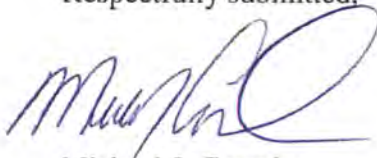
A certificate of achievement is valid for one year only. We believe this report satisfies the requirements of generally accepted accounting principles, applicable legal requirements, and certificate of achievement program requirements, and we are submitting it to the GFOA for consideration for an award.

ACKNOWLEDGMENTS

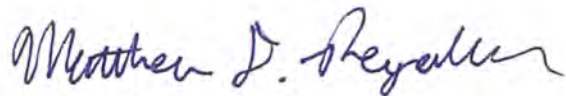
The preparation of this report was accomplished through the efforts and dedication of the City's financial staff.

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

Respectfully submitted,



Michael J. Czymbor
City Manager



Matthew D. Reynolds
Finance Director

GFOA Certificate of Achievement

The City's Certificate of Achievement for Excellence in Financial Reporting for the year ended September 30, 2012 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, 2012

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, Cemetery
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 Grounds & Garage Maintenance
Water Treatment Plant
Wastewater Treatment Plant
Water/Sewer Distribution

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

AUDITORS

Carr, Riggs & Ingram, LLC



INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Commissioners
City of Palatka, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Palatka, Florida (the "City"), as of and for the year ended September 30, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. 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 24, 2014 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.

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

Palatka, Florida
April 24, 2014

City of Palatka
Management's Discussion and Analysis
September 30, 2013

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, 2013. 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 \$54,458,566. Of this amount, \$1,860,431 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$465,047 (.86%). Due to an increase in franchise fees and miscellaneous revenues from the prior year, governmental net position increased by \$533,705 (3.39%). The Enterprise funds net position decreased by \$68,658 (.18%) due to a decrease in the amount of capital grants and contributions from the prior year.
- The total net position of each Enterprise fund were: Water \$20,046,795, Sanitation \$752,035, Golf \$(1,184,797) and Airport \$18,579,270.
- As of September 30, 2013, the City's governmental funds reported combined ending fund balances of \$3,835,019, an increase of \$829,536 (27.60%).
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$834,968 or 9.35% of total General Fund expenditures. Downtown Redevelopment Agency fund balance was \$363,894.
- Net position of the General, Police Officers' and Firefighters' Pension Trust Funds increased by \$722,272, \$951,799 and \$653,314, 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. 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the Downtown Redevelopment Agency fund, which are considered major funds. Data from the non-major governmental fund is included in the Other Governmental fund column.

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 - 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons and the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. Required supplementary information can be found on pages 41 – 46 of this report.

Combining fund statements can be found on pages 47 – 49 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 \$54,458,566 at the close of the most recent fiscal year. There were no deferred outflows or deferred inflows.

The majority of the City's net position (95.24%) 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, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$4,180,647	\$3,427,293	\$2,297,664	\$2,588,901	\$6,478,311	\$6,016,194
Capital assets	\$15,662,293	\$15,943,732	\$52,715,044	\$52,865,620	\$68,377,337	\$68,809,352
Total assets	\$19,842,940	\$19,371,025	\$55,012,708	\$55,454,521	\$74,855,648	\$74,825,546
Long-term liabilities						
Outstanding	\$3,232,049	\$3,219,753	\$16,209,729	\$16,165,835	\$19,441,778	\$19,385,588
Other liabilities	\$345,628	\$419,714	\$609,676	\$1,026,725	\$955,304	\$1,446,439
Total liabilities	\$3,577,677	\$3,639,467	\$16,819,405	\$17,192,560	\$20,397,082	\$20,832,027
Net position:						
Net investment in capital assets	\$13,138,987	\$13,191,795	\$38,728,555	\$38,156,884	\$51,867,542	\$51,348,679
Restricted	\$401,999	\$510,476	\$328,594	\$327,972	\$730,593	\$838,448
Unrestricted	\$2,724,277	\$2,029,287	(\$863,846)	(\$222,895)	\$1,860,431	\$1,806,392
Total net position	\$16,265,263	\$15,731,558	\$38,193,303	\$38,261,961	\$54,458,566	\$53,993,519

An additional portion of the City's net position \$730,593 (1.38%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,860,431 (3.42%) 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 City as a

whole and the governmental activities of the City. However, unrestricted net position of the business-type activities of the City ended the fiscal year with a negative balance of \$(863,846) due to the large negative unrestricted balance of the Golf Course Fund and the negative unrestricted balance of the Airport Fund.

Change in Net Position

The City's total net position increased \$465,047 over the previous year with an increase of \$533,705 resulting from governmental activities and a decrease of \$68,658 from business activities.

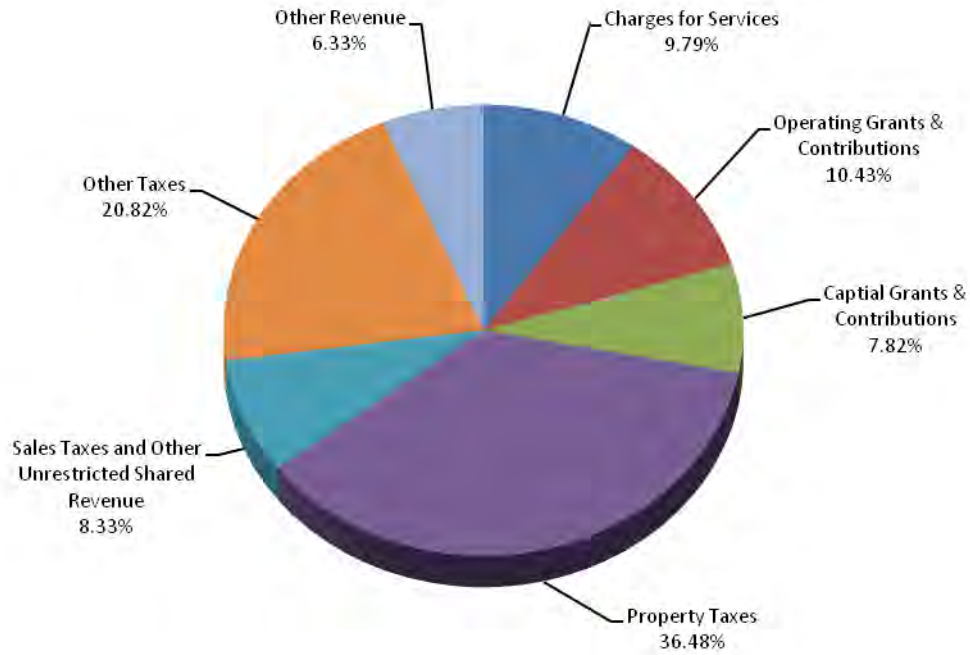
City of Palatka Changes in Net Position For the year ended September 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$921,471	\$558,197	\$7,254,850	\$6,963,980	\$8,176,321	\$7,520,177
Operating Grants & Contributions	\$981,676	\$877,019			\$981,676	\$877,019
Capital Grants & Contributions	\$736,090	\$1,677,074	\$1,521,529	\$6,615,111	\$2,257,619	\$8,292,185
General Revenues:						
Property Taxes	\$3,432,971	\$3,497,854			\$3,432,971	\$3,497,854
Sales Taxes and Other Unrestricted Shared Revenues	\$783,678	\$761,613			\$783,678	\$761,613
Other Taxes	\$1,958,853	\$1,697,522			\$1,958,853	\$1,697,522
Other Revenue	\$595,402	\$83,972	\$125,174	\$447,616	\$720,576	\$531,588
Total Revenues	\$9,410,141	\$9,151,251	\$8,901,553	\$14,026,707	\$18,311,694	\$23,177,958
Expenses:						
General Government	\$2,192,293	\$1,795,179			\$2,192,293	\$1,795,179
Public Safety	\$5,467,142	\$5,336,015			\$5,467,142	\$5,336,015
Transportation	\$511,114	\$577,407			\$511,114	\$577,407
Economic Environment	\$184,981	\$349,296			\$184,981	\$349,296
Human Services	\$151,906	\$150,327			\$151,906	\$150,327
Culture/Recreation	\$427,004	\$505,572			\$427,004	\$505,572
Interest on Long-Term Debt	\$155,598	\$148,904			\$155,598	\$148,904
Water			\$4,688,134	\$4,784,639	\$4,688,134	\$4,784,639
Sanitation			\$1,397,879	\$1,379,559	\$1,397,879	\$1,379,559
Golf Course			\$997,958	\$1,005,000	\$997,958	\$1,005,000
Airport			\$1,672,638	\$1,626,167	\$1,672,638	\$1,626,167
Total Expenses	\$9,090,038	\$8,862,700	\$8,756,609	\$8,795,365	\$17,846,647	\$17,658,065
Increase in Net Position before Transfers	\$320,103	\$288,551	\$144,944	\$5,231,342	\$465,047	\$5,519,893
Transfers	\$213,602	\$352,321	(\$213,802)	(\$352,321)	\$0	\$0
Increase in Net Position	\$533,705	\$640,872	(\$68,658)	\$4,879,021	\$465,047	\$5,519,893
Net Position-Beginning of Year	\$15,731,558	\$15,090,686	\$38,261,961	\$33,382,940	\$53,993,519	\$48,473,626
Net Position-End of Year	\$16,265,263	\$15,731,558	\$38,193,303	\$38,261,961	\$54,458,566	\$53,993,519

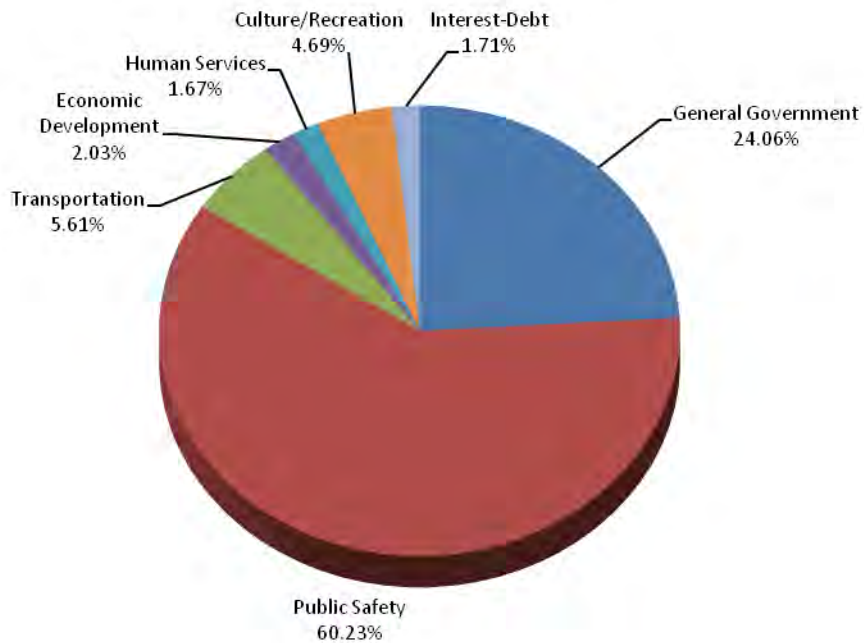
Governmental Activities

Governmental activities increased the City's net position by \$533,705 thereby accounting for 114.76% of the total growth in the net position of the City. A key element of this increase was the substantial increase in the charges for services of the public safety activity of the primary government as well as an increase in the total amount of franchise fee taxes collected. The City realized a substantial increase in the amount of red light camera revenue from the prior year. The timing of franchise fee tax disbursements also caused an increase over the prior year as well.

Revenue by Source - Governmental Activity



Expenses - Governmental Activities



Business-type Activities

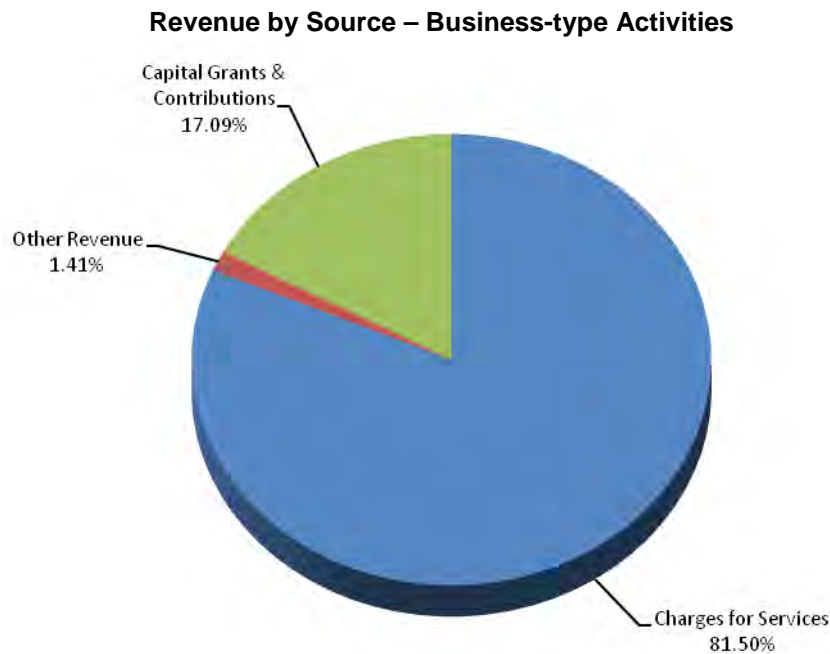
Business-type activities decreased the City's net position by \$68,658 accounting for -14.76% of the total growth in the City's net position. Key elements in this decrease are as follows:

The Water Revenue fund only received grant funds of \$12,103 from the Federal Emergency Management Agency. These funds were used for the repair of assets that were damaged during a storm event. Due to operating revenues being less than operating expenses, which included depreciation and amortization, the net position of the fund decreased by \$803,061. The net position at the end of the fiscal year in the Water fund totaled \$20,046,795.

The Sanitation fund net position increased by \$42,632 due to an increase in charges for services which resulted from a slight increase in sanitation rates. The net position at the end of the fiscal year in the Sanitation fund totaled \$752,035.

The Golf Course fund net position decreased by \$143,407 due to a continued shortfall in anticipated revenues versus expenses. The net position at the end of the fiscal year in the Golf Course fund was a negative balance of \$1,184,797.

The Airport fund received state and federal grants of \$1,503,426 during the fiscal year. These funds were used for several capital improvement projects that included rehabilitation of runway 9/27 and taxiway C, rehabilitation of the old terminal building, and the purchase of a fuel truck. These projects ultimately created an increase in net position in the Airport fund of \$835,178. The net position at the end of the fiscal year in the Airport fund totaled \$18,579,270.



Financial Analysis of the City's Funds

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

Governmental Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,835,019, an increase of \$829,536 (27.60%) in comparison to the prior year. This total includes a nonspendable fund balance of \$1,749,044, a restricted fund balance of \$1,228,351, a committed fund balance of \$22,656 and an unassigned fund balance of \$834,968 which is available for spending at the government's discretion.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year General fund balance was \$3,433,020, an increase of \$938,013 (37.60%) from the prior year. This was due to a substantial increase in the amount of permits, fees and special assessments, fines and forfeitures and miscellaneous revenues collected coupled with a decrease in total expenditures.

Local tax revenues are the primary sources of the City's tax revenue and are a combination of property tax, franchise, utility, sales tax and local option gas taxes. Total taxes increased by \$42,439 from the prior year.

Ad valorem taxes, which were accounted for in the general and special revenue funds was 9.1749 mills and generated \$3,432,971, a decrease of \$64,883 from the prior year.

The General Fund had a decrease of \$222,681 in expenditures due to a substantial decrease in general government and transportation expenditures which was partially offset by a large increase in public safety expenditures.

Unassigned fund balance in the General Fund increased by \$226,714 from the prior year due to the substantial increase in total revenues and decrease in total expenditures within the General Fund.

Special Revenue Funds

The Downtown Redevelopment fund balance was \$363,894, a decrease of \$110,602 from the prior year. This decrease was caused by a large one-time transfer to the General Fund.

Other Governmental Funds fund balance was \$38,105, an increase of \$2,125 (5.91%) from the prior year. This was due to the final payment of an outstanding mortgage in relation to a Community Development Block Grant from prior years.

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, 2013, total proprietary fund net position amounted to \$38,193,303.

Water Revenue Fund

The Water Revenue Fund accounts for revenues of the City's water and sewer systems. Several of the City's major projects and initiatives are directly related to the Water Revenue Fund. Operating revenue decreased by \$135,019 or 3.16% from the prior year while expenses also decreased by a total of \$82,818. Unrestricted net position at the end of the fiscal year for the water revenue fund amounted to \$579,594.

Sanitation Fund

There was a decrease in operating revenue of \$13,215 or .85% from the prior year. Expenses increased slightly by a total of \$21,200 due to increased personnel and operating expenses. Unrestricted net position for the sanitation fund totaled \$252,228.

Golf Course Fund

Operating revenues increased significantly by \$108,435 or 18.26% from the prior year. Operating expenses decreased slightly by \$6,376 or .70%, exceeding operating revenues by \$198,911. Unrestricted net position decreased by \$129,321 to arrive at a negative unrestricted net asset balance of \$1,515,873 for the year. The city has made significant improvements to the condition of the course and as a result seen an increase the amount of play. This has resulted in a significant increase in revenues to the Golf Course Fund and will continue to improve into the next fiscal year as well.

Airport Fund

Operating revenue increased by \$41,600 from the prior year due to better than expected fuel sales. Unrestricted net position decreased by \$114,282 from the prior year. This resulted in a continued negative unrestricted net position balance of \$179,795 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 \$(151,105) (including transfers) which is a decrease of 2.49% over the original projections. This decrease was primarily attributed to red light camera fines not meeting the initial budget projections. The variance between original and final budget amounts for the year is composed of the following:

- A decrease in red light camera fines of \$273,467;
- A grant from the United States Department of Agriculture for the improvement of restroom facilities at the City's community center in the amount of \$32,000;
- A grant from Federal Emergency Management Agriculture in the amount of \$37,655 for upgrades to the breathing apparatus equipment at the fire department;
- A grant from the Florida Wildlife Commission for the improvements of the City's boat ramp facilities in the amount of \$37,979;
- A contribution from Georgia Pacific for the construction of an environmental center in the amount of \$21,110.

A comparison of actual revenues versus the final budget reflects that actual revenues, excluding transfers, were \$486,926 more than budgeted.

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

- General government actual expenditures were \$45,143 less than final budget due to savings in the information technology department.
- Public safety actual expenditures were \$56,853 less than final budget due to savings in the personnel and operating sections of the planning and zoning and police departments.
- Additionally, \$164,268 reserved for contingencies was unspent.

Capital Asset and Debt Administration

City of Palatka Capital Assets (Net of Depreciation) For the Year Ended September 30, 2013

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Improvements	\$6,746,180	\$6,746,180	\$10,129,294	\$4,245,409	\$16,875,474	\$10,991,589
Buildings and Improvements	\$3,465,080	\$3,651,553	\$12,056,154	\$12,655,453	\$15,521,234	\$16,307,006
Infrastructure	\$3,265,652	\$3,614,042	\$0	\$0	\$3,265,652	\$3,614,042
Equipment	\$1,414,787	\$1,186,165	\$1,897,358	\$2,061,433	\$3,312,145	\$3,247,598
Intangibles	\$170,500	\$195,122	\$0	\$0	\$170,500	\$195,122
Water/Sewer Distribution System	\$0	\$0	\$5,656,695	\$5,943,379	\$5,656,695	\$5,943,379
Plant Assets and Equipment	\$0	\$0	\$22,973,043	\$21,070,815	\$22,973,043	\$21,070,815
Construction in Progress	\$600,094	\$550,670	\$2,500	\$6,889,131	\$602,594	\$7,439,801
	\$15,662,293	\$15,943,732	\$52,715,044	\$52,865,620	\$68,377,337	\$68,809,352

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, 2013, the governmental capital assets of the City amounted to \$15,662,293, net of depreciation. This was a decrease of \$281,439 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, 2013, (net of accumulated depreciation) amounts to \$68,377,337. 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 \$432,015.

Major capital asset events during the fiscal year were at the airport. The city received FAA and FDOT grants that paid 95% to 100% of the project costs at the airport. The capital asset expenditures of approximately \$2.4 million were for the following:

- Rehabilitation of the main access road, old terminal building, runway 9/27, and taxiway C.
- Purchase of a fuel truck at the airport.
- Purchase of a new fire engine and police vehicles.
- Purchase of maintenance equipment at the golf course.

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, 2013, the City had \$2,739,454 of revenue bonds, notes payable and capital leases from specific general fund revenue sources other than ad valorem taxes. Also outstanding were \$7,074,630 Florida Municipal Loan Council Revenue Bonds, Series 2010A, payable from communication service tax revenue, half-cent sales tax revenue and public service tax revenues; \$333,971 Water Reuse System Construction loan, payable from the net revenues of the Water and Sewer system; \$3,700,506 Drinking Water State Revolving Fund Loan payable from the net revenues of the water and sewer system including connection fees; \$1,349,000 Taxable Golf Course Revenue Note payable from the net revenues of the Golf Course and non-ad valorem

taxes; \$511,000 Airport Hangar Revenue notes and a \$840,000 Airport Terminal Revenue Note payable from the net revenues of the Airport and non-ad valorem taxes and a \$177,382 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 \$16,862,974. Of this amount, \$534,226 comprises debt backed by the full faith and credit of the City, \$492,610 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	
	2013	2012	2013	2012	2013	2012
Revenue Bonds	\$1,890,000	\$2,133,333	\$7,074,630	\$7,213,044	\$8,964,630	\$9,346,377
Notes Payable	534,226	595,319	6,734,477	7,138,785	7,268,703	7,734,104
Capital Lease Obligations	315,228	23,285	177,382	20,260	492,610	43,545
Water/Sewer Agreements	0	0	137,031	139,691	137,031	139,691
Total	\$2,739,454	\$2,751,937	\$14,123,520	\$14,511,780	\$16,862,974	\$17,263,717

The City's total long-term debt decreased \$400,743 from the prior year, while the long-term liability for compensated absences decreased by \$18,503.

Governmental Activities:

- The City received proceeds of \$300,000 from a capital lease for the purchase of police department vehicles.
- The City amended the Infrastructure Surtax Revenue Bond in the amount of \$1,890,000 which resulted in a lower interest rate and future savings for the City.
- The City made the following principal payments during the year: revenue bonds - \$266,667; notes payable - \$1,927,759; and capital lease - \$8,057.
- Governmental obligations for compensated absences increased by 2.65% or \$10,000.

Business-type activities:

- The City received proceeds of \$161,590 from a capital lease for golf course maintenance equipment.
- The City received proceeds in the amount of \$2,769,000 to refinance the Airport terminal and T-hangar revenue notes as well as the Taxable Golf Course revenue note.
- The following principal payments were made during the year: revenue bonds - \$150,000, notes payable - \$3,173,308; and capital lease - \$4,468.
- Compensated absences decreased by 13.66% or \$28,503.

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

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

Economic Factors and Next Year's Budgets and Rates

The development of the FY 2013-14 budget document was challenging and difficult, but we developed a comprehensive and collective strategy to stabilize and enhance the fiscal health of the City. Our approach

included holding two (2) 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 2013-14 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:

- Selling underutilized municipal property;
- Developing and implementing a comprehensive annexation policy;
- Increasing user fees and charges to completely cover the cost of services received;
- Comprehensive review and competitive bidding of all goods and services purchased to lower overall cost;
- Adopting new appropriate user fees and revenues;
- Developing an urban service boundary to extend municipal utility systems to gain new customers and lower operating costs, in cooperation with Putnam County;
- Actively pursuing economic development and redevelopment within and near the City;
- Actively pursuing and obtaining grant funding for capital improvement projects.
- 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,

2013

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Palatka Gas Authority
Assets				
Cash and equivalents	\$ 2,126,934	\$ 565,202	2,692,136	\$ 672,498
Investments	-	-	-	1,422,171
Accounts receivable	100,983	584,885	685,868	78,824
Internal balances	1,749,044	(1,749,044)	-	-
Due from other governments	203,686	267,646	471,332	-
Inventory	-	212,547	212,547	91,982
Restricted cash and equivalents	-	87,505	87,505	-
Restricted investments	-	478,404	478,404	-
Capital assets:				
Non-depreciable	7,346,274	10,131,794	17,478,068	211,543
Depreciable, net	8,316,019	42,583,250	50,899,269	4,283,658
Total assets	19,842,940	53,162,189	73,005,129	6,760,676
Liabilities				
Accounts payable and accrued liabilities	341,136	206,570	547,706	91,022
Deposits	4,492	403,106	407,598	243,398
Noncurrent liabilities:				
Due within one year	459,392	719,782	1,179,174	-
Due in more than one year	2,772,657	13,639,428	16,412,085	7,200
Total liabilities	3,577,677	14,968,886	18,546,563	341,620
Net position				
Net investment in capital assets	13,138,987	38,728,555	51,867,542	4,495,201
Restricted for:				
Downtown redevelopment	363,894	-	363,894	-
Housing and community development	38,105	-	38,105	-
Capital projects	-	8,095	8,095	-
Bond reserve	-	320,499	320,499	-
Unrestricted	2,724,277	(863,846)	1,860,431	1,923,855
Total net position	\$ 16,265,263	\$ 38,193,303	\$ 54,458,566	\$ 6,419,056

See accompanying notes.

City of Palatka, Florida

Statement of Activities

Year ended September 30,

2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Palatka Gas Authority
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities:								
General government	\$ 2,192,293	\$ 114,051	\$ -	\$ -	\$ (2,078,242)	\$ -	\$ (2,078,242)	\$ -
Public safety	5,467,142	608,594	475,877	-	(4,382,671)	-	(4,382,671)	-
Transportation	511,114	51,654	494,314	-	34,854	-	34,854	-
Economic environment	184,981	-	-	724,340	539,359	-	539,359	-
Human services	151,906	124,332	-	-	(27,574)	-	(27,574)	-
Culture and recreation	427,004	22,840	11,485	11,750	(380,929)	-	(380,929)	-
Interest on long-term debt	155,598	-	-	-	(155,598)	-	(155,598)	-
Total governmental activities	9,090,038	921,471	981,676	736,090	(6,450,801)	-	(6,450,801)	-
Business-type activities:								
Water	4,688,134	4,122,596	-	12,103	-	(553,435)	(553,435)	-
Sanitation	1,397,879	1,535,189	-	-	-	137,310	137,310	-
Golf course	997,958	701,468	-	6,000	-	(290,490)	(290,490)	-
Airport	1,672,638	895,597	-	1,503,426	-	726,385	726,385	-
Total business-type activities	8,756,609	7,254,850	-	1,521,529	-	19,770	19,770	-
Total primary government	\$ 17,846,647	\$ 8,176,321	\$ 981,676	\$ 2,257,619	(6,450,801)	19,770	(6,431,031)	-
Component unit								
Palatka gas authority	\$ 2,070,053	\$ 1,792,938	\$ -	\$ -	-	-	-	(277,115)
General revenues								
Property taxes					3,432,971	-	3,432,971	-
Sales tax and intergovernmental unrestricted shared revenues					783,678	-	783,678	-
Franchise taxes					904,958	-	904,958	-
Utility taxes					922,911	-	922,911	-
Communications service tax					130,984	-	130,984	-
Investment earnings					220	255	475	9,084
Miscellaneous					595,182	124,919	720,101	5,636
Transfers					213,602	(213,602)	-	-
Total general revenues and transfers					6,984,506	(88,428)	6,896,078	14,720
Change in net position					533,705	(68,658)	465,047	(262,395)
Net position – beginning of year					15,731,558	38,261,961	53,993,519	6,681,451
Net position – end of year					\$ 16,265,263	\$ 38,193,303	\$ 54,458,566	\$ 6,419,056

See accompanying notes.

City of Palatka, Florida

Balance Sheet
Governmental Funds

September 30,

2013

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash and equivalents	\$ 1,727,477	\$ 361,352	\$ 38,105	\$ 2,126,934
Accounts receivable	100,983	-	-	100,983
Due from other governments	198,686	5,000	-	203,686
Advances to other funds	1,749,044	-	-	1,749,044
Total assets	\$ 3,776,190	\$ 366,352	\$ 38,105	\$ 4,180,647
Liabilities				
Accounts payable and accrued liabilities	\$ 338,678	\$ 2,458	\$ -	\$ 341,136
Deposits	4,492	-	-	4,492
Total liabilities	343,170	2,458	-	345,628
Fund balances				
Nonspendable	1,749,044	-	-	1,749,044
Restricted	826,352	363,894	38,105	1,228,351
Committed	22,656	-	-	22,656
Unassigned	834,968	-	-	834,968
Total fund balances	3,433,020	363,894	38,105	3,835,019
Total liabilities and fund balances	\$ 3,776,190	\$ 366,352	\$ 38,105	\$ 4,180,647

See accompanying notes.

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds

September 30,

2013

Fund balances – total governmental funds		\$ 3,835,019
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the governmental funds.		
Capital assets – net		15,662,293
Long-term liabilities are not reported in the governmental funds.		
Bonds and notes payable		(2,424,226)
Capital leases		(315,228)
Compensated absences		(387,000)
Net OPEB obligation		(105,595)
Net position of governmental activities		\$ 16,265,263

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended September 30,

2013

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Fund	Total Governmental Funds
Revenues				
Taxes	\$ 5,465,543	\$ 379,410	\$ -	\$ 5,844,953
Permits, fees and special assessments	990,001	-	-	990,001
Intergovernmental	1,173,395	5,000	7,000	1,185,395
Charges for services	245,095	-	-	245,095
Fines and forfeitures	427,324	-	-	427,324
Miscellaneous	704,277	13,067	2,125	719,469
Total revenues	9,005,635	397,477	9,125	9,412,237
Expenditures				
Current:				
General government	1,651,710	-	-	1,651,710
Public safety	5,713,322	-	-	5,713,322
Transportation	486,426	-	-	486,426
Economic environment	-	177,981	7,000	184,981
Human services	142,233	-	-	142,233
Culture and recreation	449,550	-	-	449,550
Debt service:				
Principal retirement	335,816	-	-	335,816
Interest and fiscal charges	155,598	-	-	155,598
Total expenditures	8,934,655	177,981	7,000	9,119,636
Excess of revenues over (under) expenditures	70,980	219,496	2,125	292,601
Other financing sources (uses)				
Transfers in	685,099	-	-	685,099
Transfers out	(141,399)	(330,098)	-	(471,497)
Capital lease	300,000	-	-	300,000
Payment to refunded bonds escrow agent	(1,866,667)	-	-	(1,866,667)
Issuance of refunding bonds	1,890,000	-	-	1,890,000
Total other financing sources (uses)	867,033	(330,098)	-	536,935
Net change in fund balances	938,013	(110,602)	2,125	829,536
Fund balances – beginning of year	2,495,007	474,496	35,980	3,005,483
Fund balances – end of year	\$ 3,433,020	\$ 363,894	\$ 38,105	\$ 3,835,019

See accompanying notes.

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Governmental Funds

<i>Year ended September 30,</i>	2013
Net change in fund balances – total governmental funds	\$ 829,536
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	545,613
Current year depreciation expense	(827,052)
The issuance of long-term debt provides current financial resources in governmental funds but does not effect net position of governmental activities.	
Capital lease	(300,000)
Issuance of refunding bonds	(1,890,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net position of governmental activities.	
Principal retirement	335,816
Payment to refunded bonds escrow agent	1,866,667
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	(10,000)
Net OPEB obligation	(14,779)
The timing of revenue recognition sometimes differs between governmental funds and governmental activities.	
Change in deferred revenue	(2,096)
Change in net position of governmental activities	\$ 533,705

See accompanying notes.

City of Palatka, Florida

Statement of Net Position
Proprietary Funds

September 30,

2013

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Current assets					
Cash and equivalents	\$ 428,340	\$ 130,947	\$ 2,505	\$ 3,410	\$ 565,202
Restricted cash and equivalents	51,989	-	12,445	14,976	79,410
Accounts receivable	409,502	153,339	15,375	6,669	584,885
Due from other governments	177,138	-	-	90,508	267,646
Inventory	130,970	-	36,134	45,443	212,547
Total current assets	1,197,939	284,286	66,459	161,006	1,709,690
Noncurrent assets					
Restricted cash and equivalents	8,095	-	-	-	8,095
Restricted investments	478,404	-	-	-	478,404
Advance to other funds	20,505	80,970	-	-	101,475
Capital assets, net	30,247,814	499,807	1,857,458	20,109,965	52,715,044
Total noncurrent assets	30,754,818	580,777	1,857,458	20,109,965	53,303,018
Total assets	31,952,757	865,063	1,923,917	20,270,971	55,012,708
Current liabilities					
Accounts payable and accrued liabilities	122,718	56,005	15,056	12,791	206,570
Deposits	372,517	-	9,686	20,903	403,106
Current portion of long-term liabilities	425,420	15,508	132,608	146,246	719,782
Total current liabilities	920,655	71,513	157,350	179,940	1,329,458
Noncurrent liabilities					
Net OPEB obligation	37,112	15,482	-	2,949	55,543
Advances from other funds	-	-	1,557,591	292,928	1,850,519
Other long-term liabilities	10,948,195	26,033	1,393,773	1,215,884	13,583,885
Total noncurrent liabilities	10,985,307	41,515	2,951,364	1,511,761	15,489,947
Total liabilities	11,905,962	113,028	3,108,714	1,691,701	16,819,405
Net position					
Net investment in capital assets	19,138,707	499,807	331,076	18,758,965	38,728,555
Restricted for capital projects	8,095	-	-	-	8,095
Restricted for bond reserve	320,399	-	-	100	320,499
Unrestricted	579,594	252,228	(1,515,873)	(179,795)	(863,846)
Total net position	\$ 20,046,795	\$ 752,035	\$ (1,184,797)	\$ 18,579,270	\$ 38,193,303

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

Year ended September 30,

2013

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating revenues					
User fees	\$ 4,122,596	\$1,535,189	\$ 701,468	\$ 895,597	\$ 7,254,850
Other operating revenues	10,704	322	685	11,809	23,520
Total operating revenues	4,133,300	1,535,511	702,153	907,406	7,278,370
Operating expenses					
Personal services	1,854,654	712,025	21,488	147,525	2,735,692
Operating expenses	1,272,161	632,559	808,345	709,163	3,422,228
Depreciation and amortization	1,131,369	53,246	71,231	734,176	1,990,022
Total operating expenses	4,258,184	1,397,830	901,064	1,590,864	8,147,942
Operating income (loss)	(124,884)	137,681	(198,911)	(683,458)	(869,572)
Nonoperating revenues (expenses)					
Investment earnings	255	-	-	-	255
Interest expense	(429,950)	(49)	(96,894)	(81,774)	(608,667)
Sale of surplus property	4,415	-	-	96,984	101,399
Total nonoperating revenues (expenses)	(425,280)	(49)	(96,894)	15,210	(507,013)
Income (loss) before capital contributions and transfers	(550,164)	137,632	(295,805)	(668,248)	(1,376,585)
Capital contributions	12,103	-	6,000	1,503,426	1,521,529
Transfers in	-	-	146,398	-	146,398
Transfers out	(265,000)	(95,000)	-	-	(360,000)
Change in net position	(803,061)	42,632	(143,407)	835,178	(68,658)
Net position – beginning of year	20,849,856	709,403	(1,041,390)	17,744,092	38,261,961
Net position – end of year	\$20,046,795	\$ 752,035	\$(1,184,797)	\$ 18,579,270	\$ 38,193,303

See accompanying notes.

City of Palatka, Florida

Statement of Cash Flows
Proprietary Funds

Year ended September 30,

2013

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating activities					
Receipts from customers	\$ 4,385,922	\$ 1,544,530	\$ 691,960	\$ 1,058,485	7,680,897
Payments to suppliers	(1,406,843)	(617,392)	(655,130)	(731,886)	(3,411,251)
Payments to employees	(1,853,371)	(729,521)	(21,488)	(144,213)	(2,748,593)
Net cash provided by operating activities	1,125,708	197,617	15,342	182,386	1,521,053
Noncapital financing activities					
Transfers in	-	-	146,398	-	146,398
Transfers out	(265,000)	(95,000)	-	-	(360,000)
Net cash provided (used) by noncapital financing activities	(265,000)	(95,000)	146,398	-	(213,602)
Capital and related financing activities					
Debt issued	-	-	1,358,000	1,411,000	2,769,000
Capital contributions	12,103	-	6,000	1,503,426	1,521,529
Acquisitions of capital assets	(88,712)	-	(9,687)	(1,567,869)	(1,666,268)
Sale of surplus property	4,415	-	-	96,984	101,399
Principal paid on debt	(385,322)	(12,989)	(1,405,458)	(1,526,667)	(3,330,436)
Interest paid on debt	(429,950)	(49)	(96,895)	(81,774)	(608,668)
Net cash used by capital and financing activities	(887,466)	(13,038)	(148,040)	(164,900)	(1,213,444)
Investing activities					
Interest received	255	-	-	-	255
Purchase of investments	(648)	-	-	-	(648)
Net cash used by investing activities	(393)	-	-	-	(393)
Change in cash and equivalents	(27,151)	89,579	13,700	17,486	93,614
Cash and equivalents – beginning of year	515,575	41,368	1,250	900	559,093
Cash and equivalents – end of year	\$ 488,424	\$ 130,947	\$ 14,950	\$ 18,386	\$ 652,707

(continued)

City of Palatka, Florida

Statement of Cash Flows
Proprietary Funds

Year ended September 30,

2013

	Business-type Activities – Enterprise Funds				Total Enterprise Funds
	Water Fund	Sanitation Fund	Golf Course Fund	Airport Fund	
Operating income (loss)	\$ (124,884)	\$ 137,681	\$ (198,911)	\$ (683,458)	\$ (869,572)
Depreciation and amortization	1,131,369	53,246	71,231	734,176	1,990,022
Change in:					
Accounts receivable	(23,015)	9,019	(4,502)	385	(18,113)
Due from other governments	265,221	-	-	146,976	412,197
Inventory	(8,323)	-	(1,277)	1,016	(8,584)
Accounts payable and accrued liabilities	(120,725)	16,586	(5,338)	(282,018)	(391,495)
Due to other funds	-	-	-	(34,240)	(34,240)
Advance from other funds	-	-	159,830	292,928	452,758
Compensated absences	(9,575)	(21,081)	-	2,153	(28,503)
Net OPEB obligation	5,224	2,166	-	509	7,899
Customer deposits	10,416	-	(5,691)	3,959	8,684
Net cash provided by operating activities	\$ 1,125,708	\$ 197,617	\$ 15,342	\$ 182,386	\$ 1,521,053
Noncash capital and related financing activities:					
Asset acquired via capital lease	\$ -	\$ -	\$ 161,590	\$ -	\$ 161,590

(Concluded)

See accompanying notes.

City of Palatka, Florida

Statement of Fiduciary Net Position
Pension Trust Funds

<i>September 30,</i>	2013
Assets	
Investments:	
Money market and other cash equivalents	\$ 553,516
Government bonds and notes	1,641,640
Corporate bonds and notes	9,652,718
Mutual funds - equities	16,383,371
Mutual funds (REIT)	381,628
Common stock/equities	4,643,336
<hr/>	
Total investments	33,256,209
Accounts receivable	132,393
<hr/>	
Total assets	33,388,602
<hr/>	
Liabilities	4,080
<hr/>	
Net position	
Held in trust for pension benefits	\$ 33,384,522
<hr/>	

See accompanying notes.

Statement of Changes in Fiduciary Net Position
Pension Trust Funds

Year ended September 30,

2013

ADDITIONS**Contributions**

Employer	\$ 1,283,632
Member	311,111
State on behalf, through general fund	137,760

Total contributions	1,732,503
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Investment income

Net appreciation in fair value of investments	2,788,931
Interest	129,760
Dividends	758,750

	3,677,441
Less investment management fee	135,386

Net investment income	3,542,055
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Total additions	5,274,558
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DEDUCTIONS

Member benefits	2,815,731
Withdrawals	75,818
Administrative expense	55,624

Total deductions	2,947,173
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Change in net position	2,327,385
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Net position held in trust for pension benefits, beginning of year	31,057,137
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Net position held in trust for pension benefits, end of year	\$ 33,384,522
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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 2012-2013 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.

The City reports the following major enterprise funds:

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

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

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

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

The City has one nonmajor governmental fund.

Additionally, the City reports the following fiduciary funds:

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

Measurement Focus and Basis of Accounting

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

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

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$50,774 allowance.

Investments

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

Inventories

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

Long-Term Receivables

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

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The City generally uses a capitalization threshold of \$5,000 for all classes of capital assets, other than intangible assets and infrastructure. Intangible assets, such as computer software,

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2013.

Claims and Judgments

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

Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

The Putnam County Tax Collector bills and collects property taxes for the City. At September 30, 2013, property taxes receivable were not material.

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

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

Operating Revenues and Expenses

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

Restricted Net Position

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

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

The City has no net position restricted by enabling legislation.

Fund Balance

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Use of Estimates

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

Future Accounting Pronouncements

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

- Items previously reported as assets and liabilities;
- Accounting and financial reporting for pensions;
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

City of Palatka, Florida
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS

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

	Primary Government	Component Unit
Statement of net position:		
Cash and equivalents	\$ 2,692,136	\$ 672,498
Investments	-	1,422,171
Restricted cash and equivalents	87,505	-
Restricted investments	478,404	-
Statement of fiduciary net position:		
Investments	33,256,209	-
Total deposits and investments	\$ 36,514,254	\$ 2,094,669

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	\$ 2,779,641	\$ 2,094,669
Investments - other than pension	478,404	-
Investments - pension	33,256,209	-
Total deposits and investments	\$ 36,514,254	\$ 2,094,669

Deposits

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

Investments

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

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

City of Palatka, Florida
Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at September 30, 2013 are summarized in the following table:

	Maturities			
		0-5 yrs	5-10 yrs	10+ yrs
Pension investments:				
Money market & other cash equivalents	\$ 553,516	\$ 553,516	\$ -	\$ -
Government bonds and notes	1,641,640	436,248	375,856	829,536
Corporate bonds and notes	9,652,718	8,050,386	1,585,572	16,759
Mutual funds (equities)	3,151,032	3,151,032	-	-
Mutual funds (REIT)	381,628	381,629	-	-
Mutual funds (ETF Equities)	9,187,458	9,187,458	-	-
Mutual funds (taxable-equity)	4,044,881	4,044,881	-	-
Common stock	4,643,336	4,643,336	-	-
Total pension investments	33,256,209	30,448,486	1,961,428	846,295
Other investments:				
Government bonds and notes	478,404	-	-	-
Total	\$33,734,613	\$30,448,486	\$1,961,428	\$ 846,295

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

Common Stock	Corporate Bonds and Notes		Government Bonds and Notes		
-	-	AA2	1%	AAA	52%
-	-	AA3	3%	-	-
-	-	A1	12%	-	-
-	-	A2	10%	-	-
-	-	A3	6%	-	-
-	-	BAA1	1%	-	-
-	-	BBB	67%	-	-
Not rated	100%	Not rated	-	Not rated	48%
Total	100%		100%		100%

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

City of Palatka, Florida
Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS

At September 30, 2013, interfund balances are as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General fund	\$ 1,749,044	\$ -
Major enterprise funds:		
Water	20,505	-
Sanitation	80,970	-
Golf course	-	1,557,591
Airport	-	292,928
Total	\$ 1,850,519	\$ 1,850,519

As summarized below, the interfund balances arose because two funds had overdrawn their share of the City's pooled cash account. All of the interfund balances are "advances," which are not expected to be repaid within one year.

	Cash and Equivalents As Reported	Adjustment for Overdraft	True Balance
General fund	\$ 1,727,477	\$ 1,749,044	\$ 3,476,521
Major enterprise fund:			
Water	488,424	20,505	508,929
Sanitation	130,947	80,970	211,917
Golf course	14,950	(1,557,591)	(1,542,641)
Airport	18,386	(292,928)	(274,542)
Total	\$ 2,380,184	\$ -	\$ 2,380,184

City of Palatka, Florida
Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended September 30, 2013 consisted of the following:

Fund Type/Fund	Transfers In	Transfers Out
General fund	\$ 685,099	\$ 141,399
Downtown redevelopment agency fund	-	330,098
Major enterprise funds:		
Water	-	265,000
Sanitation	-	95,000
Golf course	146,398	-
Total	\$ 831,497	\$ 831,497

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

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2013, the following changes in capital assets occurred:

Primary Government	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 6,746,180	\$ -	\$ -	\$ 6,746,180
Construction in progress	550,670	49,424	-	600,094
Total capital assets not being depreciated	7,296,850	49,424	-	7,346,274
Capital assets being depreciated:				
Buildings and improvements	6,845,248	64,997	-	6,910,245
Infrastructure	10,052,543	15,000	-	10,067,543
Furniture and equipment	3,283,339	416,192	-	3,699,531
Intangibles	234,827	-	-	234,827
Total capital assets being depreciated	20,415,957	496,189	-	20,912,146
Less accumulated depreciation for:				
Buildings and improvements	3,193,695	251,470	-	3,445,165
Infrastructure	6,438,501	363,390	-	6,801,891
Furniture and equipment	2,097,174	187,570	-	2,284,744
Intangibles	39,705	24,622	-	64,327
Total accumulated depreciation	11,769,075	827,052	-	12,596,127
Total capital assets being depreciated, net	8,646,882	(330,863)	-	8,316,019
Governmental activities capital assets, net	\$ 15,943,732	\$ (281,439)	\$ -	\$ 15,662,293

City of Palatka, Florida
Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Primary Government	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013
Business-type activities				
Capital assets not being depreciated:				
Land and improvements	\$ 4,245,409	\$ 5,883,885	\$ -	\$ 10,129,294
Construction in progress	6,889,131	2,500	6,889,131	2,500
Total capital assets not being depreciated	11,134,540	5,886,385	6,889,131	10,131,794
Capital assets being depreciated:				
Buildings and improvements	21,209,483	180,579	12,182	21,377,880
Furniture and equipment	4,027,929	238,581	229,258	4,037,252
Water and sewer distribution system	9,827,457	-	-	9,827,457
Plant assets and equipment	32,333,130	2,411,445	-	34,744,575
Total capital assets being depreciated	67,397,999	2,830,605	241,440	69,987,164
Less accumulated depreciation for:				
Building and improvements	8,554,030	779,878	12,182	9,321,726
Furniture and equipment	1,966,496	402,656	229,258	2,139,894
Water and sewer distribution system	3,884,078	286,684	-	4,170,762
Plant assets and equipment	11,262,315	509,217	-	11,771,532
Total accumulated depreciation	25,666,919	1,978,435	241,440	27,403,914
Total capital assets being depreciated, net	41,731,080	852,170	-	42,583,250
Business-type activities capital assets, net	\$ 52,865,620	\$ 6,738,555	\$ 6,889,131	\$ 52,715,044

City of Palatka, Florida
Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

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

Governmental activities:	
General government	\$ 591,694
Public safety	160,711
Transportation	23,669
Human services	9,418
Culture and recreation	41,560
<hr/>	
Total depreciation expense - governmental activities	<u>\$ 827,052</u>

Business-type activities:	
Water and sewer	\$ 1,119,783
Sanitation	53,245
Golf course	734,176
Airport	71,231
<hr/>	
Total depreciation expense - business-type activities	<u>\$ 1,978,435</u>

Discretely Presented Component Unit

Capital assets activity for the Gas Authority for the year ended September 30, 2013 follows:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013
<hr/>				
Capital assets not being depreciated:				
Land	\$ 211,543	\$ -	\$ -	\$ 211,543
<hr/>				
Capital assets being depreciated:				
Buildings and improvements	1,413,600	-	-	1,413,600
Furniture and equipment	657,001	61,247	-	718,248
Plant assets and equipment	4,207,271	723,830	-	4,931,101
Total capital assets being depreciated	<u>6,277,872</u>	<u>785,077</u>	<u>-</u>	<u>7,062,949</u>
<hr/>				
Less accumulated depreciation for:				
Buildings and improvements	180,572	35,394	-	215,966
Furniture and equipment	343,998	84,986	-	428,984
Plant assets and equipment	2,071,561	62,780	-	2,134,341
Total accumulated depreciation	<u>2,596,131</u>	<u>183,160</u>	<u>-</u>	<u>2,779,291</u>
<hr/>				
Total capital assets being depreciated, net	3,681,741	601,917	-	4,283,658
<hr/>				
Gas Authority capital assets, net	<u>\$3,893,284</u>	<u>\$ 601,917</u>	<u>\$ -</u>	<u>\$ 4,495,201</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. \$ 534,226

\$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 \$2,276,550. During the current year, the City recognized infrastructure surtax revenues of \$699,302 and made \$377,387 principal and interest payments. 1,890,000

Total \$ 2,424,226

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 \$12,804,000. During the current year, the City recognized pledged revenues of \$1,425,585, and made \$466,028 principal and interest payments. \$ 7,260,000

\$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 \$349,753. During the current year, the City recognized net revenues of \$898,889, and made \$53,822 principal and interest payments. 333,971

\$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 \$4,545,845. During the current year, the City recognized net revenues of \$898,889 and paid principal and interest payments in the amount of \$284,953. 3,700,506

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

<p>\$528,000 Airport T-Hangar Revenue Refunding Note Series 2013B, plus interest at 3.75% paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$611,613. During the current year, the City recognized net revenues of \$147,703 and made \$45,331 principal and interest payments.</p>	511,000
<p>\$883,000 Airport Terminal Revenue Refunding Note Series 2013C, plus interest at 2.541%, paid semiannually through September 2023, from net revenues of the airport and non-ad valorem revenues. The approximate amount of the pledge is equal to the remaining principal and interest of \$952,655. During the current year, the City recognized net revenues of \$147,703 and made \$74,954 principal and interest payments.</p>	840,000
<p>\$1,358,000 Taxable Golf Course Revenue Refunding Note, Series 2013A, payable in annual installments, plus interest at 4.25% payable semiannually through September 2023, from the net revenues of the Golf Course Facilities and non-ad valorem taxes. The approximate amount of the pledge is equal to the remaining principal and interest of \$1,673,250. During the current year, the City had net revenues of \$(115,106) and made \$83,795 principal and interest payments.</p>	1,349,000
<p>Less unamortized costs</p>	<u>(185,370)</u>
<p>Total</p>	<p><u>\$ 13,809,107</u></p>

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
2014	\$ 304,127	\$ 116,649	\$ 633,163	\$ 509,798
2015	320,320	100,617	652,811	492,093
2016	329,576	83,520	661,599	473,175
2017	337,983	68,273	680,530	452,614
2018	346,424	51,387	694,608	430,655
2019-2023	785,796	57,477	3,648,424	1,801,144
2024-2028	-	-	2,495,266	1,293,477
2029-2033	-	-	1,768,076	884,391
2034-2038	-	-	1,880,000	445,156
2039-2040	-	-	880,000	160,141
Totals	\$ 2,424,226	\$ 477,923	\$ 13,994,477	\$ 6,942,644

Governmental Activities

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Revenue bonds and notes	\$ 2,728,652	\$1,890,000	\$2,194,426	\$ 2,424,226	\$ 304,127
Capital leases	23,285	300,000	8,057	315,228	67,765
Compensated absences	377,000	234,000	224,000	387,000	87,500
Net OPEB obligation	90,816	14,779	-	105,595	-
Total	\$ 3,219,753	\$2,438,779	\$2,426,483	\$ 3,232,049	\$ 459,392

Capital Leases

The City has a \$26,009, 8.9% capital lease for computer equipment due in monthly installments of \$826 and a \$300,000, 1.68% for police vehicles due in monthly installments of \$5,304. Both leases are payable from the General Fund and reported in governmental activities. The aggregate historical cost of purchased vehicles under this lease is \$83,852; \$216,148 is held in escrow for future vehicles acquisitions.

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)

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
2014	\$ 73,553	\$ 42,140
2015	70,250	42,050
2016	63,644	41,248
2017	63,644	36,315
2018	58,310	30,263
Less: amount representing interest	(14,173)	(14,634)
Present value of net minimum lease payments	\$ 315,228	\$ 177,382

Business-type Activities

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Florida Municipal Loan Council revenue					
bonds series 2010A	\$ 7,410,000	\$ -	\$ 150,000	\$ 7,260,000	\$ 155,000
Less: unamortized issuance costs	(196,956)	-	(11,586)	(185,370)	-
Drinking water state revolving fund loan	3,884,313	-	183,807	3,700,506	189,651
Sanitation equipment	12,989	-	12,989	-	-
Water reuse loan	382,826	-	48,855	333,971	49,512
Golf revenue note	1,391,989	-	1,391,989	-	-
Golf revenue note series 2013A	-	1,358,000	9,000	1,349,000	96,000
Airport terminal revenue note	916,668	-	916,668	-	-
Airport revenue note series 2013B	-	528,000	17,000	511,000	53,000
Airport T-hangars revenue note	550,000	-	550,000	-	-
Airport revenue note series 2013C	-	883,000	43,000	840,000	90,000
Total revenue bonds and notes	14,351,829	2,769,000	3,311,722	13,809,107	633,163
Capital lease	20,260	161,590	4,468	177,382	36,608
County water/sewer agreement	128,398	-	2,660	125,738	-
SJRWMD water/sewer agreement	11,293	-	-	11,293	-
Compensated absences	208,650	118,687	147,190	180,147	50,011
Net OPEB obligation	47,644	7,899	-	55,543	-
Total	\$ 14,768,074	\$ 3,057,176	\$ 3,466,040	\$ 14,359,210	\$ 719,782

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.

City of Palatka, Florida
Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Current Refunding

The City amended the Infrastructure Surtax Revenue Bonds, Series 2008 for a current refunding. The refunding was undertaken to repay the previous balance of the infrastructure Surtax Revenue Bonds, Series 2008 and to reduce total future debt service payments. The transaction resulted in an economic gain of approximately \$175,700 and reduction of approximately \$194,600 in future debt service payments.

The City issued \$2,769,000 of revenue notes, Series 2013 A, B and C, for a current refunding of \$2,858,656 of Airport and Golf revenue notes, Series 2008. The refunding was undertaken to repay the Series 2008 bonds, the Sanitation equipment note and to reduce total future debt service payments. The transaction resulted in an economic gain of approximately \$283,600 and reduction of approximately \$353,300 in future debt service payments.

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	\$ 87,505
Investments	478,404
<hr/>	
Total	565,909
<hr/>	
Liabilities payable from restricted assets:	
Current portion of debt service:	
Principal	35,516
Interest	201,799
<hr/>	
Total	237,315
<hr/>	
Restricted net position	\$ 328,594
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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	320,499
<hr/>	
Total	\$ 328,594

NOTE 7 – FUND BALANCE CLASSIFICATIONS

	General Fund	Downtown Redevelopment Agency Fund	Other Governmental Fund	Total Governmental Funds
<hr/>				
Nonspendable:				
Advances	\$1,749,044	\$ -	\$ -	\$ 1,749,044
<hr/>				
Restricted for:				
Debt service	146,610	-	-	146,610
Capital improvements	484,344	-	-	484,344
Special needs recreation	5,000	-	-	5,000
Law enforcement	77,438	-	-	77,438
Fire safety education	10,254	-	-	10,254
Fire protection	5,841	-	-	5,841
Land development	5,000	-	-	5,000
Cemetery improvements	91,865	-	-	91,865
Downtown redevelopment	-	363,894	-	363,894
Housing and community development	-	-	38,105	38,105
<hr/>				
Total restricted	826,352	363,894	38,105	1,228,351
<hr/>				
Committed for:				
Law enforcement	4,196	-	-	4,196
Demolition and lot cleanup	18,460	-	-	18,460
<hr/>				
Total committed	22,656	-	-	22,656
<hr/>				
Unassigned	834,968	-	-	834,968
<hr/>				
Total fund balances	\$3,433,020	\$ 363,894	\$ 38,105	\$ 3,835,019

NOTE 8 – PENSION PLANS

Defined Benefit Plan

Plan Description. The City sponsors a single-employer public employee retirement system (the “System”) administered by the City of Palatka, Pension Boards of Trustees. The System administers the City Employees Retirement Plan (the “Plan”) which provides three employee contributory defined benefit pension plans. Members of the Plan include employees of the City and the Palatka Gas Authority. Nonemployer contributions are made by the State of Florida on behalf of Police Officers and Firefighters who participate in the System. For the year ended September 30, 2013 the City recognized \$59,256 and \$78,504 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. All members are eligible for normal retirement after 7 years of service and attaining age 55 or after 30 years of service regardless of age. Additionally, police and fire employees are also eligible after age 55 and attaining 10 years of service, or after age 52 and attaining 25 years of service. The Plan also provides for disability, retirement and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. For general, police officer and firefighter members, annual benefits for the plan year beginning October 1, 2010, are equal to total years of service times 2.5%, 2.5% and 3.25%, respectively, of final average compensation (highest 3 consecutive years of the last 5). No other changes in benefit provisions have been made for the plan year beginning October 1, 2010. The minimum benefit for duty disability is 45% of final average compensation for general, police officer and firefighter members. The minimum benefit for non-duty disability for all members is 25% of final average compensation.

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

Current membership in the Plan as of September 30, 2013 is as follows:

	General	Police	Fire	Total
Active employees	88	32	20	140
Service retirees and beneficiaries	87	17	10	114
Disability retirees	-	2	-	2
Terminated vested	10	8	2	20
DROP	10	-	2	12
Total	195	59	34	288

Notes to Financial Statements

NOTE 8 – PENSION PLANS (CONTINUED)

Funded Status and Funding Progress. The funded status of each plan as of September 30, 2013, the most recent actuarial valuation date, is 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%

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

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	26.6%	16.3%	45.0%
Plan members	6.0%	6.0%	6.0%
Annual pension cost	788,781	302,303	335,333
Contributions made	788,781	302,303	335,333
Actuarial valuation date	10/1/2011	10/1/2011	10/1/2011
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	26 years	29 years	27 years
Asset valuation method	4 year smooth	4 year smooth	4 year smooth
Actuarial assumptions:			
Investment rate of return	8.0%	8.0%	8.0%
Projected salary increases*	5.5%	5.5%	5.0%
* Includes inflation at	3.0%	3.0%	3.0%

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	9/30/2013	\$ 788,781	100%	\$ -
	9/30/2012	630,233	100%	-
	9/30/2011	409,832	100%	-
Police Officers	9/30/2013	\$ 302,303	100%	\$ -
	9/30/2012	300,180	100%	-
	9/30/2011	307,461	100%	-
Firefighters	9/30/2013	\$ 335,333	100%	\$ -
	9/30/2012	263,440	100%	-
	9/30/2011	261,476	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	\$ 199,531	\$ 216,112	\$ 137,873	\$ 553,516
Government bonds and notes	-	948,952	692,688	1,641,640
Corporate bonds and notes	4,965,772	2,770,873	1,916,073	9,652,718
Mutual funds (REIT)	-	223,073	158,555	381,628
Mutual funds - equities	7,298,179	5,259,350	3,825,842	16,383,371
Common stock/equities	4,643,336	-	-	4,643,336
Total investments	17,106,818	9,418,360	6,731,031	33,256,209
Receivables	71,309	27,480	33,604	132,393
Total assets	17,178,127	9,445,840	6,764,635	33,388,602
Liabilities	4,080	-	-	4,080
Net position:				
Held in trust for pension benefits	\$ 17,174,047	\$ 9,445,840	\$ 6,764,635	\$ 33,384,522

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	\$ 790,325	\$ 240,401	\$ 252,906	\$ 1,283,632
Member	177,921	88,479	44,711	311,111
State on behalf, through general fund	-	59,256	78,504	137,760
Total contributions	968,246	388,136	376,121	1,732,503
Investment income:				
Net appreciation in fair value of investments	1,311,607	853,174	624,150	2,788,931
Interest	-	79,234	50,526	129,760
Dividends	478,532	160,684	119,534	758,750
	1,790,139	1,093,092	794,210	3,677,441
Less investment management fee	48,617	50,201	36,568	135,386
Net investment income	1,741,522	1,042,891	757,642	3,542,055
Total additions	2,709,768	1,431,027	1,133,763	5,274,558
Deductions:				
Member benefits	1,939,409	423,597	452,725	2,815,731
Withdrawals	26,182	37,319	12,317	75,818
Administrative expense	21,905	18,312	15,407	55,624
Total deductions	1,987,496	479,228	480,449	2,947,173
Change in net position	722,272	951,799	653,314	2,327,385
Net position held in trust for pension benefits, beginning of year	16,451,775	8,494,041	6,111,321	31,057,137
Net position held in trust for pension benefits, end of year	\$17,174,047	\$ 9,445,840	\$ 6,764,635	\$33,384,522

Deferred Compensation Plan

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

NOTE 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, 2013, participants consisted of:

Active employees	140
Retirees participants	19
Covered spouses	8
Total	167

Annual OPEB Cost and Net OPEB Obligation

The City had an actuarial valuation performed for the OPEB Plan as of October 1, 2012 to determine the annual required contribution (ARC) for the fiscal year ended September 30, 2013. The City's annual OPEB cost and changes in the net OPEB obligation are summarized below:

Annual required contribution	\$ 46,795
Interest on net OPEB obligation	6,923
Adjustments to ARC	(6,553)
Annual OPEB cost (expense)	47,165
Contributions made	(24,486)
Increase in net OPEB obligation	22,679
Net OPEB obligation - beginning of year	138,459
Net OPEB obligation - end of year	\$ 161,138

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, 2013	\$ 47,165	\$ 24,486	51.9%	\$ 161,138
September 30, 2012	54,997	20,043	36.4%	138,459
September 30, 2011	57,188	24,273	42.4%	103,505

Funded Status

The funded status of the OPEB Plan as of September 30, 2013 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
\$ 433,544	\$ -	\$ 433,544	0.0%	\$ 5,109,582	8.5%

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	5%
Payroll growth/inflation	3%
Healthcare inflation	8.5%; grading down to 4.5% in 2017

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, 2013, the Golf Course Fund had a deficit net position of \$1,184,797. The deficit balance resulted from a continued shortfall in revenues versus expenses. The condition of the course improved dramatically during the fiscal year and the total deficit for the year was much smaller than in previous years. Rehabilitation of the course is continuing and the City is hopeful that the operations of the course will become self-sufficient in the near future.

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, 2013 were \$252,170. Future lease payments are as follows:

	Governmental Activities	Business-type Activities
2014	\$ 155,924	\$ 38,051
2015	38,851	28,538
Total	\$ 194,775	\$ 66,589

NOTE 13 – CONTINGENCIES

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

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund

Year ended September 30,

2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,520,200	\$ 5,520,200	\$ 5,465,543	\$ (54,657)
Permits, fees & special assessments	908,963	908,963	990,001	81,038
Intergovernmental	1,113,395	1,250,087	1,173,395	(76,692)
Charges for services	323,150	311,340	245,095	(66,245)
Fines and forfeitures	652,988	379,521	427,324	47,803
Miscellaneous	145,058	148,598	704,277	555,679
Total revenues	8,663,754	8,518,709	9,005,635	486,926
Expenditures				
Current:				
General government	1,531,741	1,696,853	1,651,710	45,143
Public safety	5,671,466	5,770,175	5,713,322	56,853
Transportation	537,564	505,389	486,426	18,963
Human services	141,197	139,747	142,233	(2,486)
Culture and recreation	449,874	467,877	449,550	18,327
Reserve for contingencies	324,090	164,268	-	164,268
Debt service:				
Principal retirement	327,760	327,760	335,816	(8,056)
Interest and fiscal charges	132,666	156,000	155,598	402
Total expenditures	9,116,358	9,228,069	8,934,655	293,414
Excess of revenues over (under) expenditures	(452,604)	(709,360)	70,980	780,340
Other financing sources (uses)				
Transfers in	1,313,632	1,209,886	685,099	(524,787)
Transfers out	(380,160)	(337,499)	(141,399)	196,100
Capital lease	-	-	300,000	300,000
Payment to refunding bonds escrow agent	-	-	(1,866,667)	(1,866,667)
Issuance of refunding bonds	-	97,686	1,890,000	1,792,314
Total other financing sources (uses)	933,472	970,073	867,033	(103,040)
Net change in fund balances	480,868	260,713	938,013	677,300
Fund balances – beginning of year	757,598	1,117,429	2,495,007	1,377,578
Fund balances – end of year	\$ 1,238,466	\$ 1,378,142	\$ 3,433,020	\$ 2,054,878

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Downtown Redevelopment Agency Fund

Year ended September 30,

2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 383,610	\$ 379,410	\$ 379,410	\$ -
Intergovernmental	-	-	5,000	5,000
Miscellaneous	-	19,963	13,067	(6,896)
Total revenues	383,610	399,373	397,477	(1,896)
Expenditures				
Economic environment	280,281	414,443	177,981	236,462
Reserve for contingencies	195,487	129,328	-	129,328
Total expenditures	475,768	543,771	177,981	365,790
Excess of revenues over (under) expenditures	(92,158)	(144,398)	219,496	363,894
Other financing uses				
Transfers out	(374,476)	(330,098)	(330,098)	-
Net change in fund balances	(466,634)	(474,496)	(110,602)	363,894
Fund balances – beginning of year	466,634	474,496	474,496	-
Fund balances – end of year	\$ -	\$ -	\$ 363,894	\$ 363,894

Notes to Required Supplementary Information

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 except the non-major CDBG Special Revenue Fund, which adopts a project-length budget.

Schedules of Funding Progress – Pension Plans

September 30,

2013

General Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2013	\$ 16,500	\$ 21,365	\$ 4,865	77%	\$ 2,959	164%
9/30/2012	16,035	21,950	5,915	73%	2,823	210%
9/30/2011	14,741	20,124	5,383	73%	2,851	189%
9/30/2010	15,717	19,810	4,093	79%	2,858	143%
9/30/2009	16,053	19,084	3,031	84%	3,493	87%
9/30/2008	16,024	16,624	600	96%	3,512	17%

Police Officers' Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	Unfunded AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2013	\$ 9,090	\$ 9,757	\$ 668	93%	\$ 1,485	45%
9/30/2012	8,466	9,433	966	90%	1,505	64%
9/30/2011	8,094	9,178	1,084	88%	1,451	79%
9/30/2010	8,370	9,401	1,032	89%	1,630	63%
9/30/2009	8,240	9,126	886	90%	1,750	51%
9/30/2008	8,203	8,103	(100)	101%	1,708	(6)%

Firefighters' Plan

Actuarial Valuation Date	Actuarial Value Of Assets (000's)	Actuarial Liability (AAL) Entry Age (000's)	100% AAL (UAAL) (000's)	Funded Ratio	Covered Payroll (000's)	UAAL As A Percent Of Covered Payroll
9/30/2013	\$ 6,451	\$ 8,543	\$ 2,092	76%	\$ 778	269%
9/30/2012	5,995	8,360	2,365	72%	757	312%
9/30/2011	5,739	7,820	2,081	73%	713	292%
9/30/2010	6,018	7,376	1,358	82%	794	171%
9/30/2009	6,130	7,412	1,282	83%	834	154%
9/30/2008	6,269	7,235	966	87%	718	135%

Schedules of Contributions From Employer and Other Contributing Entities
Pension Plans

Year ended September 30,

2013

General Plan

Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2013	\$ 788,781	\$ 788,781	100.00%
9/30/2012	630,230	630,230	100.00%
9/30/2011	409,832	409,832	100.00%
9/30/2010	480,493	480,493	100.00%
9/30/2009	641,357	641,357	100.00%
9/30/2008	559,533	559,533	100.00%

Police Officers' Plan

Year Ended	<u>Employer Contributions</u>			<u>State Contributions</u>		
	Annual Required Contribution	Employer Contribution	Percentage Contributed	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2013	\$ 243,047	\$ 243,047	100.00%	\$ 59,256	\$ 59,256	100.00%
9/30/2012	237,217	237,217	100.00%	62,952	62,952	100.00%
9/30/2011	246,011	246,011	100.00%	61,450	61,450	100.00%
9/30/2010	303,235	303,235	100.00%	62,976	62,976	100.00%
9/30/2009	236,148	236,148	100.00%	66,457	66,457	100.00%
9/30/2008	297,845	297,845	100.00%	74,734	74,734	100.00%

Firefighters' Plan

Year Ended	<u>Employer Contributions</u>			<u>State Contributions</u>		
	Annual Required Contribution	Employer Contribution	Percentage Contributed	Annual Required Contribution	Employer Contribution	Percentage Contributed
9/30/2013	\$ 256,829	\$ 256,829	100.00%	\$ 78,504	\$ 78,504	100.00%
9/30/2012	202,933	202,933	100.00%	60,507	60,507	100.00%
9/30/2011	172,199	172,199	100.00%	89,277	89,277	100.00%
9/30/2010	172,163	172,163	100.00%	80,405	80,405	100.00%
9/30/2009	146,114	146,114	100.00%	71,776	71,776	100.00%
9/30/2008	124,076	124,076	100.00%	61,091	61,091	100.00%

Other Postemployment Benefits Plan

Year ended September 30,

2013

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
10/1/2012	\$ -	\$ 433,544	\$ 433,544	0.0%	\$ 5,109,582	8.5%
10/1/2010	-	454,493	454,493	0.0%	5,354,492	8.5%
10/1/2008	-	483,795	483,795	0.0%	8,830,792	5.5%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
9/30/2013	\$ 47,165	51.9%
9/30/2012	54,997	36.4%
9/30/2011	57,188	42.4%

Notes:

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

Supplementary Information

FIDUCIARY FUNDS

PENSION TRUST FUNDS

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

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

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

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

Combining Statement of Fiduciary Net Position
Pension Trust Funds

September 30,

2013

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
Assets				
Investments:				
Money market and other cash equivalents	\$ 199,531	\$ 216,112	\$ 137,873	\$ 553,516
Government bonds and notes	-	948,952	692,688	1,641,640
Corporate bonds and notes	4,965,772	2,770,873	1,916,073	9,652,718
Mutual funds - equities	7,298,179	5,259,350	3,825,842	16,383,371
Mutual funds (REIT)	-	223,073	158,555	381,628
Common stock/equities	4,643,336	-	-	4,643,336
Receivables	71,309	27,480	33,604	132,393
Total assets	17,178,127	9,445,840	6,764,635	33,388,602
Liabilities	4,080	-	-	4,080
Net position				
Held in trust for pension benefits	\$ 17,174,047	\$ 9,445,840	\$ 6,764,635	\$ 33,384,522

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds

Year ended September 30,

2013

	General Retirement Fund	Police Officers' Retirement Fund	Firefighters' Retirement Fund	Total
ADDITIONS				
Contributions				
Employer	\$ 790,325	\$ 240,401	\$ 252,906	\$ 1,283,632
Member	177,921	88,479	44,711	311,111
State on behalf, through general fund	-	59,256	78,504	137,760
Total contributions	968,246	388,136	376,121	1,732,503
Investment income				
Net appreciation in fair value of investments	1,311,607	853,174	624,150	2,788,931
Interest	-	79,234	50,526	129,760
Dividends	478,532	160,684	119,534	758,750
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Net investment income	1,741,522	1,042,891	757,642	3,542,055
Total additions	2,709,768	1,431,027	1,133,763	5,274,558
DEDUCTIONS				
Member benefits	1,939,409	423,597	452,725	2,815,731
Withdrawals	26,182	37,319	12,317	75,818
Administrative expense	21,905	18,312	15,407	55,624
Total deductions	1,987,496	479,228	480,449	2,947,173
Change in net position	722,272	951,799	653,314	2,327,385
Net position held in trust for pension benefits, beginning of year	16,451,775	8,494,041	6,111,321	31,057,137
Net position held in trust for pension benefits, end of year	\$ 17,174,047	\$ 9,445,840	\$ 6,764,635	\$ 33,384,522

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	50
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	54
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	58
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	63
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	65
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 -----									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$5,146,607	\$5,387,086	\$5,506,649	\$10,466,693	\$10,614,552	\$11,281,907	\$11,915,772	\$12,545,081	\$13,191,795	\$13,138,987
Restricted	\$335,292	\$416,950	\$598,837	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	\$576,702	\$510,476	\$401,999
Unrestricted	<u>\$1,731,832</u>	<u>\$1,460,887</u>	<u>\$1,496,520</u>	<u>\$1,328,481</u>	<u>\$1,693,797</u>	<u>\$1,303,783</u>	<u>\$1,301,177</u>	<u>\$1,968,903</u>	<u>\$2,029,287</u>	<u>\$2,724,277</u>
Total Governmental Activities Net Position	<u>\$7,213,731</u>	<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>
Business-Type Activities										
Net Investment in Capital Assets	\$15,138,704	\$15,725,064	\$17,072,755	\$18,066,125	\$15,276,203	\$23,384,736	\$31,509,858	\$32,510,103	\$38,156,884	\$38,728,555
Restricted	\$806,035	\$830,601	\$779,907	\$773,851	\$792,708	\$810,484	\$519,204	\$386,787	\$327,972	\$328,594
Unrestricted	<u>\$943,366</u>	<u>\$655,193</u>	<u>-\$17,020</u>	<u>\$802,248</u>	<u>\$8,827,626</u>	<u>\$7,441,249</u>	<u>\$969,128</u>	<u>\$486,050</u>	<u>-\$222,895</u>	<u>-\$863,846</u>
Total Business-Type Activities Net Position	<u>\$16,888,105</u>	<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>
Primary Government										
Net Investment in Capital Assets	\$20,285,311	\$21,112,150	\$22,579,404	\$28,532,818	\$25,890,755	\$34,666,643	\$43,425,630	\$45,055,184	\$51,348,679	\$51,867,542
Restricted	\$1,141,327	\$1,247,551	\$1,378,744	\$1,816,592	\$2,229,967	\$2,403,420	\$1,647,599	\$963,489	\$838,448	\$730,593
Unrestricted	<u>\$2,675,198</u>	<u>\$2,116,080</u>	<u>\$1,479,500</u>	<u>\$2,130,729</u>	<u>\$10,521,423</u>	<u>\$8,745,032</u>	<u>\$2,270,305</u>	<u>\$2,454,953</u>	<u>\$1,806,392</u>	<u>\$1,860,431</u>
Total Primary Government Net Position	<u>\$24,101,836</u>	<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>

Table 2
City of Palatka, Florida

Changes in Net Position - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$879,252	\$957,828	\$882,002	\$677,251	\$852,906	\$768,892	\$1,472,469	\$1,630,295	\$1,795,179	\$2,192,293
Public Safety	\$4,614,844	\$4,873,998	\$5,611,944	\$6,203,873	\$6,210,601	\$6,005,490	\$5,968,153	\$5,611,920	\$5,336,015	\$5,467,142
Physical Environment	-	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-	-
Transportation	\$631,355	\$1,142,443	\$1,382,910	\$1,282,350	\$973,566	\$1,129,653	\$697,212	\$681,907	\$577,407	\$511,114
Economic Environment	\$66,979	\$63,715	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981
Human Services	\$186,242	\$176,399	\$212,165	\$227,525	\$232,009	\$266,804	\$209,332	\$177,551	\$150,327	\$151,906
Culture and Recreation	\$540,808	\$443,796	\$505,841	\$561,238	\$822,826	\$1,048,560	\$538,150	\$430,962	\$505,572	\$427,004
Interest on Long-Term Debt	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$148,904	\$155,588
Total Governmental Activities Expenses	\$6,950,105	\$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
Business-type Activities:										
Airport	\$654,561	\$659,324	\$854,457	\$974,382	\$1,127,150	\$1,273,476	\$1,593,744	\$1,627,231	\$1,626,167	\$1,672,638
Water	\$3,239,058	\$3,461,247	\$3,692,108	\$3,809,776	\$4,342,447	\$4,550,364	\$4,978,295	\$4,750,830	\$4,784,639	\$4,688,134
Golf	\$773,144	\$803,434	\$933,767	\$1,004,007	\$1,014,105	\$908,683	\$982,862	\$1,017,307	\$1,005,000	\$997,958
Sanitation	\$1,273,168	\$1,481,355	\$1,391,125	\$1,430,766	\$1,473,689	\$1,393,713	\$1,347,455	\$1,359,544	\$1,379,559	\$1,397,879
Total Business-type Activities Expenses	\$5,939,931	\$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
Total Primary Government Expenses	\$12,890,036	\$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
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$115,774	\$108,424	\$102,416	\$100,431	\$116,431	\$102,882	\$105,351	\$106,446	\$92,185	\$114,051
Public Safety	\$316,470	\$279,116	\$322,191	\$234,747	\$235,176	\$296,767	\$248,591	\$296,395	\$285,578	\$608,594
Other	\$152,957	\$179,865	\$167,965	\$198,985	\$182,337	\$165,217	\$229,305	\$210,316	\$178,434	\$198,826
Operating Grants and Contributions	\$777,845	\$573,201	\$832,506	\$912,670	\$705,287	\$1,163,584	\$1,341,212	\$1,390,057	\$877,019	\$981,676
Capital Grants and Contributions	\$1,816,727	\$765,763	\$874,390	\$1,463,953	\$1,060,723	\$1,288,072	\$2,016,675	\$1,299,627	\$1,677,074	\$736,090
Total Governmental Activities Program Revenue	\$3,179,773	\$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
Business-type Activities:										
Charges for Services:										
Airport	\$305,496	\$386,036	\$567,999	\$506,385	\$709,468	\$572,594	\$704,760	\$895,300	\$851,615	\$895,597
Water	\$3,089,418	\$3,134,799	\$3,113,887	\$3,459,388	\$3,616,813	\$3,628,361	\$3,780,615	\$3,878,206	\$3,976,734	\$4,122,596
Golf	\$531,170	\$711,672	\$762,061	\$751,903	\$754,328	\$726,113	\$620,594	\$613,202	\$593,578	\$701,466
Sanitation	\$1,329,226	\$1,426,784	\$1,430,572	\$1,516,191	\$1,500,141	\$1,533,927	\$1,522,581	\$1,497,397	\$1,542,053	\$1,535,189
Operating Grants and Contributions	\$61,500	\$139,118	-	\$7,000	-	-	-	-	-	-
Capital Grants and Contributions	\$929,654	\$981,176	\$1,423,874	\$2,451,986	\$6,301,063	\$8,242,870	\$2,413,721	\$2,281,761	\$6,615,111	\$1,521,529
Total Business-type Activities Program Revenue	\$6,246,464	\$6,779,585	\$7,298,393	\$8,694,853	\$12,881,813	\$14,703,665	\$9,042,261	\$9,165,866	\$13,579,091	\$8,776,379
Total Primary Government Program Revenue	\$9,426,237	\$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
Net (Expense)/Revenue										
Governmental Activities	(\$3,770,332)	(\$5,795,578)	(\$6,467,567)	(\$6,662,248)	(\$7,255,458)	(\$6,985,753)	(\$5,943,900)	(\$6,136,435)	(\$5,752,410)	(\$6,450,801)
Business-type Activities	\$306,533	\$374,225	\$426,936	\$1,475,922	\$4,924,422	\$6,577,429	\$139,905	\$410,954	\$4,783,726	\$19,770
Total Primary Government Net Expense	(\$3,463,799)	(\$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)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property Taxes	\$2,440,143	\$2,765,692	\$3,334,384	\$3,805,051	\$3,942,201	\$3,836,383	\$3,774,261	\$3,743,535	\$3,497,854	\$3,432,971
Sales Tax and Other State Shared Revenue	\$794,003	\$848,661	\$888,738	\$894,912	\$863,426	\$803,775	\$785,219	\$737,011	\$761,613	\$783,678
Franchise Fees	\$611,540	\$684,678	\$911,188	\$915,447	\$898,638	\$931,985	\$879,660	\$886,166	\$662,190	\$904,958
Other Taxes	\$1,282,812	\$1,307,119	\$1,504,315	\$1,743,359	\$2,114,626	\$1,632,411	\$1,409,048	\$1,189,645	\$1,035,332	\$1,053,895
Investment Earnings	\$30,041	\$50,519	\$64,090	\$82,975	\$81,319	\$55,790	\$5,689	\$5,689	\$1,384	\$220
Miscellaneous	\$57,250	\$54,804	\$79,721	\$85,774	\$50,031	\$31,800	\$60,637	\$149,036	\$83,791	\$595,182
Transfers	-\$569,282	\$135,297	\$22,214	\$142,873	\$212,910	\$126,527	-\$803,896	\$175,000	\$352,321	\$213,602
Total Governmental Activities	\$4,646,507	\$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
Business-type Activities:										
Investment Earnings	\$6,749	\$11,071	\$19,859	\$17,786	\$421,634	\$56,140	\$188,945	\$446	\$450	\$255
Gain on Sale of Assets	-	-	-	-	-	\$22,174	-	-	-	-
Miscellaneous	\$174,522	\$72,754	\$200,203	\$455,747	\$121,167	\$210,716	\$228,975	\$148,350	\$447,166	\$124,919
Transfers	\$589,282	(\$135,297)	(\$22,214)	(\$142,873)	(\$212,910)	(\$126,527)	\$803,896	(\$175,000)	(\$352,321)	(\$213,602)
Total Business-type Activities	\$750,553	(\$51,472)	\$197,848	\$330,660	\$329,891	\$162,503	\$1,221,816	(\$26,204)	\$95,295	(\$86,428)
Total Primary Government	\$5,397,060	\$5,795,298	\$7,002,498	\$7,981,051	\$8,493,042	\$7,581,274	\$7,332,434	\$6,855,573	\$6,488,577	\$6,898,078
Changes in Net Position										
Governmental Activities	\$876,175	\$51,192	\$337,083	\$988,143	\$907,693	\$433,018	\$166,718	\$745,342	\$640,872	\$533,705
Business-type Activities	\$1,057,086	\$322,753	\$624,784	\$1,806,582	\$5,254,313	\$6,739,932	\$1,361,721	\$384,750	\$4,879,021	-\$68,658
Total Primary Government	\$1,933,261	\$373,945	\$961,867	\$2,794,725	\$6,162,006	\$7,172,950	\$1,528,439	\$1,130,092	\$5,519,893	\$465,047

Table 3
City of Palatka, Florida

Fund Balances, Governmental Funds - Last Ten Fiscal Years

	Fiscal Years Ending September 30 ---									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Nonspendable	-	-	-	-	-	-	-	\$867,346	\$1,296,287	\$1,749,044
Restricted	-	-	-	-	-	-	-	\$511,570	\$483,518	\$826,352
Committed	-	-	-	-	-	-	-	\$17,246	\$106,948	\$22,656
Assigned	-	-	-	-	-	-	-	\$107,416	\$0	\$0
Unassigned	-	-	-	-	-	-	-	\$858,214	\$608,254	\$834,968
Reserved	\$0	\$0	\$0	\$1,269,605	\$0	\$0	\$414,758	-	-	-
Unreserved	\$1,801,421	\$1,785,860	\$1,767,288	\$414,620	\$2,006,861	\$1,682,108	\$1,262,722	-	-	-
Total General Fund	<u>\$1,801,421</u>	<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>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	\$0	\$0	\$0
Restricted	-	-	-	-	-	-	-	\$576,702	\$510,476	\$401,999
Committed	-	-	-	-	-	-	-	\$0	\$0	\$0
Assigned	-	-	-	-	-	-	-	\$0	\$0	\$0
Unassigned	-	-	-	-	-	-	-	\$0	\$0	\$0
Reserved	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-	-	-
Unreserved, reported in:										
Special Revenue Funds	\$408,727	\$490,642	\$681,477	\$1,042,741	\$1,437,259	\$1,592,936	\$1,128,395	-	-	-
Total All Other Governmental Funds	<u>\$408,727</u>	<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>

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$5,350,377	\$5,844,778	\$6,939,634	\$7,681,577	\$8,090,897	\$7,445,473	\$7,232,476	\$6,342,763	\$5,871,626	\$5,844,953
License and Permits	\$303,236	\$194,268	\$219,316	\$199,194	\$191,364	\$207,494	\$179,539	\$998,436	\$758,887	\$990,001
Intergovernmental	\$2,246,481	\$1,339,897	\$1,414,018	\$2,052,538	\$1,521,038	\$2,124,532	\$2,914,885	\$2,050,177	\$2,029,005	\$1,185,395
Charges for Services	\$118,285	\$156,139	\$138,910	\$196,549	\$176,968	\$176,629	\$267,914	\$249,991	\$209,738	\$245,095
Fines and Forfeitures	\$127,217	\$146,437	\$151,038	\$75,607	\$85,850	\$112,850	\$65,042	\$94,444	\$106,623	\$427,324
Miscellaneous	\$81,166	\$115,696	\$225,377	\$227,782	\$234,367	\$291,894	\$195,792	\$285,574	\$219,412	\$719,469
Total Revenues	\$8,226,762	\$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
Expenditures										
General Government	\$726,240	\$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
Public Safety	\$4,539,971	\$4,891,385	\$5,571,450	\$7,546,297	\$6,127,251	\$5,875,853	\$5,952,155	\$5,572,424	\$5,192,326	\$5,713,322
Physical Environment	\$716,608	\$16,191	\$14,028	\$481,343	\$295,824	-	-	-	-	-
Transportation	\$614,119	\$1,165,634	\$1,387,665	\$1,393,241	\$759,315	\$780,123	\$663,316	\$650,468	\$548,073	\$486,426
Economic Environment	\$66,979	\$129,128	\$134,348	\$102,299	\$148,148	\$579,661	\$816,722	\$741,467	\$349,296	\$184,981
Human Services	\$179,312	\$226,867	\$217,471	\$257,208	\$227,715	\$284,172	\$209,228	\$167,569	\$140,296	\$142,233
Culture and Recreation	\$915,684	\$454,624	\$571,372	\$708,890	\$897,530	\$1,038,817	\$703,621	\$453,438	\$465,756	\$449,550
Debt Service										
Principal Retirement	\$159,867	\$155,134	\$148,626	\$146,794	\$633,924	\$449,966	\$384,042	\$339,846	\$330,468	\$335,816
Interest and Fiscal Charges	\$30,625	\$27,577	\$23,797	\$37,155	\$49,532	\$203,215	\$182,996	\$165,174	\$149,483	\$155,598
Total Expenditures	\$7,949,405	\$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
Excess of Revenues Over (Under) Expenditures	\$277,357	(\$68,943)	\$150,049	(\$1,262,271)	(\$2,739,558)	(\$295,603)	\$334,727	(\$42,381)	(\$311,341)	\$292,601
Other Financing Sources (Uses)										
Proceeds From Borrowing	-	-	-	\$1,379,225	\$3,243,802	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-	-	\$26,009	\$300,000
Transfers In	\$284,974	\$282,766	\$332,837	\$247,957	\$259,048	\$275,000	\$193,850	\$757,243	\$1,088,468	\$685,099
Transfers Out	(\$137,648)	(\$147,469)	(\$310,623)	(\$86,710)	(\$46,138)	(\$148,473)	(\$997,746)	(\$582,243)	(\$736,147)	(\$471,497)
Debt Issued	-	-	-	-	-	-	-	-	-	-
Payment to refunded bonds escrow agent	-	-	-	-	-	-	-	-	-	-\$1,866,667
Issuance of refunding bonds	-	-	-	-	-	-	-	-	-	\$1,890,000
Total Other Financing Sources (Uses)	\$147,326	\$135,297	\$22,214	\$1,540,472	\$3,456,712	\$126,527	-\$803,896	\$175,000	\$378,330	\$536,935
Net Change in Fund Balances	\$424,683	\$66,354	\$172,263	\$278,201	\$717,154	(\$169,076)	(\$469,169)	\$132,619	\$66,989	\$829,536
Acquisitions of Capital Assets	\$504,593	\$356,524	\$275,970	\$2,459,657	\$3,359,965	\$1,021,747	\$1,051,693	\$1,165,834	\$1,157,811	\$245,613
Debt Service as a Percentage of Non-Capital Expenditures	2.56%	2.43%	1.99%	1.99%	7.06%	6.78%	5.99%	5.68%	5.75%	5.54%

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, 2013

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	
2003-04	\$218,334,521	\$452,698,286	\$56,587,231	\$86,030,561	\$274,921,752	\$538,728,847	7.8000	51.03%
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%

* 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, 2013

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Total Collections to Levy</u>
2004	\$2,144,390	\$1,990,690	0.9283	\$10,232	\$2,000,922	0.9331
2005	\$2,436,535	\$2,290,702	0.9401	\$14,777	\$2,305,479	0.9462
2006	\$2,645,191	\$2,529,526	0.9563	\$59,668	\$2,589,194	0.9788
2007	\$3,377,114	\$3,108,434	0.9204	\$4,343	\$3,112,777	0.9217
2008	\$3,688,668	\$3,132,637	0.8493	\$711	\$3,133,348	0.8495
2009	\$3,644,652	\$3,527,380	0.9678	\$17,701	\$3,545,081	0.9727
2010	\$3,575,819	\$3,472,692	0.9712	\$20,080	\$3,492,772	0.9768
2011	\$3,579,471	\$3,466,313	0.9684	\$6,903	\$3,473,216	0.9703
2012	\$3,364,254	\$3,261,185	0.9694	\$9,432	\$3,270,617	0.9722
2013	\$3,345,632	\$3,244,766	0.9699	\$12,660	\$3,257,426	0.9736

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
2004	8.0000	0.0000	8.0000	9.2000	0.0000	9.2000	8.466	0.800	9.266	0.4620	26.928
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	0.4158	25.162
2013	9.1749	0.0000	9.1749	8.5765	0.0000	8.5765	7.356	0.000	7.356	0.3313	25.439

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

Table 8
City of Palatka, Florida

Principal Taxpayers
Current and Nine Years Ago

Taxpayer	Fiscal Year 2013-----			Fiscal Year 2004 -----		
	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Assessed Value
Putnam Community Medical Center	\$16,256,378	1	4.18%	\$16,736,179	1	5.50%
Wal-Mart Inc.	\$13,034,214	2	3.35%	\$13,044,851	2	4.28%
Revenue Properties Town & Country	\$9,469,872	3	2.43%	-	-	-
Home Depot	\$6,504,225	4	1.67%	-	-	-
Lowe's Home Centers	\$6,476,331	5	1.67%	-	-	-
Florida Power & Light	\$6,371,707	6	1.64%	\$7,135,062	5	2.34%
Southern Medical Associates	\$4,995,627	7	1.28%	\$6,197,811	7	2.03%
Bellsouth Telecommunications	\$4,576,246	8	1.18%	\$9,790,163	3	3.21%
Palatka Mall LLC	\$4,285,695	9	1.10%	\$4,362,379	10	1.43%
FWI 5 LLC	\$4,250,477	10	1.09%	\$4,366,853	9	1.43%
Total	\$76,220,772		19.60%	\$61,633,298		20.22%

Source: Putnam County Property Appraiser

Table 9
City of Palatka, Florida

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
September 30, 2013

Fiscal year	Tax Increment Bond	Road Improvement Bond	Total	Net GBD to Personal Income	Net GBD Per Capita
2004	\$223,600	\$314,035	\$537,635	0.24%	\$50
2005	\$186,333	\$265,155	\$451,488	0.19%	\$41
2006	\$149,067	\$213,472	\$362,539	0.14%	\$31
2007	\$111,800	\$158,849	\$270,649	0.10%	\$24
2008	\$0	\$98,522	\$98,522	0.04%	\$9
2009	\$0	\$37,498	\$37,498	0.01%	\$3
2010	\$0	\$0	\$0	0.00%	\$0
2011	\$0	\$0	\$0	0.00%	\$0
2012	\$0	\$0	\$0	0.00%	\$0
2013	\$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, 2013

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, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Putnam County School District			
SBE 2004-A	\$325,000	10.82%	\$35,165
SBE 2005-A New Money	\$55,000	10.82%	\$5,951
SBE 2005-A Refunding	\$145,000	10.82%	\$15,689
SBE 2005-B	\$170,000	10.82%	\$18,394
SBE 2008-A	\$575,000	10.82%	\$62,214
SBE 2009-A Refunding	\$105,000	10.82%	\$11,361
SBE 2011-A Refunding	\$415,000	10.82%	\$44,903
Putnam County Board of County Commissioners			
Bell South Phone System	\$52,888	10.82%	\$5,722
Caterpillar - Excavator	\$52,009	10.82%	\$5,627
Caterpillar - Grader	\$36,159	10.82%	\$3,912
Suntrust Vehicles	\$182,340	10.82%	\$19,729
Property - Computers	\$106,496	10.82%	\$11,523
Debt repaid with non-ad valorem taxes			
Putnam County Board of County Commissioners			
Communications Improvemen	\$710,639	13.62%	\$96,777
MSBU Special Assessments	\$810,252	13.62%	\$110,343
MSBU Special Assessments	\$158,988	13.62%	\$21,652
Debt repaid with sales surtax revenue			
Putnam County Board of County Commissioners			
Better Place Plan	\$4,735,000	15.25%	\$722,043
Better Place Plan	\$1,925,000	15.25%	\$293,545
<i>Subtotal, overlapping debt</i>			\$1,484,550
City direct debt			\$2,739,454
Total direct and overlapping debt			\$4,224,004

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			
2004	\$137,206	\$537,635	\$16,860	\$658,257	\$6,880,708	\$195,163	\$8,425,829	3.76%	\$779
2005	\$85,079	\$451,488	-	\$883,935	\$6,649,458	\$164,416	\$8,234,376	3.47%	\$742
2006	\$25,402	\$362,539	-	\$1,487,045	\$6,414,918	\$127,900	\$8,417,804	3.34%	\$736
2007	\$1,182,352	\$270,649	\$167,371	\$2,237,255	\$6,101,762	\$8,778	\$9,968,167	3.87%	\$881
2008	\$4,026,577	\$98,522	\$105,151	\$13,647,844	\$5,668,653	-	\$23,546,747	9.05%	\$2,089
2009	\$3,705,273	\$37,498	\$37,513	\$16,997,451	\$5,383,638	-	\$26,161,373	8.97%	\$2,350
2010	\$3,381,920	-	\$14,322	\$8,421,514	\$7,444,872	-	\$19,262,628	6.39%	\$1,763
2011	\$3,056,396	-	-	\$7,761,469	\$7,346,458	-	\$18,164,323	6.12%	\$1,720
2012	\$2,728,652	-	\$23,285	\$7,138,784	\$7,213,044	\$20,260	\$17,124,025	5.88%	\$1,678
2013	\$2,424,226	-	\$315,228	\$6,734,477	\$7,074,630	\$177,382	\$16,725,943	5.63%	\$1,635

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
2004	\$305,496	\$287,618	\$17,878	\$11,381	\$4,115	115.37%	\$3,182,217	\$2,293,009	\$889,208	\$185,000	\$319,711	176.18%
2005	\$386,028	\$386,746	(\$718)	\$17,369	\$3,503	-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%

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
2004	\$618,037	\$707,727	(\$89,690)	\$46,190	\$18,926	-137.74%	\$0	\$0	\$0	n/a
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%

Source: Finance department, audited financial statements

Table 14
City of Palatka, Florida

Demographic Statistics
Last Ten Fiscal Years
September 30, 2013

Fiscal Year	Population (1)	Personal Income(million of dollars) (2)	Per Capita Personal Income (3)	School (4) Enrollment	Unemployment Rate (5)
2004	10,820	\$241	\$22,248	5716	5.3%
2005	11,100	\$259	\$23,331	5371	4.1%
2006	11,417	\$277	\$24,283	5508	3.8%
2007	11,470	\$291	\$25,397	5555	4.8%
2008	11,264	\$297	\$26,362	4101	8.4%
2009	11,133	\$292	\$26,205	4768	12.1%
2010	10,926	\$302	\$27,597	4860	12.5%
2011	10,558	\$297	\$28,125	5642	11.9%
2012	10,203	\$291	\$28,556	5585	11.0%
2013	10,230	\$297	\$29,048	6254	8.9%

Sources:

- (1) University of Florida, Bureau of Economic and Business Research, Florida Estimate of Population (2004-2010, 2012-2013), 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 2013</u>			<u>Fiscal Year 2004</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>
St Johns River Water Management Disl	700	1	13.69%	686	1	12.68%
Putnam Community Medical Center, LL	421	2	8.23%	533	4	9.85%
Walmart Supercenter	400	3	7.82%	523	5	9.67%
Publix Super Market	300	4	5.87%	185	7	3.42%
Putnam County Sheriff's Office	300	5	5.87%	-	-	-
Palatka Healthcare Center	190	6	3.71%	-	-	-
Rural Health Care Incorporated	186	7	3.64%	-	-	-
Palatka High School	160	8	3.13%	-	-	-
Arc Of Putnam County Inc	157	9	3.07%	-	-	-
City of Palatka	140	10	2.74%	178	8	3.29%
Total	2,954		57.75%	2,105		38.91%

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

Table 16
City of Palatka, Florida

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Building permits issued	821	982	884	804	621	80	596	618	595	583
Building inspections conducted	2280	1905	1843	1987	1543	1499	1359	1360	1257	898
Code enforcements	417	532	281	547	311	701	200	165	184	214
Occupational license issued	1016	1014	904	1072	1013	1258	1092	1220	1078	675
Police:										
Calls for service	27,132	30,595	36,196	32,350	31,933	31,264	34,559	29,847	32,709	30,616
Physical arrests	1,507	1,989	2,264	2,003	1,798	1,450	1,528	1,119	1,047	788
Citations	1,568	1,989	2,747	2,299	1,217	1,269	2,060	1,616	1,660	1,470
Fire:										
Emergency responses	2,189	1,987	1,958	2,063	2,590	2,610	2,412	2,687	2,498	2,173
Fires extinguished	1,093	1,020	923	721	457	538	98	10	41	125
Refuse collection:										
Customers	5,100	4,998	5,062	5,027	4,935	3,469	3,850	3,819	3,869	3,827
Other public works:										
Street resurfaced (miles)	2.5	6	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Potholes repaired	150	125	100	100	98	100	100	110	58	63
Parks and recreation:										
Community center rentals	69	75	68	68	142	147	197	58	83	129
Human Services:										
Interments	124	113	150	145	133	103	146	122	107	117
Water:										
Water main breaks	12	12	12	30	16	10	7	16	7	26
Average daily consumption (thousands of gallons)	1,727	1,905	2,366	1,735	2,229	2,030	2,000	2,044	1,811	1,684
Peak daily consumption (thousands of gallons)	2,359	2,757	3,189	2,300	2,997	2,870	2,720	2,757	2,908	2,139
Wastewater:										
Average daily treatment (thousands of gallons)	2,500	2,500	2,500	2,500	2,500	2,500	1,940	1,490	2,040	1,540
Airport:										
Rentals-T Hangars	49	49	49	49	49	54	54	54	54	54
Building	2	2	2	2	1	1	1	1	1	2
Land leases	2	2	2	2	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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	25	25	26	24	22	22	24	24	22
Fire station	2	2	2	2	2	2	2	2	2	2
Firefighters	17	17	20	20	20	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	71.18
Traffic signals	16	16	16	22	22	22	22	22	21	21
Parks and recreation:										
Acreage	24.26	24.26	24.26	24.26	24.26	24.26	24.26	24.26	26.67	26.67
Playgrounds	10	10	10	10	10	10	10	10	10	10
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Community Centers	1	1	1	1	1	1	1	1	1	1
Water:										
Water mains (miles)	104	105	106	106	106	106	108	108	108	108
Fire hydrants	445	450	455	455	565	570	578	578	578	578
Storage capacity (in millions)	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Wastewater:										
Sanitary sewers (miles)	74	75	76	80	80	80	80	80	80	80
Storm sewers (miles)	60	60	60	60	60	60	60	60	60	60
Treatment capacity(millions of gals.)	912	912	912	912	1095	1095	1278	1278	1278	1278
Golf Courses:										
Acreage	99	99	99	99	99	99	99	99	99	99
Airports:										
Runways	3	3	3	3	3	3	3	3	3	3

Source:
Individual departments of the city

Table 18
City of Palatka, Florida

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

<u>Function</u>	Full-Time Equivalent Employees(FTE) as of September 30 -----									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
General Administration	8	9	9	8	8	9	8	8	8	8
Attorney	1	1	1	1	1	1	1	1	1	0.5
General Service Director	0	0	1	0	0	0	0	0	0	0
Mainstreet	0	1	1	0	0	1	0	1	1	1
Information Technology	0	0	0	0	0	0	0	0	0	1
Public Safety										
Building & Zoning	6	6	7	7	6	4	5	4	4	4
Police Officers	33	32	39	39	39	37	36	34	35	34
Police Clerical	8	8	7	7	7	6	6	7	7	6.5
Code Enforcement	1	1	1	1	1	1	1	1	1	1
Firefighters	17	17	20	20	20	23	23	23	23	23.5
Transportation										
Streets	9	9	9	9	7	6	6	6	6	6
Human Services										
Cemeteries	4	5	5	5	5	4	3	2	2	2
Culture/Recreation	6	6	7	7	7	8	7	5	5	5
Business Type Activities:										
Airport	3	4	4	4	4	3	3	2	3	3
Water	37	36	37	37	37	33	33	31	32	32
Golf	8	8	7	10	9	8	0	0	0	0
Sanitation	19	19	19	19	19	16	14	14	13	17

Source: City of Palatka Personnel Department

Single Audit Section

MANAGEMENT LETTER

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

We have audited the financial statements of the City of Palatka (the "City") as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated April 24, 2014. 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(7). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554. However, the Golf Course Fund again incurred a net loss and received continued funding advances from the General Fund. Golf Course Fund losses were approximately \$143,000, \$410,000 and \$404,000 for 2013, 2012 and 2011, respectively. As of September 30, 2013, the Golf Course Fund had approximately \$1,516,000 deficit in unrestricted net position and \$1,185,000 deficit in total net position. In addition, the Airport Fund had approximately \$180,000

deficit unrestricted net position. Continued use of General Fund available resources to subsidize enterprise operations strains the general operating reserves of the City, which are currently below the recommended minimum level. As reported in previous years, the City's financial condition should be closely monitored to build reserves and to prevent reoccurrence of the deficits in the future.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that City's annual financial report for the fiscal year ended September 30, 2013, 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, 2013.

Investment of Public Funds

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

Other Matters

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

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.

Cary Riggs & Ingram, L.L.C.

Palatka, Florida
April 24, 2014



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, 2013, 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 24, 2014.

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.

Case, Riggs & Ingram, L.L.C.

Palatka, Florida
April 24, 2014

Schedule of Expenditures of Federal Awards

Year ended September 30,

2013

Federal Awards	Federal CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Community Facilities Loans and Grants	10,766	PM	\$ 25,215
Community Facilities Loans and Grants	10,766	FT	150,000
Program total			175,215
U.S. Department of Housing and Urban Development			
Passed through State Department of Economic Opportunity: Community Development Block Grant	14,228	11DB-L4-04-64-02-C02	7,000
U.S. Department of Justice			
Crime victim assistance	16,575	V11045	34,213
Passed through Florida Department of Law Enforcement:			
Byrne Justice Assistance Grant Program	16,738	2013-JAGC-PUTN-1-D7-018	14,620
Byrne Justice Assistance Grant Program	16,738	2013-DJ-BX-0269	10,955
Program total			25,575
U.S. Department of Transportation			
FAA Airport Improvement Program	20,106	AIP 3-12-0061-022-2012	997,318
FAA Airport Improvement Program	20,106	AIP 3-12-0061-021-2011	200,607
Program total			1,197,925
National Endowment for the Arts			
Promotion of the Arts- Grants to Organizations & Individuals	45,024		5,000
Department of Homeland Security			
Assistance to Firefighters Grant	97,044	EMW-2012-FO-03185	37,655
Assistance to Firefighters Grant	97,044	EMW-2008-FF-00811	20,126
Program total			57,781
Homeland Security Grant Program- USAR	97,067	OPVG	7,408
Total expenditures of federal awards			\$ 1,510,117

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 its major federal program for the year ended September 30, 2013. The City's major federal program is 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 the City's major federal program 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 program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

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 the 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.

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

Palatka, Florida
April 24, 2014

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 program.
5. The report on compliance with requirements applicable to the major federal award program expressed an unmodified opinion.
6. No findings were disclosed relative to the major federal program.
7. The City's major federal program was:

FAA Airport Improvement Program

Federal
CFDA Number
20.106

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs.
9. The City did not qualify 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 program.

City of Palatka, Florida

Summary Schedule of Prior Audit Findings

There were no prior audit findings relating to Federal or State Financial Assistance programs.

VERNON MYERS
MAYOR - COMMISSIONER

MARY LAWSON BROWN
VICE MAYOR - COMMISSIONER

ALLEGRA KITCHENS
COMMISSIONER

PHIL LEARY
COMMISSIONER

JAMES NORWOOD, JR.
COMMISSIONER



MICHAEL J. CZYMBOR
CITY MANAGER

BETSY JORDAN DRIGGERS
CITY CLERK

MATTHEW D. REYNOLDS
FINANCE DIRECTOR

GARY S. GETCHELL
CHIEF OF POLICE

MICHAEL LAMBERT
CHIEF FIRE DEPT.

DONALD E. HOLMES
CITY ATTORNEY

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

April 24, 2014

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, 2013.

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