A scenic sunset over a body of water. The sun is a bright orange orb partially obscured by dark, silhouetted clouds. The sky is a mix of orange, yellow, and dark blue. In the foreground, there are tall, thin grasses or reeds, also silhouetted against the bright sky. The water is calm and reflects the colors of the sunset.

# The City of Palmetto, Florida Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2015

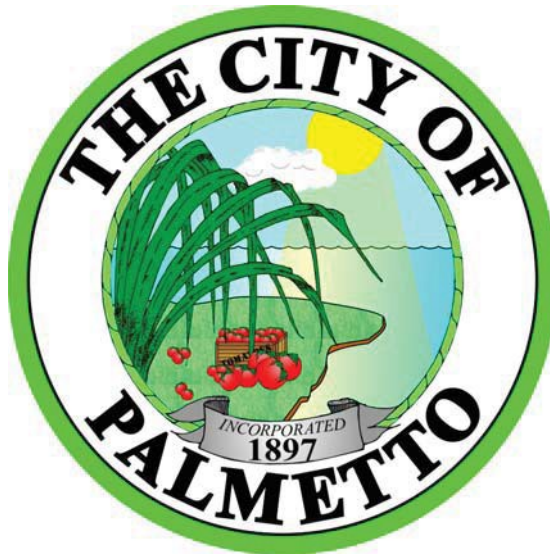


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*Comprehensive Annual  
Financial Report*

*City of Palmetto, Florida*

For the Fiscal Year Ended  
September 30, 2015



Prepared By  
The Finance Department

Karen L. Simpson, CGFO  
Deputy Clerk of Finance



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P.O. Box 1209  
Palmetto, Florida 34220-1209  
Phone (941) 723-4570  
FAX (941) 723-4576

March 10, 2016

To the Citizens of the City of Palmetto, Florida:

State law requires that all general purpose local governments publish each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, I present to you the Comprehensive Annual Financial Report of the City of Palmetto, Florida, for the fiscal year ended September 30, 2015.

This report consists of management's representations concerning the finances of the City of Palmetto. Management assumes full responsibility for the reliability and completeness of the information presented in this report. To provide a reasonable basis for making these representations, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. The City of Palmetto has designed internal controls to provide reasonable assurance that the financial statements are free from any material misstatement. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain a comprehensive understanding of the City's financial activity have been included.

The City of Palmetto's basic financial statements have been audited by independent certified public accountants, Christopher, Smith, Leonard, Bristow & Stanell, P.A. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015, are free from material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Palmetto's financial statements for the fiscal year ended September 30, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

Government Auditing Standards require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements. This report and the management letter are included in the Management Section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Palmetto's MD&A can be found immediately following the report of the independent auditors.

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 Palmetto for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. This was the tenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## **THE CITY**

The City of Palmetto, Florida was incorporated in 1897. The current charter was approved by the voters on November 2, 2010. A Charter Review Committee has been assembled and they are currently completing their five-year review of the Charter for potential updates. The government of the City consists of a Legislative Branch comprised of five elected Commissioners and an Executive Branch consisting of an elected Mayor. Three of the five Commissioners are elected by the electors of wards. The remaining two Commissioners are elected at-large by the electors of the entire City. The Mayor appoints all appointed officers of the City and the Commission has the power to confirm such appointments.

The City provides a range of municipal services. The public safety operation includes police protection, as well as building code compliance and zoning. Recreational services include numerous neighborhood parks, recreational trails, tennis and basketball courts and an estuary park. Public works provides essential street and highway maintenance, landscaping, solid waste, water, sewer, storm water and reuse water for irrigation. Other services provided include planning, redevelopment, engineering and general administrative services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests to the City Clerk's office. The City Clerk's office compiles the budget requests from all departments and develops the citywide proposed budget. The proposed budget is presented to Commission for review in July. Public hearings are held in late summer and early fall, prior to adopting the final budget before September 30 of each year. The appropriated budget is prepared by fund and department, and monthly reporting is done to monitor the results during the year.

## ECONOMIC CONDITION AND OUTLOOK

Palmetto is a waterfront community located on the Gulf Coast of Florida, midway between Tampa/St. Petersburg to the north and Sarasota to the south. Palmetto is at the crossroads of Southwest Florida's largest commercial centers. It is home to the thriving Port Manatee and is the hub of Manatee County's agricultural industry, which ranks in the top ten for agricultural sales in Florida. Nearly three million Floridians live within a 50-mile radius of Palmetto, creating one of the state's most stable marketplaces. Nine public and private universities and colleges are within 45 minutes of the City, along with many of Florida's most noted attractions, museums and beaches.

As with most cities throughout Florida, 2015 continued to show signs that the economy has rebounded and growth is making a slow but steady comeback. Foreclosures and abandoned properties have slowed considerably compared to prior years. Over the past five years, the economic environment has placed additional demands on the City to ensure that the health, safety, and welfare of the community are maintained. The City has increased the efficiency of our remaining resources to minimize the impact to our citizens. Statewide unemployment has continued to decrease from 5.6 percent at the end of 2014 to 5.1 percent as of December 2015. Unemployment in the North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) showed even greater improvement during the year and was projected to be 4.4 percent as of December 2015 compared to 5.0 percent in December 2014.

The City and its community leaders have made the commitment to work together and help achieve our goal of making the City of Palmetto a great place to live. Through our Community Redevelopment Agency (CRA), we have implemented a variety of programs to promote growth and economic development. Examples include downtown commercial core incentives for improvements to business properties coupled with additional incentives for hiring local businesses to complete the enhancements. These efforts are working, as It Works! opened its corporate headquarters in 2014 which brought 150 new jobs to the Palmetto area. In addition, a new Dollar General completed construction in 2015 which brought several jobs to the City. A large manufacturing company of special need products relocated to the City with high hopes of job creation and expansion. As we look to 2016, the CRA is working closely with the County to bring a major hotel to the convention center property. This hotel will have a huge economic impact on the City and jumpstart other development opportunities in that area. All of these projects will add taxable value to the CRA and achieve one of our primary CRA goals, which is to promote redevelopment. In addition to developer incentives, storefront grants are available for commercial businesses, and the residential rehabilitation program that was started in 2010 continues to see success. Although development within the City in recent years has been modest, things appear to be on the upswing as we continue to look for growth opportunities while maintaining the "Old Florida" charm that residents and visitors have come to love. The City boasts thirteen public parks, numerous festivals, movies in the park and a variety of residential options for every lifestyle. Options include waterfront single family homes, golf and country club communities, and "Old World" homes in the historic downtown district. In recent years, several condominium developments were completed, many of which offer robust amenities and dramatic water views.

Although the economy has certainly improved over the last three years, Palmetto continues to be faced with increasing costs, increasing demand for services, aging infrastructure and unfunded mandates by state and federal governments. Despite the increased demand for services and

rising costs, the Florida Legislature continues to pass legislation that puts additional pressure on local government. In recent years, additional homeowner exemptions coupled with reductions in state revenue dollars have made it difficult for cities across the state. Increasing property values during the last three years have helped offset declines in other areas, but tax revenues are still well below their peak of 2009. Taxable values throughout the City increased about .50 percent, 4 percent and 5.3 percent in 2013, 2014 and 2015 respectfully. As we look ahead, we expect values to continue increasing at a slow, steady pace. Early projections indicate values within the City will increase another 5 percent in 2016. Capital funding presents a big challenge for the City and that will likely continue in the years to come. Aging infrastructure is in need of repair to ensure we continue to provide the service we demand for our residents. Now more than ever, the City will continue to aggressively seek grant funds to help offset the costs for infrastructure projects. In late 2013, Commission approved utility rate increases and that money is being used to fund many of the infrastructure projects within our Capital Improvement Plan. We are starting to see the benefits of this additional funding as many infrastructure projects are in the design phase or under construction. Another major focus for the City involves gateway beautification and aesthetic improvements to major corridors and business districts throughout the City. One example of this effort was a new LED gateway sign at the entrance to the City at Riverside Drive. The City hopes to attract more businesses to the area which means more jobs and increased spending in our local economy. In addition, these new businesses will increase our tax base which translates to revenue for the City. Despite the economic challenges, the City remains committed to providing the best possible service to our citizens. During 2015, the City continued to look for ways to reduce the funding being received from the CRA which will enable us to continue expanding programs that focus on redevelopment and the removal of slum and blight. Despite all of these challenges, the City Commission decided to leave the millage unchanged at 5.7171 for the FY 2015. The City Commission is committed to fiscally sound programs designed to increase the tax base, by supporting the CRA activities and incentives and by enhancement of the City's image and quality of life via adoption of the Five-Year Capital Improvement Plan.

Great things are planned for the City this coming year. Community policing will continue to be a focus for our City as we strive to ensure residents have a safe place to call home. I am excited about several major initiatives involving redevelopment of our parks, recreational amenities, and infrastructure. More specifically, planning continues for a new multimodal redevelopment project along 10th Avenue from Riverside Drive to 17th Street. This project is made possible with the help of funding from the Florida Department of Transportation (FDOT), Sarasota/Manatee Metropolitan Planning Organization (MPO) and the Southwest Florida Water Management District (SWFWMD). A new seawall and living shoreline will also be completed in the upcoming FY 2016. Park improvements will continue to be a focus, as upgrades to several parks are scheduled for the coming year, and we are excited about a new solar parking structure at Estuary Park that will be completed as part of a partnership with Florida Power and Light (FPL). All of these projects will enhance the quality of life and recreation for our residents. I am happy to report on the progress of our new Aquifer Storage and Recovery (ASR) well. Construction is complete and we are in the final stages of testing and permitting. The ASR well is scheduled to be fully operational and online during 2016. Ultimately, this ASR well will stabilize the supply of reuse and provide much needed storage for advanced waste water. Many of the projects mentioned above were made possible through cooperative funding between the City, SWFWMD and the West Coast Inland Navigation District (WCIND). Several of the projects are explained in more detail below.

The City has been able to manage the economic downturn, and the road ahead looks very promising. We must remain cautious but diligent in our efforts to prioritize projects, identify funding and manage our human capital. During FY 2016, the City will look to complete a compensation study for the first time since 2004.

Our focus will continue towards diversification and expansion of local businesses, enhancing communication with the community and developing tools to provide even more safety to our residents and businesses. The exercise of fiscal restraint, the safeguarding and control of the City's resources, and continued growth in its tax base and utility customers give cause for challenge, optimism and excitement for the future. The City will continue to implement and review policies such as our fund balance policy to ensure we continue to be well prepared and fiscally sound for many years to come.

## **MAJOR INITIATIVES**

### **For the Year:**

During FY 2015, the City purchased property along 10<sup>th</sup> Street and that site will be used to house a new chloramine injection system. This new system will ensure we maintain potable water standards to the outlying areas of the City. The total project cost is estimated between \$200-\$300K and will be completed during FY 2016.

During 2015, the CRA awarded three storefront grants totaling \$25,265 for exterior renovations on commercial properties in the district.

The Residential Rehabilitation Program funds affordable housing rehabilitation within the CRA District as a means to reduce slum and blight as defined in F.S. 163 Part III. Since the program started in 2010, a total of six homes have been completed. The CRA has contributed a total of \$153,424.00 to these homes.

The CRA received two Future of the Region Awards from the Tampa Bay Regional Planning Council during 2015 in the Natural Resources/Environment category for the low impact design (LID) on our Dr. Martin Luther King Park and Sutton Park.

The City continued to expand the use of security cameras as a tool to deter crime, and installations were completed at the Public Works and Police Department facilities.

The City issued a total of three procurement proposals during fiscal year 2015. This included two requests for proposals (RFPs), and one invitation to bid (ITB). Areas of interest included the 13<sup>th</sup> Street West Drainage Project, the sale of property at 705 10<sup>th</sup> Avenue West and the hiring of a new firm for Financial Auditing Services.

The City Commission approved approximately \$4.5 million of capital improvements for fiscal year 2015. Major projects include the ASR well, Inflow and Infiltration (I&I), fire protection upgrades, reuse line expansion and storm water drainage improvements in the 13th Street and 24th Avenue area. Other projects include annual upgrades and repairs to our waste water treatment plant and miscellaneous repairs to our City buildings.

The drainage improvements around the area of 13<sup>th</sup> Street and 24<sup>th</sup> Avenue were completed in late 2015. The repairs were approximately \$500k and included storm water enhancements, improved drainage and new streets and sidewalks in many areas. The completion of this project resolves one of the few remaining flood prone areas in the City.

Redevelopment of the Riverside Boat Ramp was completed in FY 2015 just in time for the upcoming boating season. Improvements included adding a second boat ramp, parking upgrades, lighting, and additional landscaping. Security cameras were also installed as part of our citywide effort to improve the safety for our citizens. This project was funded by the CRA, WCIND and SWFWMD grant dollars.

Over \$700k in sewer repairs were made during FY 2015 to System 4 which includes the area between 10<sup>th</sup> and 17<sup>th</sup> Street from 10<sup>th</sup> Avenue to 13<sup>th</sup> Avenue. This project will greatly reduce the inflow and infiltration into our waste water plant and the results of the repairs are already being seen.

In late 2015, the City reached a contract agreement with the Police Benevolent Association (PBA) union. This agreement was effective October 2015 and is in effect until September 2018. As part of this new agreement, officer salaries were adjusted to ensure we remain competitive with surrounding jurisdictions.

The City received the Certificate of Achievement for Excellence in Financial Reporting for the tenth consecutive year. The City also applied for and received the Distinguished Budget Presentation Award for the 2015 budget. This was the sixth year in a row the City received the budget award from the Government Finance Officer's Association (GFOA).

The City completed its ninth year of offering a free "movie in the park" once a month, subsidized by Bright House and Waste Management, providing affordable recreational options to our residents.

### **For the Future:**

Redevelopment plans for the 10th Avenue and 8th Avenue corridors have begun. This project will focus on pedestrian friendly enhancements, beautification and congestion management on both corridors. Planning efforts were completed in 2015 for the initial scope of the multi-year project. A contractor has been selected, and work is expected to begin in April 2016 after the replacement of the seawall and living shoreline. This project is made possible with CRA funds and funding from FDOT, SWFWMD and Sarasota/Manatee MPO.

The new ASR well continues to move forward and construction is now complete. SWFWMD partnered with the City and contributed over \$2 million dollars in grant funding towards this project. The City will work with SWFWMD to complete the final stages of testing later this year. The ASR well is expected to be operational before the end of 2016. Once fully operational, this ASR well will provide unlimited storage capacity for reclaimed water and provide a more stable year-round supply to our residents. Additional benefits associated with the ASR well include conservation of potable water, elimination of the risks associated with discharge into the waterways and preservation of the environment.

The City will continue exploring the possibility of constructing an equalization tank at the Waste Water Treatment Plant. This tank will allow waste water that is being treated to have a more stable flow pattern by eliminating large fluctuations in the volume of water being treated. Ultimately, this means less stress on our treatment facility. The total cost for this project is estimated at \$2M and will most likely be funded with a State Revolving Facility (SRF) loan.

The City plans to continually tackle inflow and infiltration issues within the utility infrastructure to help reduce the amount of water that flows to the plant for treatment. This reduction will reduce unnecessary strain being placed on our treatment facility and improve the overall efficiency of the treatment plant. Much work has already begun as smoke testing has been completed and many problem areas have been identified. The City will apply for a Community Development Block Grant (CDBG) to assist with funding the cost of these improvements. Corrective plans are being developed with the cooperation of individual property owners.

Aesthetic improvements will continue in 2016 along the City gateways and major corridors. Planned landscaping improvements are included as part of the FDOT project mentioned above, and it will have a dramatic impact to the City's Riverside gateway.

During FY 2016, FPL will be building a solar parking structure at Estuary Park as part of a joint initiative to promote clean energy sources. This project will generate shaded parking for our park visitors and also generate electricity that will be returned to the power grid.

The removal of slum and blighted areas and development incentives will continue to be the focus of our CRA. We hope to utilize these incentives and build on the recent successes to attract more companies to our beautiful City.

The City will continue to make improvements at the waste water treatment plant to ensure renewal of our operating permit. Specific improvements include the installation of a chloramine injection system and lift station upgrades.

## **ACKNOWLEDGEMENTS**

The preparation of the Comprehensive Annual Financial Report was accomplished through the diligent efforts of the City Clerk's Office, the Finance Department and other City staff. I would like to express my appreciation to the firm of Christopher, Smith, Leonard, Bristow & Stanell, P.A. for their cooperation and assistance throughout the year.

Sincerely,



Shirley Groover Bryant, Mayor  
City of Palmetto



Government Finance Officers Association

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

Presented to

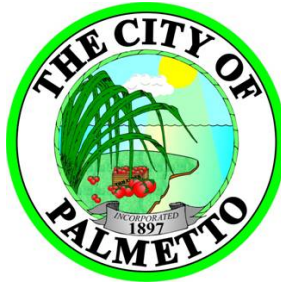
**City of Palmetto  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO





**City of Palmetto, Florida**  
**Fiscal Year Ended September 30, 2015**  
**List of Principal Officials**

**Elected Officials**

Shirley Groover Bryant	Mayor
Brian Williams	Vice Mayor, Ward 3
Tamara Cornwell	Commissioner At-Large
Jonathan Davis	Commissioner At-Large
Harold Smith	Commissioner, Ward 1
Tambra Varnadore	Commissioner, Ward 2

**Office of the City Clerk**

James R. Freeman	City Clerk
Amber Foley	Assistant City Clerk
Karen Simpson	Deputy Clerk – Finance

**Public Works**

Allen Tusing	Director
Javier Vargas	Deputy Director of Public Works
Grace Johnson	Deputy Director – Administration

**Police Department**

Scott Tyler	Police Chief
Mike Stinson	Captain
Steve Greer	Captain

**Community Redevelopment Agency**

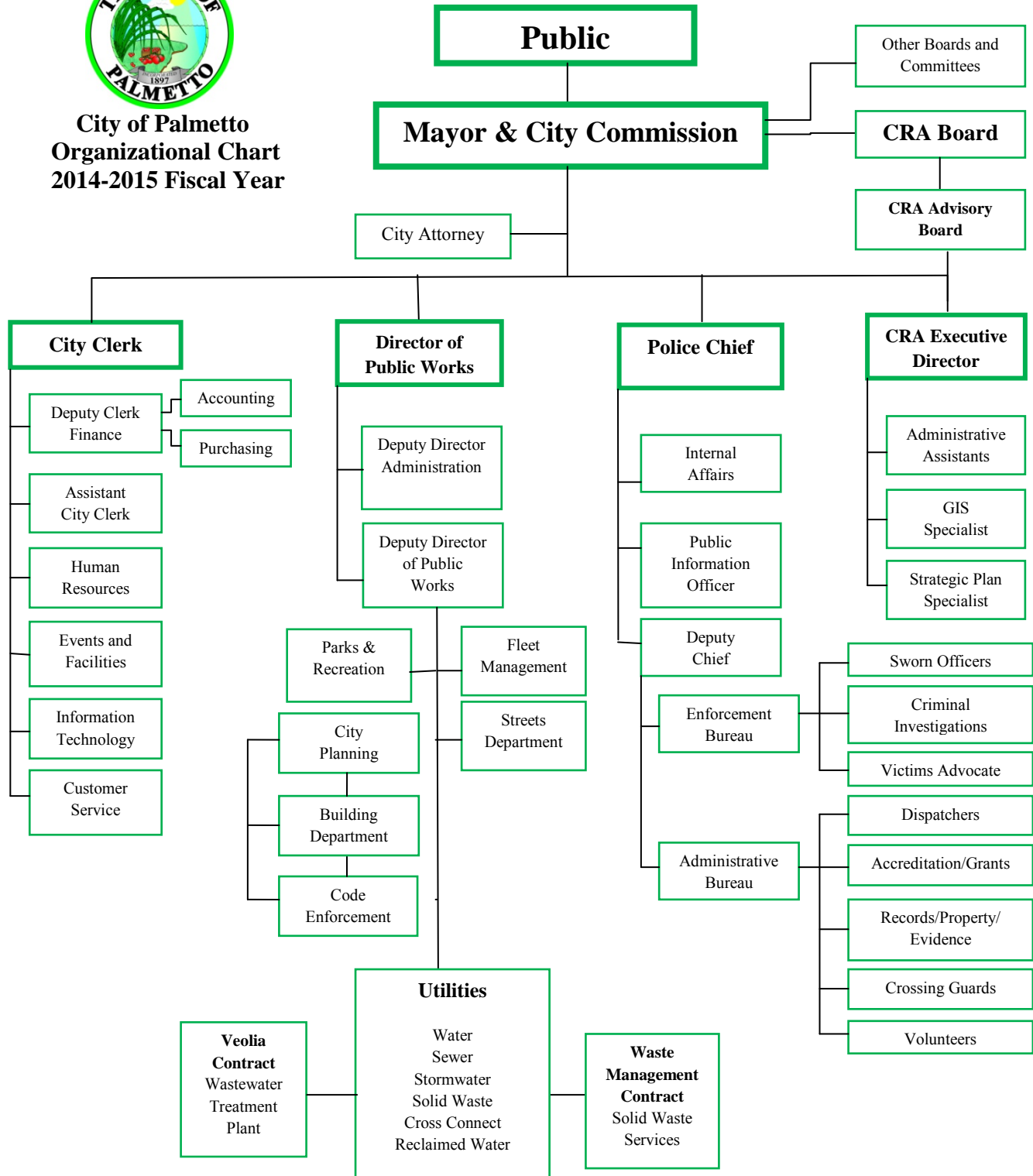
Jeff Burton	Director
-------------	----------

**City Attorney**

Mark Barnebey	City Attorney
---------------	---------------



**City of Palmetto  
Organizational Chart  
2014-2015 Fiscal Year**



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,  
And Members of the City Commission  
City of Palmetto, Florida

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida (the "City"), as of and for the year ended September 30, 2015, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principles***

As described in Note II to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*. The City also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date: An Amendment of GASB No. 68*. Our opinion is not modified with respect to these matters.



## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules on pages 13-29 and 101-112, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

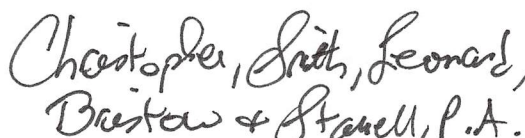
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016, 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 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.

  
CHRISTOPHER, SMITH, LEONARD  
BRISTOW & STANELL, P.A.

March 10, 2016  
Bradenton, Florida

## Management's Discussion and Analysis

As management of the City of Palmetto, Florida (the "City"), 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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Mayor's letter of transmittal preceding this report and the City's financial statements beginning on page 31.

### Financial Highlights

At the close of the fiscal year ending September 30, 2015:

- The assets of the City exceeded its liabilities by \$66,089,040 (*net position*). Of this amount, \$6,762,237 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,190,219, or 1.77%, in comparison to the prior year, which includes a prior period adjustment reducing the beginning net position by \$5,269,311. The adjustment was a result of the City implementing the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68 and 71. For more information on these adjustments, please refer to Note II, A on page 52. Offsetting the effect of these adjustments, the City reported an increase in total net position of \$4,079,092 compared to \$1,886,832 in fiscal year 2014 due to increased revenues and decreased expenses.
- Total revenues increased a total of \$1,391,014 or 6.26% in comparison to prior year. Property taxes, other taxes, charges for services and other revenue increased \$304,870, 103,635, 1,316,697 and 308,815 respectively. These increases were offset by a decrease in capital grants totaling \$672,696 which is driven by the near completion of the ASR grant from SWFWMD and offset by grants the City received for the boat ramp project.
- Total expenses decreased \$801,246 or 3.94% in comparison to prior year. General government activities and highways and streets decreased \$673,196 (19.60%) and \$301,981 (22.69%) respectively while water and sewer expenses increased \$175,698 or 3.70% over the prior year.
- The City's governmental funds reported combined ending fund balances of \$11,541,999, a increase of \$737,863 in comparison with the prior year ending balance. Approximately 39.7% of this total amount, \$4,586,884 (*unassigned fund balance*), is available for spending at the City's discretion and is 48.6% of the total general fund expenditures. Restricted fund balance of \$4,171,769 is restricted for roadway infrastructure, Community Redevelopment Agency (CRA) and building department operating expenses, law enforcement special projects, the maintenance of the City's cemetery and impact fees used to fund growth in the City. The committed fund balance in the amount of \$2,265,935 includes \$2,003,142 for the trailer park trust.

### Overview of the 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 focus of the *government-wide financial statements* is on the overall financial position and activities of the City of Palmetto. Reporting is similar to that of a private-sector business. The City's government-wide financial statements include the statement of net position and statement of activities. As described below, these statements do not include the City's fiduciary funds because resources of these funds cannot be used to finance the City's activities. However, the financial statements of fiduciary funds are included in the City's fund financial statements, because the City is financially accountable for those resources, even though they belong to other parties.

The *Statement of Net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents *revenues* and *expenses*, and shows how the government's net position changed during the fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector businesses in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the accounting period and expenses are recorded even though they may not have consumed cash during the current period.

Both of 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, highways and streets, recreation and intergovernmental services. The business-type activities of the City include solid waste collection, water and sewer, the storm water utility system and the reuse utility.

The government-wide financial statements are found on pages 31 through 33 of this report.

## **Fund Financial Statements**

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the City rather than the City as a whole. Except for the General Fund, separate funds are established to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

### ***Governmental funds***

Governmental fund financial statements consist of a balance sheet and a statement of revenues, expenditures, and changes in fund balances. These statements are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases, compensated absences or other similar long-term liabilities. The difference between a fund's total assets, outflows, inflows and total liabilities is labeled as the fund balance, and generally indicates the amount that may be used to finance the next fiscal year's activities. The statement of revenues, expenditures and changes in fund balances for governmental funds reports only those revenues and expenditures that were collected or paid during the current fiscal year or very shortly after the end of the year. For the most part, the balances and activities accounted for in the governmental funds are also reported in the governmental activities columns of the government-wide financial statements. However, because of the difference in accounting basis used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented. For this reason, there is an analysis at the bottom of the governmental fund balance sheet that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis after the statement of revenues, expenditures, and changes in fund balances that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

The City presents in separate columns, funds that are most significant to the City (major funds) and all other governmental funds are aggregated and reported in a single column (non-major funds). The City's only non-major governmental fund during the year-ended September 30, 2015 was the Capital Projects fund.

The City's governmental fund financial statements are presented beginning on page 34.

### ***Proprietary funds***

Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds.

*Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, reuse, solid waste collection and storm water utility system. The City does not report any internal service funds.

Proprietary fund financial statements 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 major enterprise funds which are the solid waste collection, water and sewer utility, storm water utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2015.

The proprietary fund financial statements can be found beginning on page 38 of this report.

### ***Fiduciary funds***

Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Assets held by the City for other parties, either as a trustee or as an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements 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 City's fiduciary funds consist of pension trusts that present the results of two defined benefit pension plans and an agency fund. Agency funds are unlike all other types of funds, reporting only assets and liabilities. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities and are not reflected in the government-wide financial statements.

The fiduciary fund financial statements can be found on pages 42 and 43 of this report.

### **Notes to the financial statements**

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

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension and other post employment benefits to its employees. Required supplementary information can be found beginning on page 101 of this report.

Included in the required supplementary information are budgetary comparison schedules for the General Fund, Community Redevelopment Fund and the Road and Bridge Fund found on pages 101 through 103.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, begin on page 115.



## Government-wide Financial Analysis

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, assets exceeded liabilities by \$66,089,040 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net position found on page 31 of this report:

### City of Palmetto's Net Position

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 10,485,445	11,298,474	3,843,117	2,897,503	14,328,562	14,195,977
Restricted assets	1,617,291	918,364	3,310,303	3,747,695	4,927,594	4,666,059
Capital assets, net of depreciation	37,630,164	36,674,248	32,409,554	31,884,645	70,039,718	68,558,893
<b>Total assets</b>	<u>49,732,900</u>	<u>48,891,086</u>	<u>39,562,974</u>	<u>38,529,843</u>	<u>89,295,874</u>	<u>87,420,929</u>
<b>Deferred outflows of resources</b>	<u>1,438,453</u>	<u>268,886</u>	<u>1,150,832</u>	<u>857,292</u>	<u>2,589,285</u>	<u>1,126,178</u>
Current and other liabilities	473,881	958,884	1,313,372	999,664	1,787,253	1,958,548
Non-current liabilities	10,458,607	6,086,473	13,198,286	13,222,827	23,656,893	19,309,300
<b>Total liabilities</b>	<u>10,932,488</u>	<u>7,045,357</u>	<u>14,511,658</u>	<u>14,222,491</u>	<u>25,444,146</u>	<u>21,267,848</u>
<b>Deferred inflows of resources</b>	<u>321,596</u>	<u>-</u>	<u>30,377</u>	<u>-</u>	<u>351,973</u>	<u>-</u>
<b>Net Position</b>						
Net investment in capital assets	33,319,038	32,241,516	21,533,620	21,989,061	54,852,658	54,230,577
Restricted	3,567,422	3,193,316	906,723	245,743	4,474,145	3,439,059
Unrestricted	3,030,809	6,679,783	3,731,428	2,929,840	6,762,237	9,609,623
<b>Total net position</b>	<u>\$ 39,917,269</u>	<u>42,114,615</u>	<u>26,171,771</u>	<u>25,164,644</u>	<u>66,089,040</u>	<u>67,279,259</u>

The overall net position of the City decreased slightly in 2015 as a result of increases in net position netted against the negative effects of implementing GASB 68 and 71. Changes in net position over time can be one of the best and most useful indicators of financial position. The total net position of the City decreased from fiscal year 2014 by \$1,190,219 or 1.77%. The net position of governmental activities decreased by \$2,197,346 due to the nearly \$4.3 million that is now recorded through GASB 68 as net pension liability but netted against a \$2.1 million increase in net position. Net position of business-type activities increased \$1,007,127, or 4.0% primarily as a result of an approved increase in user fees for water, sewer and reuse utilities and minimal effect of GASB 68 implementation.

A significant portion of the City's net position, \$54,852,658 or 83.9% reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still 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.

An additional portion of the City's net position, \$4,474,145 or 6.8% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$6,762,237 or 10.2% may be used to meet the City's ongoing obligations to citizens and creditors. This amount includes the fund balance of the Trailer Park Trust (Governmental Activities) of \$2,003,079, which may be used upon approval of the City Commission after a duly advertised public hearing.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position, governmental activities, business-type activities and total combined net position.

The following is a summary of the information presented in the Statement of Activities found on pages 32 and 33 of this report:

<b>City of Palmetto's Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>						
Charges for services	\$ 775,414	679,012	10,081,782	8,861,487	10,857,196	9,540,499
Operating grants and contributions	29,693	--	--	--	29,693	--
Capital grants and contributions	554,283	334,025	67,137	960,091	621,420	1,294,116
General Revenues:						
Property taxes	6,557,041	6,252,171	--	--	6,557,041	6,252,171
Other taxes	4,256,721	4,153,086	--	--	4,256,721	4,153,086
Other	1,260,855	964,076	23,362	11,326	1,284,217	975,402
<b>Total Revenues</b>	<u>13,434,007</u>	<u>12,382,370</u>	<u>10,172,281</u>	<u>9,832,904</u>	<u>23,606,288</u>	<u>22,215,274</u>
<b>Expenses:</b>						
Governmental Activities:						
General government	2,761,333	3,434,529	--	--	2,761,333	3,434,529
Public safety	4,447,435	4,489,409	--	--	4,447,435	4,489,409
Highways and streets	1,030,938	1,332,919	--	--	1,030,938	1,332,919
Culture and recreation	648,017	636,947	--	--	648,017	636,947
Intergovernmental services	2,713,354	2,634,057	--	--	2,713,354	2,634,057
Interest on long-term debt	120,874	129,675	--	--	120,874	129,675
Business-type Activities:						
Solid Waste	--	--	2,180,098	2,200,590	2,180,098	2,200,590
Water and Sewer	--	--	4,919,816	4,744,118	4,919,816	4,744,118
Stormwater	--	--	574,894	612,953	574,894	612,953
Reuse	--	--	130,437	113,245	130,437	113,245
<b>Total Expenses</b>	<u>11,721,951</u>	<u>12,657,536</u>	<u>7,805,245</u>	<u>7,670,906</u>	<u>19,527,196</u>	<u>20,328,442</u>
Increases(decreases) in net position before transfers	1,712,056	( 275,166)	2,367,036	2,161,998	4,079,092	1,886,832
Transfers	406,595	( 759,572)	( 406,595)	759,572	--	--
Changes in net position	<u>2,118,651</u>	<u>( 1,034,738)</u>	<u>1,960,441</u>	<u>2,921,570</u>	<u>4,079,092</u>	<u>1,886,832</u>
Net position-beginning	42,114,615	43,149,353	25,164,644	22,243,074	67,279,259	65,392,427
Prior period adjustment	( 4,315,997)	--	( 953,314)	--	( 5,269,311)	--
Net position -beginning	<u>37,798,618</u>	<u>43,149,353</u>	<u>24,211,330</u>	<u>22,243,074</u>	<u>62,009,948</u>	<u>65,392,427</u>
Net position-ending	<u>\$ 39,917,269</u>	<u>42,114,615</u>	<u>26,171,771</u>	<u>25,164,644</u>	<u>66,089,040</u>	<u>67,279,259</u>

## Governmental activities

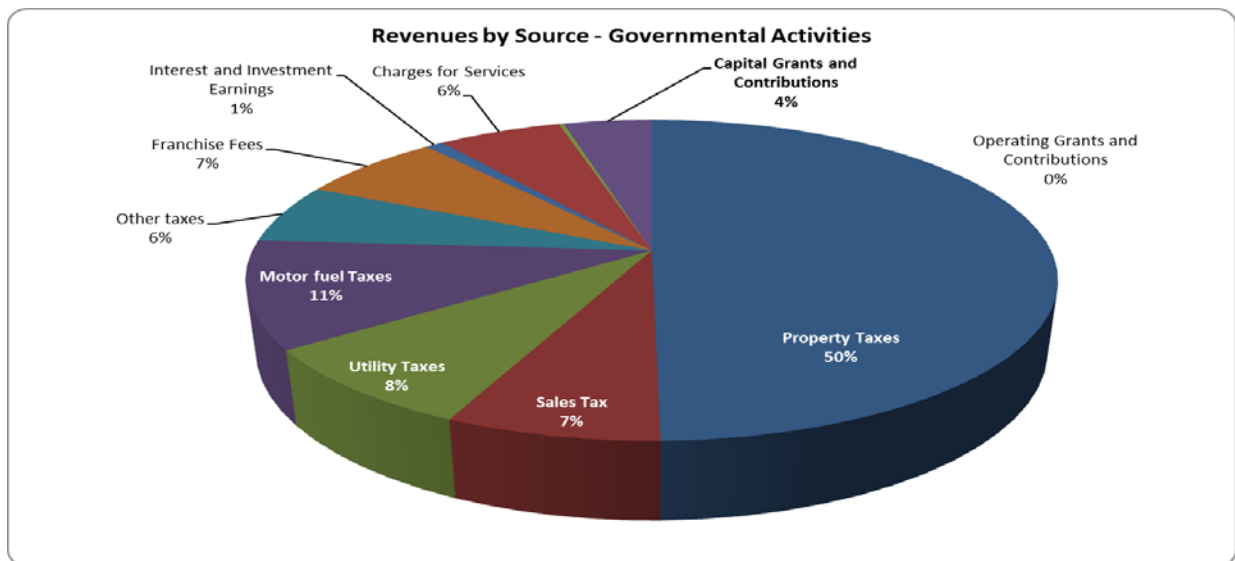
Total revenues for governmental activities increased by \$1,051,637 or 8.5% when compared to the prior year. The net increase in revenues for the current year is the result of the following:

- City property tax revenues increased by \$304,870 or 4.88% due to a 4% increase in property values. These increases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County. This was the second year property taxes have increased, and it appears the trend will continue in the future.
- Capital grants applicable to governmental activities increased by \$220,258 or 65.9% due to grants received from SWFWMD and WCIND for the completion of the boat ramp project.
- Other taxes increased \$103,635 (2.5%) compared to the prior year due to increased receipts of half cent sales tax and utility tax revenue. Lower fuel costs for most of the fiscal year may have contributed to these increases.
- Other revenues increased \$296,779 or 30.7%. This revenue includes proceeds from the sale of CRA property and increases in several additional revenue streams.

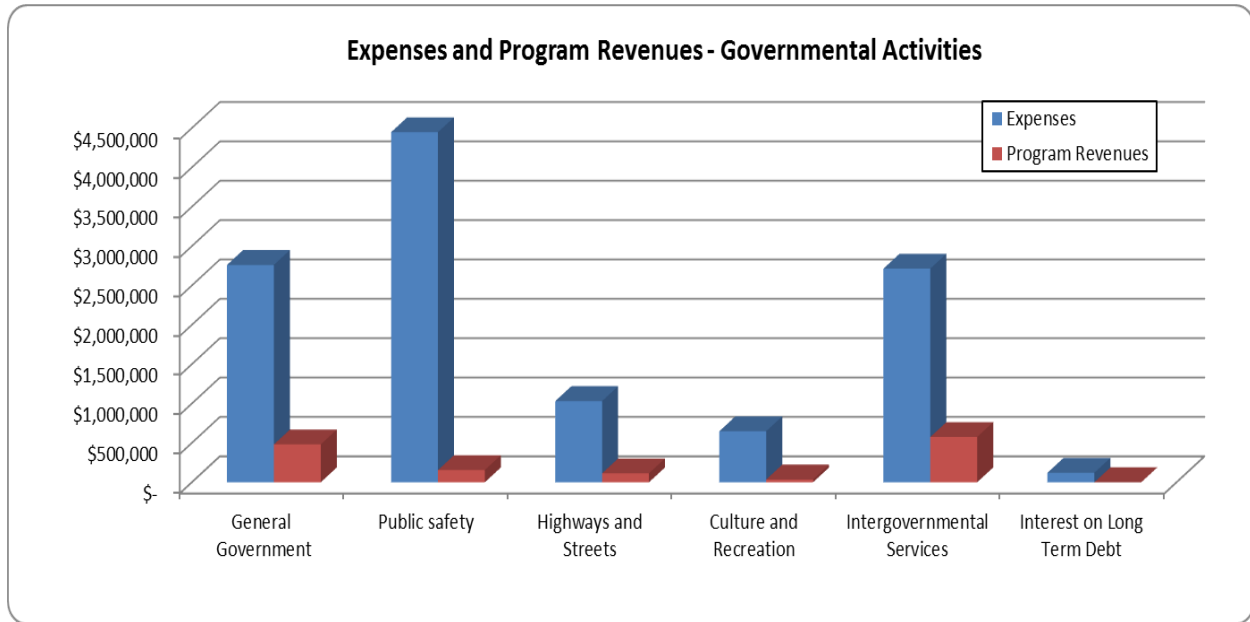
Total expenses for governmental activities decreased \$935,585 or 7.39% in comparison to the prior year. The decrease in the current year expenses is attributed to:

- Decreases in General government accounted for \$673,196 (19.6%). This decrease is due to a large loss from disposal of land in 2014 that is absent in fiscal year 2015.
- Decreases in Highways and Streets of \$301,981 (22.6%) can be attributed to attrition resulting from high turnover of personnel, lower road repairs and the absence of disposal of property that occurred in fiscal year 2014.
- Other activities incurred minimal changes that include higher depreciation costs from completed projects and lower personnel costs from higher turnover.

The following graph shows the composition of revenues for the City's governmental activities:



The following chart compares expenses with program revenues, not including tax revenue, for the City's governmental activities:

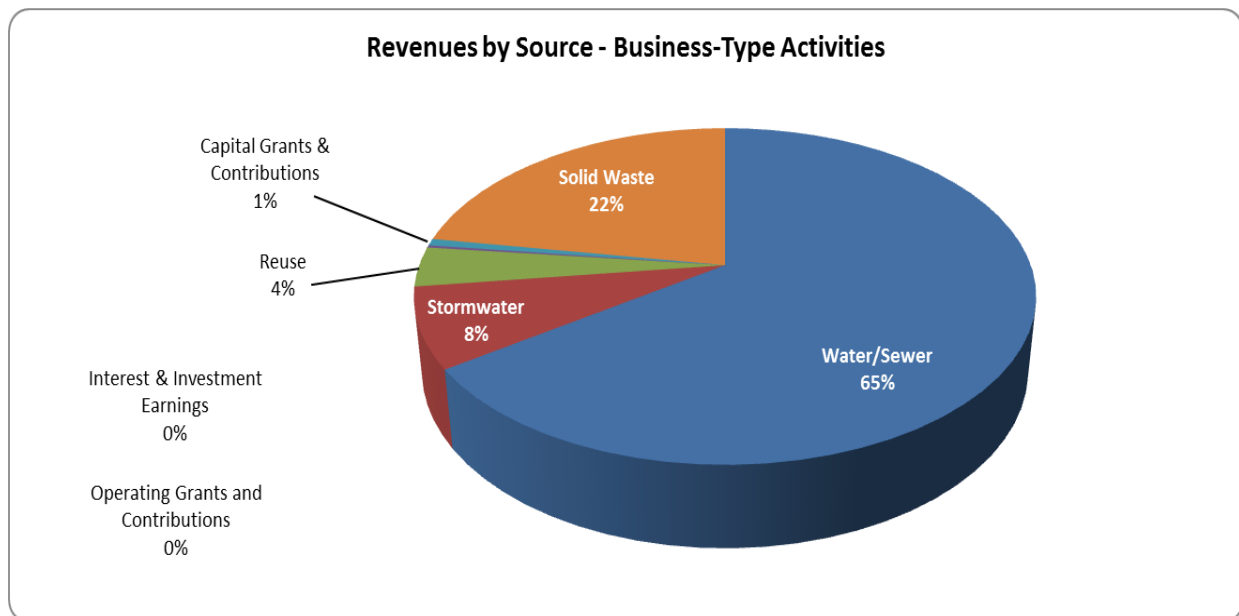


### Business-type Activities

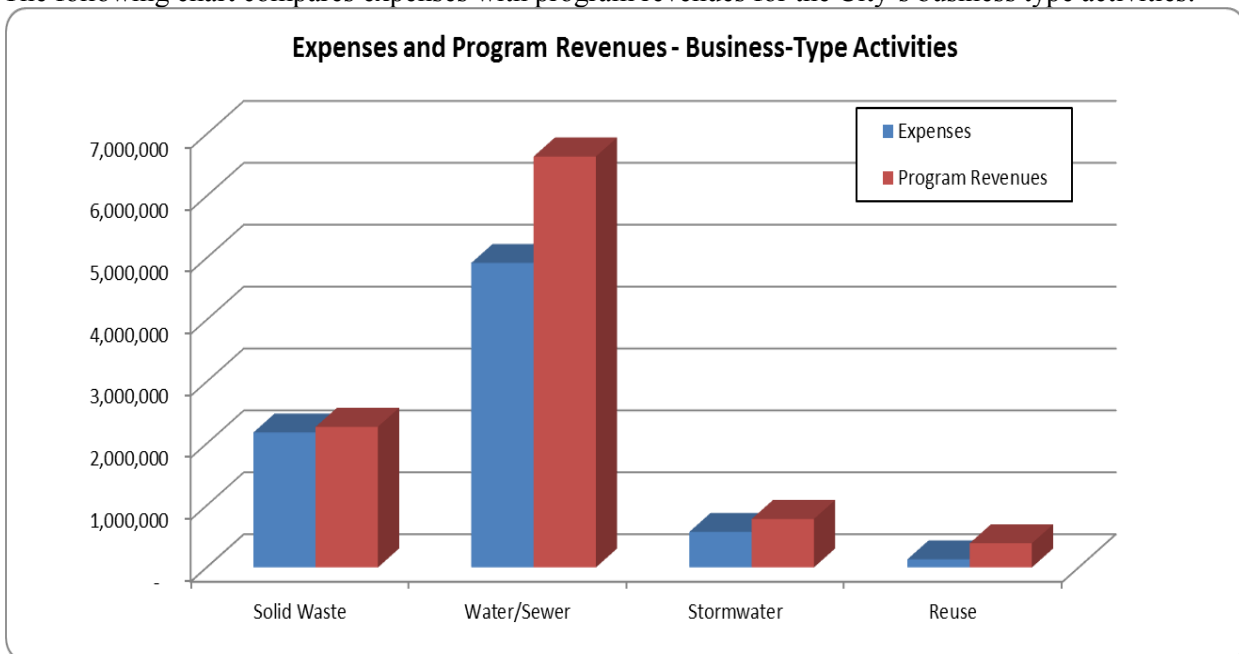
Total revenues increased by \$339,377 for the current year. This revenue increase was largely associated with increases in charges for services of \$1,220,295 offset by a decrease in capital grants totaling \$892,954. The increase in charges for services was due to a 15% increase in water, sewer and reuse user fees after a rate study. This increase was the second year of a five-year plan from a rate study completed at the end of fiscal year 2013 and implemented at the beginning of fiscal year 2014. The decrease in capital grants resulted in the near completion of the grant awarded from Southwest Florida Water Management District (SWFWMD) for the City's Aquifer Storage Recovery (ASR) well project. It is anticipated the ASR will be completely operational during fiscal year 2016.

Total expenses increased slightly by \$134,339 or 1.75% when compared to the previous year. Increased maintenance expenses in Water and Sewer (\$175,698) were offset by reduced expenses in Solid Waste and Stormwater and are explained in the Proprietary funds section in greater detail.

The following chart shows total revenues by source for all business-type activities:



The following chart compares expenses with program revenues for the City's business type activities:



## Financial Analysis of the City's Funds

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

### Governmental funds

The fund financial statements for the governmental funds are provided on pages 34 and 35. 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 financial 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.

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$11,541,999 an increase of \$737,863 compared to the prior year. Approximately 39.7% of this amount, or \$4,586,884, constitutes *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The total fund balance increase resulted from positive net change in both the General Fund and Road and Bridge Fund of \$520,433 and \$424,059 respectively. These increases are netted against smaller negative net change in both the CRA and Capital Projects funds of \$187,902 and \$18,727, respectively.

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$7,722,601, as compared with \$7,202,168 in the previous year.

The breakdown of General Fund fund balance classifications is as follows:

- Unassigned fund balance is \$4,586,884 as compared to \$4,077,272 the previous year due to a reduction assigned fund balance and increases to general revenues such as property taxes.
- Assigned fund balance decreased by \$144,653 to \$199,142. This decrease was attributed to a reduction of the available fund balance being assigned to fund the 2015 CIP. The City's fund balance policy allows balances above five months of expenditure budget to fund capital projects.
- Committed fund balance is \$2,003,079, all of which is associated with the Trailer Park Trust.
- Restricted fund balance is \$615,227 which includes \$398,907 for the Building department, \$155,944 for impact fees and the remaining amount for law enforcement and cemetery use. The Building department reserve was increased \$90,000 for operations for the first time in several years due to a restructure of permit fees that was implemented in 2015.
- Nonspendable fund balance related inventory is \$318,269.

Revenues for the General Fund increased by \$381,972 or 4.4%. The largest increases in revenue were associated with property taxes, building permits and electricity franchise fees, the total of which accounts for \$317,000 of the increased revenues. These increases can be attributed to increased property values, the restructured building permit fees and lower fuel costs.

Total General Fund expenses increased by \$326,604 or 3.6%. This increase was largely driven by increases in personnel costs since the 2015 fiscal year brought one step increases in lieu of a COLA. Other increases include increased TIF funds to the CRA of \$76,000, addition legal costs for union negotiations, and increased liability insurance. Frugal spending kept these increased costs at a minimum. The total net change increased the fund balance by \$520,433 which is an improvement over the previous year by \$888,364 due to the absence of \$800,000 that was paid to Manatee County in the previous year for completion of little league ballfields and a reduction in transfers of \$731,500 for the funding of capital projects.

Revenues for the CRA, a blended component unit of the City, increased \$154,499 or 5.6% compared to the previous year. TIF dollars from the City and County accounted for \$164,000 of this increase netted against a decrease in intergovernmental revenue. Total expenses decreased by \$150,448 to \$2,873,438. Overall, capital expenses decreased \$199,000 but included several projects including completion of the boat ramp on the Manatee River, purchase of land parcels for redevelopment, final expenses for MLK Park and initial expenses for the seawall and Multi-Modal Emphasis Corridor (MMEC) projects. These reduced costs are netted against an additional \$52,000 in general operating expenses which is driven largely by the awarding of new redevelopment incentives.

Revenues in the Road and Bridge and Capital Projects Funds increased by \$104,651 (7.3%), and \$205,530 (73.5%) respectively due to lower gas prices for most of the fiscal year leading to the consumption of more fuel and increased gasoline tax receipts. Revenues in the Capital Projects funds increased from additional grants received from SWFWMD and WCIND for the boat ramp project. Expenses were also down compared to last year in both the Road and Bridge fund and Capital Projects fund. Operating expenses in Road and Bridge were down approximately \$122,000 as a result of attrition and fewer costs associated with repairs and maintenance of streets, but was offset by increased debt service from new equipment purchased on a capital lease.

### **Proprietary funds**

The fund financial statements for the City's proprietary funds, provided on pages 38 through 41, provide essentially the same type of information found in the government-wide financial statements.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net position of \$26,171,771, an increase of \$1,007,127 in comparison with the prior year. The change in net position of \$1,960,441 was reduced by the prior period adjustment of \$953,314 from the implementation of GASB 68 for the net pension liability attributable to the business-type activities. Total utility user fee revenue was increased by \$919,363 or 10.4% compared to the previous year. Total revenues associated with charges for services for the proprietary funds were \$10,081,782. The gross margin for all enterprise funds increased from 28.02% last year to 35.28% this year. This increase was a result of higher revenues from increased water, sewer and reuse fees. The increased revenue was used to purchase and construct capital assets.

The Solid Waste Fund had operating income of \$92,117 and an increase in net position of \$54,613. The total net position at the end of the current fiscal year, is \$468,358 of which, all is unrestricted.

The Water and Sewer Fund had operating income of \$1,977,645 for the year, and an increase in net position of \$1,284,215. This increase in net position is a result of higher revenues from the increased fees and BP Settlement and only slightly higher expenses causing the large increase in net position. Revenues



increased approximately \$1 million from the 15% increase in user fees which was the second increase of a five year plan and the BP Settlement proceeds of \$283,069. Expenses increased approximately \$150,000 from higher water for resale costs and contract services for the Wastewater Treatment Plant that is netted against a reduction of transfers out for capital projects and lower operating costs from frugal spending. The unrestricted net position at the end of current fiscal year is \$2,464,010 and total net position is \$15,952,494.

The Stormwater Fund had operating income of \$325,895 and an increase in net position of \$329,611. The stormwater user fee structure for residential and commercial customers remains unchanged from 2008 therefore revenues remain flat, as does operating expenses, for 2015. A transfer into the Stormwater fund of \$585,000 occurred in 2014 to fund the 13<sup>th</sup> Street drainage project. This project was initiated early in 2015 and added to the capital assets effectively reducing the unrestricted net position from \$453,253 to \$25,503 (94%). The total net position is \$4,424,384 and the fund will continue to be evaluated to determine the necessity of continuing the subsidy or increasing user fees.

The Reuse Fund had the operating revenue increase of \$106,556 from the second year rate increase of 33%. However, a total reduction of revenue from 2014 of \$1,695,359 in grant funding and transfers-in that was received by the Reuse fund for funding the ASR Well construction provided for the moderate increase in net position of \$292,002. Most of this increased the net investment in capital assets. The unrestricted net position at the end of the current fiscal year reflects a balance of \$773,557 and the total net position is \$5,326,535.

### **General Fund Budget and Actual**

Differences between the original budget and the final amended budget can be found on page 101. Revenues including other financing sources associated with the original and final amended budget were increased by \$583,194. This increase in the revenue budget was associated with several items including approximately \$132,000 additional building department revenue, \$160,000 in total electric utility taxes and franchise fees, \$54,000 in Half-cent sales taxes, \$31,000 in zoning variance revenue, \$29,000 in state revenue sharing receipts, \$25,000 in impact fees, and \$17,000 more in property taxes. Several other revenue items were increased for minor amounts. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$257,425 to fund approved capital outlay and contingencies.

The General Fund total expense budget was increased by approximately \$145,000 of which the largest adjustments related to \$30,000 in additional litigation fees, \$29,000 in the police department for additional health insurance costs and \$37,000 for an additional police cruiser. The final amended budget anticipated increasing the General Fund's fund balance by \$180,848 after transfers. This was largely due to the additional revenues added during the year that surpassed the additional expenses. However the final result of \$520,433 was even better due to lower actual expenses compared to the final budget.

Actual revenues excluding other financing sources were less than final budgetary estimates by \$11,862. Actual revenues for investment earnings from Trailer Park Trust were in excess of budget, however, were offset by unfavorable budget to actual receipts in several other revenue categories. Actual expenditures were less than budgetary estimates by \$381,449 and can be attributed to position vacancies in Police Department, Code Enforcement and Public Works Administration, as well as conservative spending Citywide.

## **Capital Assets and Debt**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$70,039,718 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure, and machinery and equipment. The total increase net of accumulated depreciation in the City's investment in capital assets for the current fiscal year was \$1,480,822 or 2.16%. Factors contributing to the increase in capital assets include MLK Park, Riverside boat ramp, improvements to the Wastewater Treatment Plant, continued work on the ASR Well, Inflow and Infiltration (I&I) issues, and the start of the 13<sup>th</sup> Street Drainage and Chloramine projects. In addition, the City purchased four new patrol vehicles, twenty-two portable radios, a trailer, mower and scanner through a capital lease for a total of \$371,368.

The 2015 Capital Improvement Plan (CIP) was approved by the Commission on September 29, 2014 in the amount of \$4,574,339 for fiscal year 2015.

The CRA also budgeted approximately \$1,201,000 for other capital improvements within the CRA district.

The following projects had 2015 expenditures greater than \$50,000:

#### **City Capital Projects**

- City building/facility upgrades – an ongoing project that had \$98,500 in 2015 expenses for a roof replacement at the Police Department and camera security measures.
- 8<sup>th</sup> Street Project - \$203,000 in 2015 water, sewer, reuse and street expenses that will be completed in early 2016
- I&I upgrades - \$449,000 in ongoing upgrades. The project continues through 2016.
- Chloramine project for the water system - \$125,000 for purchased property to house the system that will be completed in 2016.
- Fire protection upgrades - \$106,000 for upgrades to fire hydrant and supporting systems and continues until completion.
- 13<sup>th</sup> Street Drainage project - \$416,000 brings the project to 66% completion.
- Aquifer Storage and Recovery Well (ASR) - \$137,000 for construction completion and permitting.

#### **CRA**

- Riverfront Project - \$1,191,000 for the construction and completion of the Riverside boat ramp on the Manatee River.
- MLK Park - Approximately \$188,000 for completion in fiscal year 2015.
- Property purchases of parcels to be redeveloped for future housing - \$149,000
- Sutton Park - Approximately \$75,000 for improvements to Sutton park pavilion which included a new speakers
- Riverside - \$68,000 for new gateway sign.

**City of Palmetto's Capital Assets**  
(Net of Depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 4,579,391	4,482,361	279,415	279,415	4,858,806	4,761,776
Buildings	64,147	39,566	303,686	195,513	367,833	235,079
Improvements other than buildings	--	--	24,384,343	24,539,851	24,384,343	24,539,851
Machinery and equipment	2,057,292	1,985,136	2,054,213	1,198,161	4,111,505	3,183,297
Infrastructure	29,242,162	27,252,122	--	--	29,242,162	27,252,122
Construction in progress	1,687,172	2,915,063	5,387,897	5,671,708	7,075,069	8,586,771
Total	<u>\$ 37,630,164</u>	<u>36,674,248</u>	<u>32,409,554</u>	<u>31,884,648</u>	<u>70,039,718</u>	<u>68,558,896</u>

Additional information on the City's capital assets is presented in Note V, E beginning on page 64 of this report.

### Long-term debt

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$23,656,893. This balance was greatly increased this year through the implementation of GASB 68 by adding \$5,469,678 in net pension liability. Other debt includes compensated absences of \$739,478 and OPEB of \$243,003 as well as the City's bank loans and capital leases. The City's debt is comprised of a \$4.3 million loan obtained in fiscal year 2004, a \$6.5 million loan obtained in fiscal year 2005, a \$5.3 million loan obtained in fiscal year 2008, a \$1.25 million loan in fiscal year 2014 and two State of Florida revolving fund loans. All loans were used to fund capital improvement projects throughout the City. An interest rate swap agreement exists with the loans obtained in fiscal years 2004, 2005 and 2007 which have a total liability of \$1,189,455 as of September 30, 2015 which is a decrease of \$63,277 from the prior year. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Storm Water revenues, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$1,996,479 in outstanding capital leases as of September 30, 2015.

In fiscal year 2006, the Community Redevelopment Association (CRA) obtained a loan for \$4,395,000 to fund capital improvement projects within the CRA district and retire \$1,500,000 of debt issued in 2004. The current balance is \$2,417,250 as of September 30, 2015. The loan is secured by a primary pledge of Tax Increment Funds (TIF) and is included in the City's outstanding debt.

### City of Palmetto's Loans and Capital Leases Payable

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Bank Qualified Loans						
2004 Loan	\$ 323,751	353,655	1,150,703	1,256,992	1,474,454	1,610,647
2005 Loan	815,837	878,731	3,284,215	3,537,002	4,100,052	4,415,733
2007 Loan	639,823	678,567	3,153,094	3,344,025	3,792,917	4,022,592
2014 Loan	--	--	1,180,524	1,250,000	1,180,524	1,250,000
SRF Loans	--	--	1,053,602	1,210,313	1,053,602	1,210,313
CRA Loan	2,417,250	2,637,000	--	--	2,417,250	2,637,000
Total loans	\$ 4,196,661	4,547,953	9,822,138	10,598,332	14,018,799	15,146,285
Capital Leases	718,812	489,532	1,277,667	1,632,738	1,996,479	2,122,270
Total loans and lease	\$ 4,915,473	5,037,485	11,099,805	12,231,070	16,015,278	17,268,555

See Note V, F, and G on pages 66 through 78

### Economic Factors and Next Year's Budget and Rates

The unemployment rate for the North Port/Sarasota/Bradenton area for November 2015 was 4.5 percent, which is lower than the State unemployment rate of 5.1 percent for the same time period. The national unemployment rate for the same time period is 5.0 percent (source: US Department of Labor).

According to the 2010 Census, the City's population was 12,606. As of April 2015, the population is estimated at 13,034, a 3.4 percent increase since the 2010 census (source: Bureau of Economic and Business Research).

The taxable value of commercial and residential property increased from \$656,334,570 in FY 2014 to \$679,376,060 for the current FY 2015. This represents a 4.0 percent increase in taxable value and is largely attributed to the increased property values that are being experienced statewide. This increase of 4.0 percent was more than the .50 percent increase realized a year ago. After several years of declining property values, FY 2015 was the second year in a row that the City saw values increase. We expect that trend to continue based on economic data and the overall health of the real estate market within the City. Since the City's taxable value peaked in FY 2009, values decrease by 36 percent until this recent upturn. The City has made adjustments along the way to meet the challenges of the economic downturn. We are well poised and encouraged by the direction of our economy here in Palmetto.

The General Fund property tax millage of \$5.7171 for FY 2015 and remains unchanged in comparison to FY 2014. The millage was last increased by .50 mills in FY 2013 to meet the demands of infrastructure improvements and lower property values.

In recent years, the pension costs have continued to rise for both the Police and General Employee pension fund. FY 2015 was the first year in several years whereby both plans saw a slight decrease in the percentage of payroll required to fund each plan. The contribution amounts for the Police and General

pension plans was 28.09 percent and 30.66 percent respectively. This was down slightly from the previous year of 28.75 percent and 31.30 percent. The slight decrease in contribution amounts was largely attributed to the strong investment returns for each plan. Health Care costs remain a large expense for the City. However, favorable claims data in FY 2013 and FY 2014 combined with a switch to a new carrier, Aetna, resulted in lower premiums once again for the City. The City has managed to reduce health care costs despite a challenging regulatory environment. However, it seems health care costs are continuing to rise and it will become much more difficult to control these costs without reevaluating our benefit levels to employees.

Funding for capital projects continues to present a challenge to the City. In FY 2014 the implementation of the rate study has provided much needed funding, but the needs continue to outpace funding. As a result, the City has turned to grant funding and has been quite successful in the last few years. The City was awarded several grants during the FY 2104 including a \$750,000 grant from Southwest Florida Water Management District (SWFWMD) for low impact storm water design, and a \$500,000 grant for storm water improvements to MLK park. In addition, the City received \$300,000 from the West Coast Inland Navigation District (WCIND) for improvements to the boat ramp. As we look ahead, the City was awarded several hundred thousand dollars from SWFWMD for a living seawall/shoreline project and construction will be complete in FY 2016. In addition, the Florida Department of Transportation is funding over \$1 M of improvements to our Riverside Park area as part of a mutli-modal long term beautification project that will span from Riverside Drive to 17<sup>th</sup> Street along 10<sup>th</sup> Avenue West. The City will also apply for another Community Development Block Grant in FY 2016 for infrastructure improvements in the City.

### **Requests for Information**

This financial report is designed to provide users with a general overview of the City of Palmetto's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, P.O. Box 1209, Palmetto, FL 34220 or telephone (941) 723-4570. You may also access our website at [www.palmettofl.org](http://www.palmettofl.org).



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CITY OF PALMETTO, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,100,751	2,793,829	11,894,580
Receivables (net of allowance for uncollectible)	551,104	1,460,749	2,011,853
Due from other governments	103,860	--	103,860
Internal balances	411,461	( 411,461)	--
Inventory	318,269	--	318,269
Restricted assets			
Cash and cash equivalents	1,617,291	3,310,303	4,927,594
Capital assets (net of accumulated depreciation)			
Land	4,579,391	279,415	4,858,806
Buildings	64,147	303,686	367,833
Improvements other than buildings	--	24,384,343	24,384,343
Machinery and equipment	2,057,292	2,054,213	4,111,505
Infrastructure	29,242,162	--	29,242,162
Construction in progress	1,687,172	5,387,897	7,075,069
Total assets	49,732,900	39,562,974	89,295,874
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of pension resources	1,158,186	241,644	1,399,830
Accumulated decrease in fair value of swap agreement	280,267	909,188	1,189,455
	1,438,453	1,150,832	2,589,285
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	195,889	649,755	845,644
Accrued interest	16,776	67,840	84,616
Unearned revenue	259,641	--	259,641
Customer deposits	1,575	595,777	597,352
Noncurrent liabilities			
Due within one year	797,767	1,063,029	1,860,796
Due in more than one year	9,660,840	12,135,257	21,796,097
Total liabilities	10,932,488	14,511,658	25,444,146
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of pension earnings	321,596	30,377	351,973
<b>NET POSITION</b>			
Net investment in capital assets	33,319,038	21,533,620	54,852,658
Restricted	3,567,422	906,723	4,474,145
Unrestricted	3,030,809	3,731,428	6,762,237
Total net position	\$ 39,917,269	26,171,771	66,089,040

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015

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Functions/Programs	Expenses	Indirect Expenses Allocation
<b>Primary government</b>		
Governmental activities		
General government	\$ 3,388,590	(627,257)
Public safety	4,447,435	-
Highways and streets	1,030,938	-
Recreation	648,017	-
Intergovernmental	2,086,097	627,257
Interest on long-term debt	120,874	-
Total governmental activities	<u>11,721,951</u>	<u>-</u>
Business-type activities		
Solid Waste	2,180,098	-
Water and Sewer	4,919,816	-
Stormwater	574,894	-
Reuse	130,437	-
Total business-type activities	<u>7,805,245</u>	<u>-</u>
Total primary government	<u>\$ 19,527,196</u>	<u>-</u>

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The notes to the financial statements are an integral part of this statement.



Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities	
480,864	--	--	( 2,280,469)	--	( 2,280,469)
146,175	--	9,000	( 4,292,260)	--	( 4,292,260)
113,236	--	--	( 917,702)	--	( 917,702)
35,139	--	--	( 612,878)	--	( 612,878)
--	29,693	545,283	( 2,138,378)	--	( 2,138,378)
--	--	--	( 120,874)	--	( 120,874)
775,414	29,693	554,283	( 10,362,561)	--	( 10,362,561)
2,272,215	--	--	--	92,117	92,117
6,638,840	--	25,082	--	1,744,106	1,744,106
781,649	--	--	--	206,755	206,755
389,078	--	42,055	--	300,696	300,696
10,081,782	--	67,137	--	2,343,674	2,343,674
10,857,196	29,693	621,420	( 10,362,561)	2,343,674	( 8,018,887)
General revenues					
Property taxes			6,557,041	--	6,557,041
Sales taxes			950,806	--	950,806
Utility taxes			1,096,095	--	1,096,095
Motor fuels taxes			1,428,522	--	1,428,522
Other taxes			781,298	--	781,298
Franchise fees			904,809	--	904,809
Interest and investment earnings			111,708	23,362	135,070
Other general revenues			244,338	--	244,338
Transfers			406,595	( 406,595)	--
Total general revenues and transfers			12,481,212	( 383,233)	12,097,979
Increases in net assets			2,118,651	1,960,441	4,079,092
Net position - beginning, as originally stated			42,114,615	25,164,644	67,279,259
Prior period adjustment			( 4,315,997)	( 953,314)	( 5,269,311)
Net position - beginning, as restated			37,798,618	24,211,330	62,009,948
Net position - ending			\$ 39,917,269	26,171,771	66,089,040

CITY OF PALMETTO, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2015

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,258,965	1,229,743	1,314,301	297,742	9,100,751
Receivables (net of allowance for uncollectible)	347,601	11,383	19,588	105,497	484,069
Advances to other funds	478,496	77,294	--	--	555,790
Due from other governments	103,860	--	--	--	103,860
Inventory	318,269	--	--	--	318,269
Cash - restricted	615,227	604,347	397,717	--	1,617,291
Total assets	<u>\$ 8,122,418</u>	<u>1,922,767</u>	<u>1,731,606</u>	<u>403,239</u>	<u>12,180,030</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 130,645	54,581	27,439	--	212,665
Due to other funds	--	--	--	77,294	77,294
Unearned revenue	47,641	--	--	--	47,641
Deposit payable	1,575	--	--	--	1,575
Total liabilities	<u>\$ 179,861</u>	<u>54,581</u>	<u>27,439</u>	<u>77,294</u>	<u>339,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	<u>\$ 219,956</u>	<u>--</u>	<u>15,811</u>	<u>63,089</u>	<u>298,856</u>
Fund balances					
Nonspendable	318,269	--	--	--	318,269
Restricted	615,227	1,868,186	1,688,356	--	4,171,769
Committed	2,003,079	--	--	262,856	2,265,935
Assigned	199,142	--	--	--	199,142
Unassigned	4,586,884	--	--	--	4,586,884
Total fund balances	<u>7,722,601</u>	<u>1,868,186</u>	<u>1,688,356</u>	<u>262,856</u>	<u>11,541,999</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,122,418</u>	<u>1,922,767</u>	<u>1,731,606</u>	<u>403,239</u>	
Adjustments for primary government total net position					
General capital assets net of accumulated depreciation					37,630,164
Unearned revenue					( 212,000)
Unavailable revenue					298,856
Deferred outflows of pension resources					1,158,186
Deferred inflows of pension earnings					(321,596)
Long term debt for capital lease, compensated absences, net pension liability, OPEB and interest rate swap liability					( 10,178,340)
Total net position for governmental activities (page 31)					<u>\$ 39,917,269</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2015

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 3,767,854	2,789,187	--	--	6,557,041
Sales	950,806	--	--	--	950,806
Utility	1,096,095	--	--	--	1,096,095
Motor fuel	11,993	--	1,416,529	--	1,428,522
Other	781,298	--	--	--	781,298
Permits, fees and special assessments	1,312,655	--	--	--	1,312,655
Intergovernmental revenues	14,693	12,000	--	485,194	511,887
Fines and forfeitures	53,414	--	--	--	53,414
Charges for services	770,937	--	103,546	--	874,483
Interest and investment earnings	96,088	9,532	6,088	--	111,708
Miscellaneous	196,198	82,916	421	--	279,535
Impact fees	24,732	--	9,690	--	34,422
Total revenues	9,076,763	2,893,635	1,536,274	485,194	13,991,866
<b>EXPENDITURES</b>					
Current					
General government	2,896,947	--	--	--	2,896,947
Public safety	4,337,159	--	--	--	4,337,159
Highways and streets	--	--	635,317	--	635,317
Recreation	637,539	--	--	--	637,539
Intergovernmental services	1,061,357	1,526,071	--	--	2,587,428
Capital outlay					
Streets	--	72,260	48,008	90,147	210,415
Other	283,634	1,022,810	--	806,463	2,112,907
Debt service principal and interest	225,560	252,297	272,882	--	750,739
Total expenditures	9,442,196	2,873,438	956,207	896,610	14,168,451
Excess (deficiency) of revenues over (under) expenditures	( 365,433)	20,197	580,067	( 411,416)	( 176,585)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	753,366	--	--	392,689	1,146,055
Transfers out	( 119,000)	( 208,099)	( 412,361)	--	( 739,460)
Capital leases	251,500	--	256,353	--	507,853
Total other financing sources (uses)	885,866	( 208,099)	( 156,008)	392,689	914,448
Net change in fund balances	520,433	( 187,902)	424,059	( 18,727)	737,863
Fund balances - beginning	7,202,168	2,056,088	1,264,297	281,583	10,804,136
Fund balances - ending	\$ 7,722,601	1,868,186	1,688,356	262,856	11,541,999

The notes to the financial statements are an integral part of this statement.



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CITY OF PALMETTO, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds	\$ 737,863
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	955,916
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds and does not effect net assets. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	122,012
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.	233,462
Some revenues reported in the statement of activities do not increase current financial resources.	<u>69,398</u>
Changes in net assets of governmental activities	<u><u>\$ 2,118,651</u></u>

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The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 September 30, 2015

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 512,402	2,035,235	234,179	12,013	2,793,829
Receivables (net of allowance for uncollectible)	218,823	624,412	82,278	535,236	1,460,749
Total current assets	731,225	2,659,647	316,457	547,249	4,254,578
Noncurrent assets					
Restricted cash and investments					
Cash - capital projects	--	1,282,668	256,325	268,810	1,807,803
Loan proceeds	--	631,912	3,420	--	635,332
Loan covenant accounts	--	--	190,852	1,381	192,233
Impact fees	--	79,158	--	--	79,158
Customer deposits	--	595,777	--	--	595,777
	--	2,589,515	450,597	270,191	3,310,303
Capital assets					
Land	--	4,815	274,600	--	279,415
Buildings	--	617,706	--	--	617,706
Improvements other than buildings	--	28,917,939	8,909,829	2,876,901	40,704,669
Machinery and equipment	210,517	3,692,643	83,339	5,980	3,992,479
Construction in progress	--	965,531	540,039	3,882,327	5,387,897
Less accumulated depreciation	( 210,517)	( 15,103,749)	( 2,648,881)	( 609,465)	( 18,572,612)
Total capital assets (net of accumulated depreciation)	--	19,094,885	7,158,926	6,155,743	32,409,554
Total noncurrent assets	--	21,684,400	7,609,523	6,425,934	35,719,857
Total assets	\$ 731,225	24,344,047	7,925,980	6,973,183	39,974,435
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of swap agreement	\$ --	471,541	333,483	104,164	909,188
Deferred pension contributions	22,944	172,211	46,489	--	241,644
Total deferred outflows	22,944	643,752	379,972	104,164	1,150,832

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 September 30, 2015

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 155,748	134,024	324,714	35,269	649,755
Accrued interest payable	--	34,389	26,217	7,234	67,840
Advances from other funds	--	--	--	411,461	411,461
Compensated absences	5,257	7,997	4,634	--	17,888
Capital leases payable-current	--	232,100	8,462	--	240,562
Loans payable-current	--	403,499	319,112	81,968	804,579
Total current liabilities payable from unrestricted assets	161,005	812,009	683,139	535,932	2,192,085
Current liabilities payable from restricted assets					
Customer deposits payable	--	595,777	--	--	595,777
Total current liabilities payable from restricted assets	--	595,777	--	--	595,777
Total current liabilities	161,005	1,407,786	683,139	535,932	2,787,862
Noncurrent liabilities					
Loans payable	--	5,287,620	2,619,222	1,110,717	9,017,559
Interest rate swap contracts	--	471,542	333,483	104,163	909,188
Other post-employment benefits	3,616	26,960	7,279	--	37,855
Net pension liability	102,535	769,594	207,760	--	1,079,889
Compensated absences	15,770	23,991	13,900	--	53,661
Capital leases payable	--	1,026,163	10,942	--	1,037,105
Total noncurrent liabilities	121,921	7,605,870	3,192,586	1,214,880	12,135,257
Total liabilities	282,926	9,013,656	3,875,725	1,750,812	14,923,119
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows of pension earnings	2,885	21,649	5,843	--	30,377
Total deferred inflows of resources	2,885	21,649	5,843	--	30,377
<b>NET POSITION</b>					
Net investment in capital assets	--	12,777,414	4,204,609	4,551,597	21,533,620
Restricted for					
Capital improvements	--	631,912	3,420	--	635,332
Debt service	--	--	190,852	1,381	192,233
Impact fees	--	79,158	--	--	79,158
Unrestricted	468,358	2,464,010	25,503	773,557	3,731,428
Total net position	\$ 468,358	15,952,494	4,424,384	5,326,535	26,171,771

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2015

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Operating revenues					
Charges for sales and services					
Garbage and trash pickup	\$ 2,237,723	--	--	--	2,237,723
Water sales	--	3,373,317	--	--	3,373,317
Sewer charges	--	2,803,410	--	--	2,803,410
Stormwater fees	--	--	768,122	--	768,122
Reuse fees	--	--	--	380,169	380,169
Installation and connection charges	--	6,500	--	--	6,500
Penalties and check charges	33,745	116,032	13,171	8,909	171,857
Miscellaneous	747	339,581	356	--	340,684
Total revenues	<u>2,272,215</u>	<u>6,638,840</u>	<u>781,649</u>	<u>389,078</u>	<u>10,081,782</u>
Operating expenses					
Cost of sales and services	2,180,098	3,840,887	276,215	7,163	6,304,363
Depreciation	--	820,308	179,539	56,757	1,056,604
Total operating expenses	<u>2,180,098</u>	<u>4,661,195</u>	<u>455,754</u>	<u>63,920</u>	<u>7,360,967</u>
Operating income (loss)	<u>92,117</u>	<u>1,977,645</u>	<u>325,895</u>	<u>325,158</u>	<u>2,720,815</u>
Nonoperating revenues (expenses)					
Interest earnings	2,107	17,198	2,498	1,559	23,362
Interest expense	--	( 262,022)	( 119,140)	( 66,517)	( 447,679)
Gain on sale of capital assets	--	3,401	--	--	3,401
Total nonoperating revenues (expenses)	<u>2,107</u>	<u>( 241,423)</u>	<u>( 116,642)</u>	<u>( 64,958)</u>	<u>( 420,916)</u>
Income (loss) before capital contributions and transfers	94,224	1,736,222	209,253	260,200	2,299,899
Capital contributions - impact fees	--	25,082	--	--	25,082
Capital contributions - grants	--	--	--	42,055	42,055
Transfers in	--	--	219,961	--	219,961
Transfers out	( 39,611)	( 477,089)	( 99,603)	( 10,253)	( 626,556)
Change in net position	54,613	1,284,215	329,611	292,002	1,960,441
Total net position - beginning, (as originally stated)	504,262	15,347,668	4,278,181	5,034,533	25,164,644
Prior period adjustment	( 90,517)	( 679,389)	( 183,408)	--	( 953,314)
Total net position - beginning	<u>413,745</u>	<u>14,668,279</u>	<u>4,094,773</u>	<u>5,034,533</u>	<u>24,211,330</u>
Total net position - ending	<u>\$ 468,358</u>	<u>15,952,494</u>	<u>4,424,384</u>	<u>5,326,535</u>	<u>26,171,771</u>

The notes to the financial statements are an integral part of this statement.



CITY OF PALMETTO, FLORIDA<sup>A</sup>  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2015

	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 2,245,323	7,056,590	622,741	337,030	10,261,684
Payments to suppliers	( 2,064,724)	( 3,046,421)	( 50,554)	( 7,163)	( 5,168,862)
Payments to employees	( 132,008)	( 883,796)	( 243,591)	--	( 1,259,395)
Net cash provided (used) by operating activities	48,591	3,126,373	328,596	329,867	3,833,427
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Advance from other funds	--	--	--	( 314,924)	( 314,924)
Transfers from other funds	--	--	219,961	--	219,961
Transfers to other funds	( 39,611)	( 477,089)	( 99,603)	( 10,253)	( 626,556)
Net cash provided (used) by noncapital and related financing activities	( 39,611)	( 477,089)	120,358	( 325,177)	( 721,519)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	--	( 955,782)	( 111,139)	( 186,820)	( 1,253,741)
Impact fee capital contributions	--	25,082	--	--	25,082
Grant capital contributions	--	--	--	42,055	42,055
Payments on capital lease obligations	--	( 361,478)	( 5,136)	--	( 366,614)
Principal paid on capital debt	--	( 390,051)	( 307,567)	( 78,576)	( 776,194)
Interest paid on capital debt	--	( 262,014)	( 122,201)	( 67,006)	( 451,221)
Net cash provided (used) by capital and related financing activities	--	( 1,944,243)	( 546,043)	( 290,347)	( 2,780,633)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends received	2,107	17,198	2,498	1,559	23,362
Net cash provided (used) by investing activities	2,107	17,198	2,498	1,559	23,362
Net increase (decrease) in cash and cash equivalents	11,087	722,239	( 94,591)	( 284,098)	354,637
Cash and cash equivalents - October 1	501,315	3,902,511	779,367	566,302	5,749,495
Cash and cash equivalents - September 30	\$ 512,402	4,624,750	684,776	282,204	6,104,132
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 92,117	1,977,645	325,895	325,158	2,720,815
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	--	820,308	179,539	56,757	1,056,604
Non-cash pension expense	( 8,041)	( 60,357)	( 16,294)	--	( 84,692)
(Increase) decrease in accounts receivable	( 26,892)	( 25,816)	( 3,908)	( 52,048)	( 108,664)
(Increase) decrease in due from other funds	--	425,000	--	--	425,000
Increase (decrease) in accounts payable and accrued liabilities	( 8,593)	( 28,973)	( 1,636)	--	( 39,202)
Increase (decrease) in due to other funds	--	--	( 155,000)	--	( 155,000)
Increase (decrease) in deferred revenue	--	( 393)	--	--	( 393)
Increase (decrease) in customer deposits	--	18,959	--	--	18,959
Total adjustments	( 43,526)	1,148,728	2,701	4,709	1,112,612
Net cash provided (used) by operating activities	\$ 48,591	3,126,373	328,596	329,867	3,833,427
Detail of cash and equivalents at September 30:					
Cash and equivalents	\$ 512,402	2,035,235	234,179	12,013	2,793,829
Restricted cash:					
Cash - Capital Projects	--	1,282,668	256,325	268,810	1,807,803
Loan proceeds	--	631,912	3,420	--	635,332
Loan covenant accounts	--	--	190,852	1,381	192,233
Impact fees	--	79,158	--	--	79,158
Customer deposits	--	595,777	--	--	595,777
Total	\$ 512,402	4,624,750	684,776	282,204	6,104,132
<b>NONCASH CAPITAL ACTIVITIES</b>					
Change in fair market value of interest rate swaps	\$ --	( 33,277)	( 7,521)	( 11,098)	( 51,896)
Borrowing under capital lease	--	--	11,543	--	11,543

These notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
September 30, 2015

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 657	--
Accounts receivable	800	--
Interest and dividends receivable	28,686	--
Prepaid health insurance	--	69,666
Investments, at fair value		
Money market funds	873,670	--
U. S. government securities	1,918,379	--
Corporate bonds	2,455,805	--
Corporate stocks	10,774,964	--
Mutual funds	2,816,475	--
Alternative investments	2,873,295	--
Total investments	<u>21,712,588</u>	<u>--</u>
Total assets	<u>21,742,731</u>	<u>69,666</u>
<b>LIABILITIES</b>		
Accounts payable	1,060	2,631
Advances from other funds	--	67,035
Total liabilities	<u>1,060</u>	<u>69,666</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 21,741,671</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended September 30, 2015

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	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 1,296,142
Plan members	217,457
State (from the General Fund)	103,281
Miscellaneous	2,784
Total contributions	<u>1,619,664</u>
Investment earnings	
Interest	116,980
Dividends	295,823
Net increase in the fair value of investments	<u>( 250,272)</u>
Total investment earnings	162,531
Less investment expense	<u>( 145,491)</u>
Net investment earnings	17,040
Total additions	<u>1,636,704</u>
<b>DEDUCTIONS</b>	
Benefits	1,581,941
Refunds of contributions	123,378
Administrative expenses	55,034
Total deductions	<u>1,760,353</u>
Change in net position	<u>( 123,649)</u>
Net position - beginning	<u>21,865,320</u>
Net position - ending	<u><u>\$ 21,741,671</u></u>

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The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

The City of Palmetto, Florida, (the City) was incorporated June 15, 1897, by referendum and amended in 2004 and 2010. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida in Manatee County and is comprised of seven square miles with a population of 13,082. The current charter provides for an elected mayor and a five-member commission, all serving four year terms. The City provides municipal services such as public safety (police), roads and streets, recreation, public improvements, planning and zoning, and general administrative services. The City also has enterprise operations consisting of solid waste (garbage and trash collection), water, sewer, reclaimed water and stormwater.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the primary government.

**Blended Component Unit:** The City Commission created the Community Redevelopment Agency (CRA), pursuant to City Ordinance No. 259, adopted November 4, 1985, under the provisions of Section 163.357 of the Florida Statutes to provide for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City. The City Commission reorganized the CRA in 2009, by declaring itself as the CRA Board and establishing a CRA Advisory Board to make recommendations to the CRA Board.

The CRA is presented as a blended component unit within the City's financial statements as the CRA Special Revenue Fund because: 1) The CRA substantively operates under the same body as the City through the City Commission which meets separately as the CRA's governing body to approve the adoption of their annual budget, the transactions of real property, and the execution of contracts and modifications to the community redevelopment plans 2) The City Commission/CRA Board has operational responsibility of the CRA 3) The CRA provides an exclusive service or benefit to the City and its citizens and, 4) The debt of the CRA is largely repayable from City resources.

**B. Government-wide and Fund 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 non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements by allocation of these activities on a fund basis based on the predominant users of the services. *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 and charges for their support.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included as program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City's fiduciary funds are presented in the fiduciary fund financial statement by type (pension trust and agency funds) but are not included in the government-wide statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 when a liability is 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 fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Debt expenditures, and expenditures related to compensated absences, claims and judgments, are usually recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency funds are unlike all other types of funds, reporting only assets and liabilities. Therefore, they do not have a measurement focus, but do however use the accrual basis of accounting to recognize receivables and payables. They are merely clearing accounts for assets held by the City as an agent for individuals, private organizations and other governmental entities.

Governmental funds report the following major funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as general administration, police protection, public works administration and parks and landscape are provided by the General Fund. Reported with the General Fund is the Trailer Park Trust, a “sub-fund” which is separated for the convenience of the City in tracking certain investments. The City allocates charges for indirect services provided by General Fund departments based on a cost allocation plan. The funds are reported as interfund transfers to the General Fund.

The *road and bridge fund* is a special revenue fund that accounts for the construction, maintenance, repair and replacement of the City’s streets, roads and bridges. Financing is provided primarily through motor fuel taxes.

The *community redevelopment agency fund* is a special revenue fund that accounts for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City. Financing is provided primarily through tax increment funding from the City and Manatee County.

The City also has a *capital projects fund* that is a non-major governmental fund. The capital projects fund accounts for the activities associated with construction and the preservation of the City’s governmental capital assets. A joint capital projects fund, reported within the capital projects fund, is a sub-fund of the capital projects fund and accounts for the same type of activities that have funding sources from the City, CRA and grants.

Proprietary funds report the following major funds:

The *solid waste fund* accounts for the provision of garbage and trash collection to the City.

The *water and sewer fund* accounts for the provision of water and sewer service to the City and certain surrounding areas.

The *stormwater fund* accounts for the operation of a stormwater utility to improve stormwater drainage throughout the City.

The *reuse water fund* accounts for the operation of a reclaimed water utility to provide reclaimed water for irrigation in parts of the City.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the City reports the following fiduciary fund types:

The *pension trust funds* account for the activities of the Police and General Employees Pension plans. These funds accumulate resources for pension benefit payments to qualified employees.

The *agency fund* accounts for amounts collected from employees through payroll deduction that are disbursed to governmental agencies and private companies for benefits selected by the City's employees.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues are from charges to customers for sales and services in the solid waste, water and sewer, stormwater and reuse funds. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 non-operating revenues and expenses.

**D. Assets, Liabilities and Net position or Equity**

**1. Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. The City considers all highly liquid investments with original maturities of three months or less when purchased as well as investments in the City's cash and investment pool to be cash equivalents for purposes of the statement of cash flows. Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and investments is allocated to funds based on their average daily balances.

The City's investment policy authorizes the City to invest in obligations of the U.S. Treasury, commercial paper, and corporate bonds of investment grade, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the City are reported at fair value. The cash and investment pool maintained by the City is invested in collateralized certificates of deposits, the State Board of Administration (SBA) investment pool, Florida Safe Investment Pool and the Florida Municipal Investment Trust. The State Board of Administration and Florida Safe Investment Pools operate in accordance with appropriate state laws and regulations.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in government-wide financial statements as “internal balances.”

All trade receivables are reported net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 365 days and a percentage of those in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles.

3. Interfund Transactions

In the course of normal operations the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets and service debt. The General Fund provides administrative services to the enterprise funds. The cost of those services is allocated based on the total money spent by each department.

4. Inventories and Prepaid Items

Inventories are adjusted to annual counts and are valued at cost, which approximates market, using the average cost method. Inventory is accounted for using the consumption method, whereby inventories are recorded as expenditures when they are used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Proceeds of the City’s loans, as well as other resources set aside in accordance with debt covenants are classified as restricted on the fund level balance sheets. These include the following: loan proceeds for capital improvements, lease proceeds awaiting final invoices, cash accounts used to accumulate resources to meet debt service requirements and customer deposits.

Specific provisions of ordinances or resolutions adopted by City Commission and other agreements restrict the uses of certain proprietary fund assets. Assets so designated are identified as restricted assets on the balance sheet.



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is accrued when earned in proprietary fund financial statements. In governmental fund financial statements, the cost of vacation pay is recognized when payments are made to employees or when matured, as a result of employee resignation or retirement. Vacation pay is accrued up to forty-five days, which is paid to employees upon termination. Unused sick leave benefits can be accumulated up to 120 days. One-half of the accumulated sick leave benefit will be paid to employees upon retirement or death.

All vacation pay is accrued when earned in the government-wide financial statements. Sick leave is recorded in the financial statements at half the value only if the employee is vested.

7. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost per the schedule below. Equipment and vehicles with an individual cost between \$500 and \$2,000 are tracked as sundry items only, and not recorded as capital assets or depreciated. Capital assets are recorded at historical cost or estimated historical cost if constructed. Capital assets of the primary government are depreciated, using the straight-line method over the following estimated useful lives using these capitalization thresholds:

<u>Assets</u>	<u>Useful Life</u>	<u>Threshold</u>
Buildings and building improvements	30 years	\$20,000
Machinery and equipment		
Equipment and vehicles	7 years	\$ 2,000
Software	7 years	\$20,000
Infrastructure	50 years	\$20,000
Improvements other than buildings	50 years	\$20,000

Donated capital assets are recorded at estimated fair value at the date of donation. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the accumulated decrease in fair value of the SWAP agreement as a deferred outflow which is the offset of the fair market value of the City's derivatives (swap agreements). As the derivatives qualify as effective hedges – the change in fair market value occurs each year and the liability and deferred outflow are adjusted. Additionally, the City reports a deferred outflow for city contributions to the pension plans subsequent to their measurement date.

In addition to liabilities, the statement of revenues, expenditures and changes in fund balance will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants and special assessments and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Additionally, the City has a deferred inflow of pension earnings that will be recognized in future years.

9. Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Manatee County Property Appraiser as of the prior January 1. The property tax revenue for fiscal year 2015 was based on taxable assessed property values totaling \$679,376,060.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2014-2015 fiscal year, the City levied taxes of 5.7171 mills for the General Fund.

The Manatee County Tax Collector collects property taxes on behalf of each municipality within the county boundaries. All taxes are due from property owners on March 31. Taxes become delinquent on April 1. By May 31, of each year, either all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction of tax certificates. Due to this arrangement there are no material unremitted tax revenues at the end of the fiscal year.

The property tax cycle is summarized as follows:

June 1	Preliminary taxable valuation
July 1	Certification of valuations
September 12	Tentative tax levy set and first public hearing
September 26	Tax levy and budget adopted
October 1	Fiscal year begins for which tax is to be levied
November 1 – March 31	Property taxes are due with various discount rates
April 1	Taxes are delinquent and property is subject to lien
May 1	Delinquent tax certificates may be sold

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Special Assessments

Special assessments are levied pursuant to State Statute and City Ordinances that result in a lien upon the properties involved.

11. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

The General Fund is typically used to liquidate the liability for compensated absences, net pension obligation and net other postemployment benefit obligations for the governmental funds.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Net Position/Fund Balance

The City classifies fund balance in accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*.” This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Fund Equity: Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

*Fund Balance:* Generally, fund balance represents the difference between the assets and deferred outflows and liabilities and deferred inflows under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that 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 those funds can be spent. Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City Commission has authorized the City Clerk or his designee to assign fund balance.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned:* Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

*Net position:* Net position is the result of assets and deferred outflows of resources less liabilities and deferred inflows of resources. The net position of the government-wide and proprietary funds are categorized as net investment in capital assets, reduced by accumulated depreciation and any outstanding debt incurred to acquire, construct or improve those assets excluding unexpended bond/loan proceeds, restricted or unrestricted. The first category represents net position related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirement of externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

*Flow Assumptions:* When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use committed fund balance first then assigned and unassigned.

NOTE II – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

**A. GASB 68, as Amended by GASB 71**

During fiscal year 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-An Amendment of GASB No. 27*. This pronouncement required the restatement of the September 30, 2014 net position in governmental activities, business-type activities and proprietary fund type statements. The City also implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, An Amendment of GASB Statement No. 68*. This change is in accordance with generally accepted accounting principles. The net position has been restated at October 1, 2014 as follows:

Government-wide Statement of Activities

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Net Position at October 1, 2014 - as originally stated	\$ 42,114,615	25,164,644	67,279,259
Prior period adjustment for GASB 68 implementation			
Palmetto General Employee's Pension Plan	(2,691,819)	(953,314)	(3,645,133)
Palmetto Police Pension Plan	(1,624,178)	-	(1,624,178)
Total restatement	(4,315,997)	(953,314)	(5,269,311)
Net position at October 1, 2014 as restated	<u>\$ 37,798,618</u>	<u>24,211,330</u>	<u>62,009,948</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE II – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT (CONTINUED)

Distribution of Business-type activities

		Solid Waste	Water and Sewer	Stormwater	Reuse	Total
Net Position at October 1, 2014 - as originally stated	\$	504,262	15,347,668	4,278,181	5,034,533	25,164,644
Prior period adjustment for GASB 68 implementation						
Palmetto General Employee's Pension Plan		(90,517)	(679,389)	(183,408)	-	(953,314)
Total restatement		(90,517)	(679,389)	(183,408)	-	(953,314)
Net position at October 1, 2014 as restated	\$	<u>413,745</u>	<u>14,668,279</u>	<u>4,094,773</u>	<u>5,034,533</u>	<u>24,211,330</u>

NOTE III - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net position**

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. The elements of that reconciliation are as follows:

1. *General government capital assets, net of accumulated depreciation:* Capital assets are not included as part of current assets in the fund statements and need to be reported as capital assets in the government-wide statement of net position. The details of this \$37,630,164 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 4,579,391
Buildings	64,147
Machinery and equipment	2,057,292
Infrastructure	29,242,162
Construction in progress	<u>1,687,172</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ 37,630,164</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE III — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

2. *Other liabilities:* Other liabilities not due and payable in the current period and therefore not recorded in the governmental funds. The details of this \$212,000 difference are as follows:

Unearned revenue for Manatee Fruit Company	<u>\$ ( 212,000)</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u><u>\$ ( 212,000)</u></u>

3. *Deferred inflows:* Revenues that are an acquisition of net position and applicable to a future reporting period and therefore unavailable for use in the governmental funds. The details of this \$298,856 difference are as follows:

Unavailable revenue – Code Enforcement	\$ 189,600
Unavailable revenue – Special Assessments	46,167
Unearned revenue for grants which were earned in the governmental activities but did not meet the 60 day requirement in the governmental funds	<u>63,089</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ 298,856</u></u>

4. *Long-term debt for capital leases, compensated absences, net pension liabilities, OPEB and loans:* Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the fund statements. The details of this \$10,178,340 difference are as follows:

2004 loan payable	\$( 323,751)
2005 loan payable	( 815,837)
2007 loan payable – including reallocation of loan	( 639,823)
CRA loan payable	( 2,417,250)
Capital leases payable	( 718,812)
Compensated absences	( 667,929)
Other post-employment benefits	( 205,148)
Net pension liability	<u>( 4,389,790)</u>
Net adjustment to decrease <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u><u>\$ ( 10,178,340)</u></u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE III — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between the *net change in fund balance—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. The elements of that reconciliation are as follows:

1. *Governmental funds report capital outlays as expenditures:* In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$955,916 difference are as follows:

Capital outlay	\$ 2,320,981
Depreciation expense	( 1,313,720)
Capital assets sales and other	<u>( 51,345)</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 955,916</u>
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2. *The issuance and repayment of long-term debt (i.e. loans and capital leases):* The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is reported as debt service payments in the Statement of Revenues, Expenditures and Changes in Fund Balances. The details of this \$122,012 difference are as follows:

Principal repayments	
Principal payments on long-term bank loans	\$ 351,292
Payments on capital leases	278,573
Capital lease additions	<u>( 507,853)</u>

Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 122,012</u>
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE III — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses, therefore, are not reported as expenditures in governmental funds. The details of this \$233,462 difference are as follows:

Change in other post-employment benefits	\$ ( 9,580)
Change in the net pension liability	326,437
Changes in compensated absences	<u>( 83,395)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 233,462</u>

4. *Some revenues reported in the statement of activities do not provide current financial resources:* These revenues, therefore, are not reported in the governmental fund statements. The details of this \$69,398 difference are as follows:

Change in unavailable revenue	\$ <u>69,398</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 69,398</u>

NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution. The budget resolution restricts total expenditures by fund. Expenditures for any year may not exceed current year fund appropriations plus accumulated fund equity.



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

4. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the departmental cost center level. Transfers of appropriations between cost centers or funds require the approval of the City Commission. The transfer of appropriations between line items within the same departmental cost center can be accomplished with Department Head and City Clerk approval.
5. All unencumbered and unexpended appropriations lapse at fiscal year end. Encumbered appropriations (i.e., purchase orders, contracts) outstanding at year end are reported as committed or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
6. The City Commission has the power to revise its budget appropriations by resolution from time to time during the fiscal year; however, no revision may be made by transferring any encumbered funds unless such funds are first released or discharged from any such encumbrance. Budgeted amounts are as originally adopted or amended by the City. Supplemental appropriations made during the fiscal year are included in the "Final Budget" columns on the statement of revenues, expenditures and changes in fund balances – budget and actual.

**B. Excess of Expenditures over Appropriations**

For the year ended September 30, 2015, expenditures did not exceed appropriations at the departmental level, the legal level of budgetary control.

NOTE V — DETAILED NOTES ON ALL FUNDS

**A. Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. The main deposits and investments of the Pension Trust Funds are held separately from those of other City funds and holds pooled cash until the contributions are remitted to the trust funds. Interest income, attributed to the pooled cash and investments, is allocated monthly based on each fund's percentage of the total of pooled cash and investments.

At September 30, 2015, the carrying amount of the City's primary government deposits was \$16,822,831. This amount includes three collateralized certificates of deposit valued at \$3,502,459, one term series valued at \$1,000,000, two money market accounts valued at \$1,512,515, lease proceeds from the 2015 Capital Lease of \$242,563, the SBA investment of \$328,720, the FMIT investment of \$184,169 and \$2,170,075 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating accounts was \$7,688,247. All deposits are insured by either the Federal Depository Insurance Corporation or by the Multiple Financial Institution Collateral Pool established by Chapter 280 of the Florida Statutes. Chapter 280 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodians equal to a percentage between 25% and 200% determined by the State's Chief Financial Officer and based on information from nationally recognized financial rating services and established financial performance guidelines for the banking institutions. New and financially troubled institutions are required to pledge securities equal to 125% of municipal deposits with the State or third party custodians.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

All deposits of the City are insured or collateralized with securities held by the entity or by its agent in the entity's name.

The cash and investment pool maintained by the City invests in time deposits, U.S. government securities, the State Board of Administration investment pool, Florida Surplus Asset Fund Trust (FL SAFE) investment pool and the Florida Municipal Investment Trust. The General Employees' Pension Plan and the Police Officers' Retirement Plan have individual investment policies and approved contracts for investment management services and for custody of securities. These funds invest in U.S. government securities, corporate stocks and bonds, money market funds and the Florida Municipal Investment Trust.

The City's investment guidelines have been defined in a written investment policy and approved by the City Commission for all funds except the Pension Trust Funds. This policy coincides with state statutes to reasonably insure the safety of the City's investments.

The respective Pension Boards have defined and adopted investment policies for the Pension Trust Funds and details of the investment assumptions, rates of returns and discount rates are found in Note VI.

For the year ended September 30, 2015, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was -0.90% for the Police Pension Plan and 1.61% for the General Employees' Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The pension plans did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

The Florida State Board of Administration's (SBA) Local Government Surplus Funds Account, Florida Surplus Asset Fund Trust (FL SAFE) and Florida League of Cities Municipal Investment Trust (FMIT) meet the criteria of 2a7-like pools and therefore the investments are valued using the pooled share price. The pooled share price is equivalent to the fair value of the position in each of the 2a7-like pools.

The Local Government Surplus Funds Account is administered by the SBA under the regulatory oversight of the State of Florida, Chapter 19-7 of the Florida Administrative Code. The objectives of the pool are to provide a short-term, very liquid, high quality investment vehicle to participating local governments and to operate consistent with Section 215.47 of the Florida Statutes and as a 2a7-like fund using the Securities and Exchange Commission investment requirements for 2a-7. As a money market fund, the pool invests in instruments issued by financial institutions, non-financial corporations, the U. S. government and federal agencies. Money market instruments must be of the highest applicable rating, while other eligible securities must be rated investment grade. All maturity obligations of the U. S. government may not exceed two years and the weighted average maturity of the portfolio may not exceed 90 days.

FMIT is an inter-local governmental entity created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds into one or more investment portfolios. These portfolios are actively traded and have been structured to meet a variety of investment horizons using those investments permitted under the Trust's investment policy. Fitch Ratings assigns bond fund ratings to the Trust's four fixed income funds and the investment performance and compliance are monitored and audited in accordance with generally accepted auditing standards.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

As of September 30, 2015, the City had the following investments and maturities:

Investment Type	Fair Value	<u>Investment Maturities (In Years)</u>			
		Less Than 1	1 - 5	6 - 10	More Than 10
Cash and Short Term Investments	\$ 11,502,181	11,502,181	--	--	--
Investment Pools	3,840,077	3,840,077	--	--	--
US Agencies	4,272,622	2,679,356	980,885	278,768	333,613
Corporate Bonds	2,455,805	160,890	1,045,812	1,006,690	242,413
Common Stock	10,774,964	10,774,964	--	--	--
Mutual Funds - Fixed Income	983,016	983,016	--	--	--
Mutual Funds - Equity	1,833,459	1,833,459	--	--	--
Alternative Investments - Hedge Fund	1,080,891	1,080,891	--	--	--
Alternative Investments - Real Estate	1,792,404	1,792,404	--	--	--
	<u>\$ 38,535,419</u>	<u>34,647,238</u>	<u>2,026,697</u>	<u>1,285,458</u>	<u>576,026</u>

1. *Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy requires diversification of the investments. The investment policy of the General Employees' Pension Fund requires the investment manager to maintain liquid reserves for the payment of pension benefits and expenses. This also limits exposure to fair value losses by allowing for quick liquidation in the event of fluctuating interest rates.

2. *Credit Risk: City Investments.* Credit quality risk results from potential default of investments that are not financially sound. The City invests a large amount of its surplus funds pursuant to Chapter 280 of the Florida Statutes whereby the City is made whole by all participating banks should a principal loss be incurred by the City. This statute limits investing activities to the SBA, certificates of deposits, registered SEC and money market mutual funds, and intergovernmental investment pools. Investments of these types insure the security of the City's surplus funds. The City has invested funds in two investment pool's, both of which are currently rated by Standard and Poor's at AAAM as of September 30, 2015. These funds include \$328,720 in the SBA and \$511,356 in Florida Safe. The City also has \$4,502,459 in certificates of deposit and term series held by qualified participating depositories. Investments in the Florida Municipal Investment Trust (FMIT) are rated by Fitch for the 1-3 Year High Quality Bond Fund at AAA/V2, and the Intermediate High Quality Bond Fund at AAA/V3 as of September 30, 2015. The City has investments in these bond funds of \$184,169 and \$2,170,075 respectively.

*Credit Risk: Pension Plans.* Investments in the policies governing the General Employees' Pension Fund and the Police Officers' Pension Fund limit investments to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs).

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**General Employees' Pension Plan**

<b>Investments</b>	<b>Fair Value</b>	<b>Credit Rating (Moody's)</b>	<b>Percent Distribution</b>
Cash and Short Term Investments	\$ 471,261		4.19%
U.S. Agencies	985,412	Aaa	8.76%
Corporate Bonds			
	105,773	Aa3	0.94%
	116,835	A1	1.04%
	223,464	A2	1.99%
	44,986	A3	0.40%
	50,619	Baa1	0.45%
	49,584	Not rated	0.44%
Common Stock	5,758,811		51.18%
Mutual Funds - Fixed Income	562,117		5.00%
Mutual Funds - Equity	576,331		5.12%
Alternative Investments - Hedge Fund	1,080,891	Not rated	9.61%
Alternative Investments - Real Estate	1,226,662	Not rated	10.90%
Total Cash and Investments	<u>\$ 11,252,746</u>		<u>100.00%</u>

**Police Pension Plan**

<b>Investments</b>	<b>Fair Value</b>	<b>Credit Rating (Moody's)</b>	<b>Percent Distribution</b>
Cash and Short Term Investments	\$ 402,409		3.85%
U.S. Agencies			
	602,861	Aaa	5.76%
	330,106	Not Rated	3.16%
Corporate Bonds			
	28,496	Aa1	0.27%
	45,455	Aa2	0.43%
	130,302	Aa3	1.25%
	389,769	A1	3.73%
	329,549	A2	3.15%
	423,447	A3	4.05%
	392,449	Baa1	3.75%
	125,077	Baa2	1.20%
Common Stock	5,016,153		47.96%
Mutual Funds - Fixed Income	420,899		4.02%
Mutual Funds - Equity	1,257,128		12.02%
Alternative Investments - Real Estate	565,742		5.41%
Total Cash and Investments	<u>\$ 10,459,842</u>		<u>100.00%</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. *Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires investment securities to be collateralized by direct obligations backed by the full faith and credit of the U. S. Government or by the actual security held in safekeeping. The cash and short term investments are largely comprised of cash in banks and certificates of deposit, where the bank is approved by the State of Florida as a qualified public depository. State approved banks are required to comply with Florida Statutes Chapter 280, which requires financial institutions to pledge securities with the state to insure government funds held by the bank.

1. *Foreign Currency Risk:* The City does not have an investment policy related to foreign currency risk.

**B. Receivables**

Receivables and allowances for uncollectible accounts as of September 30, 2015 totals \$1,974,304 for the City at the fund level as shown below:

	Governmental Funds					Pension Trust
	General	CRA	Road & Bridge	Capital Project	Total	
Accounts	\$ 218,840	9,000	2,055	--	229,895	800
Special Assessments	30,356	--	15,810	--	46,166	--
Intergovernmental	93,269	--	--	--	93,269	--
Interest and Dividends	5,136	2,383	1,723	--	9,242	28,686
Grants	--	--	--	105,497	105,497	--
Gross Receivables	347,601	11,383	19,588	105,497	484,069	29,486
Less: Allowance for Uncollectible	--	--	--	--	--	--
Net Total Receivables	\$ 347,601	11,383	19,588	105,497	484,069	29,486

	Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
Accounts	\$ 341,418	934,741	128,120	67,508	1,471,787
Special Assessments	--	573	--	--	573
Interest	529	4,673	479	287	5,968
Grants	--	--	--	491,271	491,271
Gross Receivables	341,947	939,987	128,599	559,066	1,969,599
Less: Allowance for Uncollectible	( 123,124)	( 315,575)	( 46,321)	( 23,830)	( 508,850)
Net Total Receivables	\$ 218,823	624,412	82,278	535,236	1,460,749

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**C. Inter-fund Receivables, Payables and Transfers**

1. Advances To/From Other Funds

The City reports interfund balances between funds as advances to/from other funds. The total of all balances agree with the sum of advances to/from other funds balances presented in the balance sheet/statement of net position for governmental funds and for proprietary funds.

At September 30, 2015, the General Fund and Community Redevelopment Funds advanced funds of \$144,329 to cover cash deficits in pooled cash within the payable fund at year-end. This balance is a receivable that is expected to be liquidated early in the subsequent year.

During fiscal year 2014, the Trailer Park Trust fund advanced the Reuse fund \$500,000 to provide funding for the ASR Well project. This advance is being repaid to the Trailer Park Trust fund over ten years with 3% interest. The outstanding balance of the advance as of September 30, 2015 is \$411,461 and is reported with the General Fund in the financial statements.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund/Trailer Park Trust	Reuse	\$ 411,461
General Fund	Payroll Liability Fund	67,035
Community Redevelopment Fund	Joint Capital Projects Fund	77,294
	Total	<u>\$ 555,790</u>

2. Interfund Transfers

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the following schedule agrees with the interfund transfers presented in the governmental and proprietary fund financial statements.

Transfers are used to reimburse a fund for expenses incurred that benefit another fund. This happens primarily in the general fund which incurs expenses for certain departments that support the proprietary funds. These departments include: Public Works Administration, Engineering, Information Technology, Fleet Maintenance, Finance and Human Resources. Transfers are also used for funding capital projects and expenditures.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The composition of interfund transfers as of September 30, 2015, is as follows:

<b>Transfers Out</b>	<b>Transfers In General Fund</b>	<b>Transfers In Capital Projects Fund</b>	<b>Transfers In Stormwater Fund</b>	<b>Total Transfers</b>
General Fund	\$ --	119,000	--	119,000
CRA Fund	49,410	158,689	--	208,099
Road and Bridge Fund	132,400	115,000	164,961	412,361
Solid Waste Fund	39,611	--	--	39,611
Water and Sewer Fund	422,089	--	55,000	477,089
Stormwater Fund	99,603	--	--	99,603
Reuse Fund	10,253	--	--	10,253
Total	\$ 753,366	392,689	219,961	1,366,016

**D. Restricted Assets**

The balances of the restricted asset accounts are as follows:

	<b>Governmental Funds</b>			
	<b>General</b>	<b>CRA</b>	<b>Road and Bridge</b>	<b>Total</b>
Building Department Reserve	\$ 398,907	--	--	398,907
Capital Improvement Loan Proceeds	--	604,347	--	604,347
Contributions - Capital Improvements	11,139	--	6,501	17,640
Capital Improvement Lease Proceeds	8,579	--	230,564	239,143
Law Enforcement	40,658	--	--	40,658
Impact Fees	155,944	--	160,652	316,596
Total Governmental Restricted Assets	\$ 615,227	604,347	397,717	1,617,291
	<b>Proprietary Funds</b>			
	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Cash - Capital projects	\$ 1,282,668	256,325	268,810	1,807,803
Capital Improvement Loan Proceeds	631,912	3,420	--	635,332
Loan Covenants	--	190,852	1,381	192,233
Impact Fees	79,158	--	--	79,158
Customer Deposits	595,777	--	--	595,777
Total Proprietary Restricted Assets	\$ 2,589,515	450,597	270,191	3,310,303
Total Restricted Assets				\$ 4,927,594

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**E. Capital Assets**

Governments possess many different types of assets that may be considered intangible assets, including easements and right of ways. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has certain easements and right of ways that meet these requirements and have classified these assets as land in the governmental activities. These assets were not increased in fiscal year 2015 and total \$108,721.

Capital asset activity, for the year ended September 30, 2015, was as follows:

<b>Primary Government</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,482,361	147,137	( 50,107)	4,579,391
Construction in progress	2,915,063	275,352	( 1,503,243)	1,687,172
Total capital assets, not being depreciated:	7,397,424	422,489	( 1,553,350)	6,266,563
Capital assets, being depreciated:				
Buildings	1,955,085	84,646	--	2,039,731
Machinery and equipment	8,470,126	503,208	( 210,231)	8,763,103
Infrastructure	38,324,084	2,813,881	--	41,137,965
Total capital assets, being depreciated:	48,749,295	3,401,735	( 210,231)	51,940,799
Less accumulated depreciation for:				
Buildings	( 1,915,519)	( 60,065)	--	( 1,975,584)
Machinery and equipment	( 6,484,990)	( 429,814)	208,993	( 6,705,811)
Infrastructure	( 11,071,962)	( 823,841)	--	( 11,895,803)
Total accumulated depreciation	( 19,472,471)	( 1,313,720)	208,993	( 20,577,198)
Total capital assets, being depreciated, net	29,276,824	2,088,015	( 1,238)	31,363,601
Governmental activities capital assets, net	\$ 36,674,248	2,510,504	( 1,554,588)	37,630,164



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 279,415	--	--	279,415
Construction in progress	5,671,708	1,272,234	( 1,556,045)	5,387,897
Total capital assets, not being depreciated:	5,951,123	1,272,234	( 1,556,045)	5,667,312
Capital assets, being depreciated:				
Buildings	493,517	124,189	--	617,706
Improvements other than buildings	40,103,586	601,083	--	40,704,669
Machinery and equipment	2,852,429	1,140,049	--	3,992,478
Total capital assets, being depreciated:	43,449,532	1,865,321	--	45,314,853
Less accumulated depreciation for:				
Buildings	( 298,004)	( 16,016)	--	( 314,020)
Infrastructure	( 15,563,734)	( 756,592)	--	( 16,320,326)
Machinery and equipment	( 1,654,269)	( 283,996)	--	( 1,938,265)
Total accumulated depreciation	( 17,516,007)	( 1,056,604)	--	( 18,572,611)
Total capital assets, being depreciated, net	25,933,525	808,717	--	26,742,242
Business-type activities capital assets, net	\$ 31,884,648	2,080,951	( 1,556,045)	32,409,554

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

**Governmental activities:**

General government	\$ 510,946
Public safety	205,044
Streets and roads	405,705
Intergovernmental services	158,952
Recreation	33,073
Total depreciation for governmental activities	<u>\$ 1,313,720</u>

**Business-type activities:**

Water and sewer	\$ 820,308
Stormwater	179,539
Reuse	56,757
Total depreciation for business-type activities	<u>\$ 1,056,604</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Construction Commitments**

The City has various active construction projects that are separate from the CRA. At September 30, 2015, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

<b>Capital Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Aquifer Storage Recovery Project	\$ 3,848,054	120,230
I&I Program	554,809	402,924
13th Street Drainage	540,039	256,325
8th Street Improvements	203,113	9,042
Fire Protection Upgrades	143,898	50,927
Lift Station Upgrades	102,630	102,667
WWTP Projects	73,604	205,471
14th Ave & 17th Street Realignment	36,531	619
Water Line R&R	11,700	3,970
City Building Upgrades	6,926	23,188
	<u>5,521,304</u>	<u>1,175,363</u>
<b>CRA Projects</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Sutton/Lamb Park Improvements	\$ 1,242,354	15,498
Riverside Drive Improvements	145,648	9,596
Multimodal Emphasis Corridor	64,720	35,010
Historical Park Improvements	61,605	--
Haben Boulevard Improvements	21,796	3,335
Seawall Replacement	17,642	57,849
	<u>1,553,765</u>	<u>121,288</u>
<b>Total</b>	<b>\$ 7,075,069</b>	<b>\$ 1,296,651</b>

**F. Capital Leases**

The City has entered into lease agreements as lessee for financing the acquisition of police vehicles and radio equipment, street sweeper, backhoe, vacuum truck, lightning loader, utility trucks and a city-wide telemetry meter system. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2015, are as follows:

	<b>Year Ended September 30, 2015</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>Asset:</b>			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 736,411	--	736,411
Light Duty & Equipment	108,536	1,341,492	1,450,028
Heavy Duty & Equipment	278,646	472,053	750,699
Office Systems	72,921	--	72,921
Total Leased Assets	1,196,514	1,813,545	3,010,059
Less: Accumulated Depreciation	( 247,575)	( 449,899)	( 697,474)
Total Leases	<u>\$ 948,939</u>	<u>1,363,646</u>	<u>2,312,585</u>

During the fiscal year ending September 30, 2015, lease payments were made totaling \$680,102 which includes principal payments of \$646,791 and \$33,311 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

<b>Year Ending September 30</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
2016	\$ 281,868	259,678	541,546
2017	218,984	251,706	470,690
2018	168,070	194,861	362,931
2019	65,348	144,295	209,643
2020 through 2023	--	499,111	499,111
Total minimum lease payments	734,270	1,349,651	2,083,921
Less: amount representing interest	(15,458)	(71,984)	( 87,442)
Present value of minimum lease payments	<u>\$ 718,812</u>	<u>1,277,667</u>	<u>1,996,479</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**G. Long Term Liabilities**

1. State Revolving Fund Loans

**Reuse Loan**

The City received funding in the amount of \$415,000 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in funding design and engineering costs (preconstruction project costs) related to the construction of reclaimed water reuse facilities.

As of September 30, 2015, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$33,992. Pledged revenues include water and sewer fund operating revenues, installation and connection fees, impact fees, and any local option sales tax revenues. The original amortization of the loan was to be repaid in forty semiannual payments of \$14,100 including interest which accrued semiannually at 3.18% (annual rate) of the unpaid balance. Payments began June 15, 2003 with the final maturity date of December 15, 2022. During fiscal year 2007, it was determined that no additional funding was necessary from the loan and it was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$2,565.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$5,094 which includes principal payments of \$3,955 and \$1,139 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 4,081	1,049	5,130
2017	4,212	918	5,130
2018	4,347	783	5,130
2019	4,486	644	5,130
2020	4,630	500	5,130
2021	4,779	351	5,130
2022	4,932	198	5,130
2023	2,525	39	2,564
	<u>\$ 33,992</u>	<u>4,482</u>	<u>38,474</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Stormwater Loan**

The City received funding in the amount of \$2,944,186 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in the construction of the City's stormwater system. These projects included the 10th Street and 10th Ave, Oakridge, Hidden Lake and Carr Drain projects.

As of September 30, 2015, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$1,019,610. Pledged revenues are stormwater fees. The original amortization of the loan was to be repaid in forty semiannual payments of \$100,744 including interest which accrues semiannually at 3.03% (annual rate) of the unpaid balance. Payments began October 15, 2001 with the final maturity date of April 15, 2021. During fiscal year 2007, it was determined that all projects approved for funding through this loan were complete and no additional funding was necessary. The loan was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$93,565.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$185,000 which includes principal payments of \$152,756 and \$32,244 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 157,420	29,710	187,130
2017	162,226	24,904	187,130
2018	167,178	19,952	187,130
2019	172,282	14,848	187,130
2020	177,542	9,588	187,130
2021	182,962	4,168	187,130
	<u>\$ 1,019,610</u>	<u>103,170</u>	<u>1,122,780</u>

2. Capital Improvement Revenue Loans

**2004 Bank of America Loan**

On March 1, 2004, the City adopted Resolution No. 04-09 authorizing a loan by the City of \$4,300,000 through Bank of America, N.A. to finance the costs of certain capital projects within the City and to refund the outstanding balance of the City's Capital Improvement Revenue Note, Series 1998. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

CITY OF PALMETTO, FLORIDA  
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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The interest rate on the loan is 64% of the 90 day LIBOR rate plus 111 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.235%, payable in quarterly installments through March 2024. Under terms of the Interest Rate Swap Agreement with Bank of America, N.A., the City receives 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$202,965 which includes principal payments of \$136,193 and \$66,772 in interest. The loan proceeds and payments were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The allocation at September 30, 2015 was 21.95% to governmental activities and 78.05% to business-type activities. The completed governmental activity projects include the City's fiber optic ring, the street related portion of improvements to Fifth, Sixth and Seventh Streets and the City Hall portion of improvements to City buildings. The completed projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets, the installation of the City's reuse system, the Public Works portion of improvements to City buildings, and a portion of the Infiltration and Inflow Project.

Annual estimated installments for the fiscal years ending September 30, are as follows:

<b>Year</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>City-Wide</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
2016	\$ 31,384	12,885	111,546	45,798	142,930	58,683	201,613
2017	32,983	11,514	117,228	40,925	150,211	52,439	202,650
2018	34,663	10,073	123,201	35,803	157,864	45,876	203,740
2019	36,374	8,560	129,282	30,422	165,656	38,982	204,638
2020	38,328	6,969	136,228	24,769	174,556	31,738	206,294
2021	40,233	5,295	142,998	18,821	183,231	24,116	207,347
2022	42,284	3,538	150,289	12,573	192,573	16,111	208,684
2023	44,438	1,690	157,946	6,006	202,384	7,696	210,080
2024	23,064	124	81,985	442	105,049	566	105,615
Total	\$ 323,751	60,648	1,150,703	215,559	1,474,454	276,207	1,750,661

**2005 Bank of America Loan**

On June 20, 2005, the City adopted Resolution No. 05-40 authorizing a loan by the City of \$6,500,000 through Bank of America, N.A. to finance the costs of certain capital improvements within the City. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The interest rate on the loan is 64% of the 90 day LIBOR rate plus 111 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.345%, payable in quarterly installments of approximately \$125,000 through October 2025. Under terms of the Interest Rate Swap Agreement with Bank of America, NA, the City receives 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$501,103 which includes principal payments of \$315,681 and \$185,422 in interest. The original loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The allocation at September 30, 2015, was 19.90% to governmental activities and 80.10% to business-type activities. The completed governmental activity projects include the sidewalk replacement and street resurfacing within the City and the street related portion of improvements to Fifth, Sixth and Seventh Streets. The completed and ongoing projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets, US 301 future utility expansion, seven stormwater projects throughout the City, upgrades to the Waste Water Treatment Plant and a portion of the Infiltration and Inflow Project.

Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-Wide</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 65,534	36,056	263,812	145,144	329,346	181,200	510,546
2017	68,382	33,471	275,276	134,740	343,658	168,211	511,869
2018	71,713	30,781	288,684	123,913	360,397	154,694	515,091
2019	74,912	27,955	301,566	112,533	376,478	140,488	516,966
2020	78,133	24,997	314,532	100,627	392,665	125,624	518,289
2021	81,692	21,919	328,857	88,237	410,549	110,156	520,705
2022	85,345	18,699	343,561	75,275	428,906	93,974	522,880
2023	89,106	15,332	358,704	61,720	447,810	77,052	524,862
2024	93,190	11,821	375,146	47,588	468,336	59,409	527,745
2025	97,337	8,147	391,840	32,796	489,177	40,943	530,120
2026	10,493	668	42,237	2,691	52,730	3,359	56,089
Total	\$ 815,837	229,846	3,284,215	925,264	4,100,052	1,155,110	5,255,162

**2007 Bank of America Loan**

On November 5, 2007, the City adopted Resolution No. 07-46 authorizing a loan by the City of \$5,337,000 through Bank of America, N.A. to finance the costs of certain capital improvements within the City. The loan is payable from and secured by a pledge of and lien upon the stormwater, water, sewer, and reuse revenues and certain other budgeted amounts and balances in certain funds created under the Resolution.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The interest rate on the loan is 63.7% of the 90 day LIBOR rate plus 90 basis points as set at the beginning of each quarter and is payable quarterly. The principal amount was swapped to an annual fixed rate of 4.302%, payable in quarterly installments beginning February 2008 through November 2027. Under terms of the Interest Rate Swap Agreement with Bank of America, NA, the City receives 63.7% of the 90 day LIBOR rate plus 90 basis points on the unamortized principal of the swap amount.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$397,784 which includes principal payments of \$229,675 and \$168,109 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

The loan distribution was re-allocated during the fiscal year to finalize the use of the loan proceeds. At September 30, 2015, the allocation of funds was 16.87% to governmental activities and 83.13% to business-type activities. The ongoing governmental activity projects include the sidewalk replacement and street resurfacing within the city, Public Works facility upgrades, city building upgrades and the street related portion of US301 future utility expansion. The completed and ongoing projects from the business-type activities include the Jackson Park drainage, US301 future utility expansion, the Canal Road Phase II project, upgrades to the Waste Water Treatment Plant and portions of the Infiltration and Inflow Project and Aquifer Storage Recovery Project.

Annual estimated installments for the fiscal years ending September 30 are as follows:

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-Wide</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2016	\$ 40,386	26,880	199,026	132,469	239,412	159,349	398,761
2017	42,252	25,114	208,219	123,761	250,471	148,875	399,346
2018	44,125	23,266	217,451	114,655	261,576	137,921	399,497
2019	46,081	21,336	227,092	105,147	273,173	126,483	399,656
2020	48,071	19,322	236,896	95,218	284,967	114,540	399,507
2021	50,256	17,219	247,663	84,856	297,919	102,075	399,994
2022	52,484	15,021	258,644	74,026	311,128	89,047	400,175
2023	54,811	12,726	270,112	62,714	324,923	75,440	400,363
2024	57,213	10,328	281,948	50,895	339,161	61,223	400,384
2025	59,777	7,827	294,588	38,573	354,365	46,400	400,765
2026	62,428	5,213	307,648	25,690	370,076	30,903	400,979
2027	65,195	2,483	321,288	12,236	386,483	14,719	401,202
2028	16,744	182	82,519	897	99,263	1,079	100,342
Total	<u>\$ 639,823</u>	<u>186,917</u>	<u>3,153,094</u>	<u>921,137</u>	<u>3,792,917</u>	<u>1,108,054</u>	<u>4,900,971</u>



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**2014 Water/Sewer Loan**

On August 25, 2014, the City adopted Resolution No. 2014-15 authorizing a loan by the City of \$1,250,000 through the Branch Banking and Trust Company (BB&T) to finance certain capital improvement projects for the water and sewer fund. These projects include improvements for: I&I, fire protection, and a new chloramine system for the Waste Water Treatment Plant. The loan is payable from and secured by a pledge and lien upon the pledge to budget and appropriate legally available non-ad valorem revenues.

The interest rate on the loan is fixed at 3.05%, payable in quarterly installments of \$25,980 beginning in November, 2014 through August, 2029 entirely from the water and sewer fund.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$105,439 which includes principal payments of \$69,476 and \$35,963 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2016	\$ 68,694	35,226	103,920
2017	70,814	33,106	103,920
2018	72,998	30,922	103,920
2019	75,250	28,670	103,920
2020	77,572	26,348	103,920
2021	79,965	23,955	103,920
2022	82,432	21,488	103,920
2023	84,975	18,945	103,920
2024	87,597	16,323	103,920
2025	90,299	13,621	103,920
2026	93,085	10,835	103,920
2027	95,957	7,963	103,920
2028	98,917	5,003	103,920
2029	101,969	1,951	103,920
	<u>\$ 1,180,524</u>	<u>274,356</u>	<u>1,454,880</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**CRA Loan Agreement 2006**

On July 18, 2006, the City adopted Resolution No. 06-01 authorizing a loan by the CRA of \$4,395,000 through the Bank of America, N.A. to finance certain costs of: (1) the acquisition of the historic Olympia Theater and the renovation thereof; (2) the acquisition of property on 5<sup>th</sup> Street West to be used as public parking; (3) the acquisition of property adjacent to the Palmetto Elementary School for use for public education purposes; and (4) to refinance the 2004 CRA Capital Improvement Revenue Loan. The loan is payable from and secured by a pledge and lien upon the pledged Tax Increment Funding revenues.

The interest rate on the loan is 63.7% of the LIBOR rate plus 1.15%, payable quarterly in January, April, July and October. Principal shall be repaid in installments of \$54,938 in January, April, July and October. Final payment is due in July 2026.

During the fiscal year ending September 30, 2015, loan payments were made totaling \$251,738 which includes principal payments of \$219,750 and \$31,988 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 219,750	116,742	336,492
2017	219,750	105,755	325,505
2018	219,750	94,767	314,517
2019	219,750	83,780	303,530
2020	219,750	72,792	292,542
2021	219,750	61,805	281,555
2022	219,750	50,817	270,567
2023	219,750	39,830	259,580
2024	219,750	28,842	248,592
2025	219,750	17,855	237,605
2026	219,750	6,867	226,617
Total	<u>\$ 2,417,250</u>	<u>679,852</u>	<u>3,097,102</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Interest Rate Swaps

The City entered into interest rate swaps as a means to lower its borrowing costs, when compared against fixed-rate loans. The City's interest rate swaps are types of derivative instruments that are intended to synthetically fix the debt's interest rate, thereby hedging the risk that rising interest rates will negatively affect cash flows or offset the changes in fair value of hedgeable items.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, is intended to improve how the City reports information about derivative instruments in the financial statements and manage specific risks. It requires the derivative instruments to be reported on the face of the financial statements using the accrual basis of accounting and provide transparency in the financial statements by reporting the fair market value of the derivatives.

In 2004, 2005, and 2007, the City entered into debt agreements for a total of \$16,137,000. The terms of the loans and associated interest rate swaps are described on pages 69 -72. The fair value and changes in fair value of the interest rate swap contracts are as follows:

	<u>Changes in Fair Value</u>	<u>Fair Value at September 30, 2015</u>	<u>Notional Value at September 30, 2015</u>
<b>Governmental activities</b>			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ 471 (	34,554)	323,751
2005 Loan	3,813 (	113,383)	815,837
2007 Loan	7,097 (	132,330)	639,823
	<u>11,381</u>	<u>(280,267)</u>	<u>1,779,411</u>
<b>Business-type activities</b>			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	1,669 (	112,095)	1,150,703
2005 Loan	15,252 (	367,814)	3,284,215
2007 Loan	34,975 (	429,279)	3,153,094
	<u>51,896</u>	<u>(909,188)</u>	<u>7,588,012</u>
Total interest rate swaps	<u>\$ 63,277</u>	<u>(1,189,455)</u>	<u>9,367,423</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following table represents debt service payments on the variable rate notes, net of swap payments associated with the notes at year end. The variable interest at September 30, 2015 is assumed to be constant over the life of the note.

	<u>Principal</u>	<u>Variable Interest</u>	<u>Swap Interest</u>	<u>Net Cash Flows</u>
2016	\$ 711,688	88,799	310,433	1,110,920
2017	744,340	81,047	288,478	1,113,865
2018	779,837	72,924	265,567	1,118,328
2019	815,307	64,431	241,522	1,121,260
2020	852,188	55,552	216,350	1,124,090
2021	891,699	46,261	190,086	1,128,046
2022	932,607	36,542	162,590	1,131,739
2023	975,117	26,380	133,808	1,135,305
2024	912,546	16,944	104,254	1,033,744
2025	843,542	8,307	79,036	930,885
2026	422,806	4,382	29,880	457,068
2027	386,483	895	13,824	401,202
2028	99,263	-	1,079	100,342
	<u>\$ 9,367,423</u>	<u>502,464</u>	<u>2,036,907</u>	<u>11,906,794</u>

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,189,455 as of September 30, 2015. The swap's negative fair value may be countered in the future by an increase in interest rates resulting in a reduction in total interest payments. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit risk – As of September 30, 2015 the City was not exposed to credit risk because the swap had a negative fair value.

Basis risk – The swaps do not expose the City to basis risk because the interest rate on the notes and the swaps are the same.

Termination risk – The City may terminate the contract and the swap would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the bank for a payment equal to the swap's fair value.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

4. Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. No City, State or any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2015, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$13,812,084.

5. Other Information

In accordance with loan covenants and Section 148 of the Internal Revenue Code, the City is required to rebate to the U.S. Treasury, every five years, earnings on loan proceeds in excess of bond yield. For the year ended September 30, 2015, no amounts were earned that are required to be rebated to the U.S. Treasury for 2015.

The original 2004 and 2005 Bank of America loan agreements limited additional debt in excess of \$500,000 on an annual basis. During the year ended September 30, 2015, the City's debt exceeded this covenant and the Bank permanently waived the restriction in fiscal year 2014. For the governmental activities, compensated absences are generally liquidated by the General, CRA, and Road and Bridge Funds.

Details of the long-term liability for other post-employment benefits are included in Note VI, Section C.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2015:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Long-term bank loans					
2004 loan	\$ 353,655	--	29,904	323,751	31,384
2005 loan	878,731	--	62,894	815,837	65,534
2007 loan	678,567	--	38,744	639,823	40,386
CRA loan	2,637,000	--	219,750	2,417,250	219,750
Total long-term bank loans	4,547,953	--	351,292	4,196,661	357,054
Interest rate swap contracts	268,886	11,381	--	280,267	--
Other post-employment benefits	195,568	9,580	--	205,148	--
Net pension liability	3,879,636	510,154	--	4,389,790	--
Capital leases	489,532	507,853	278,573	718,812	273,731
Compensated absences	584,534	395,083	311,688	667,929	166,982
Total governmental activity long-term liabilities	\$ 9,966,109	1,434,051	941,553	10,458,607	797,767
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Long-term bank loans					
2004 loan	\$ 1,256,992	--	106,289	1,150,703	111,546
2005 loan	3,537,002	--	252,787	3,284,215	263,812
2007 loan	3,344,025	--	190,931	3,153,094	199,026
2014 loan	1,250,000	--	69,476	1,180,524	68,694
Total long-term bank loans	9,388,019	--	619,483	8,768,536	643,078
State revolving loans					
Stormwater	1,172,366	--	152,756	1,019,610	157,420
Reuse	37,947	--	3,955	33,992	4,081
Total state revolving loans	1,210,313	--	156,711	1,053,602	161,501
Total loans payable	10,598,332	--	776,194	9,822,138	804,579
Interest rate swap contracts	857,292	51,896	--	909,188	--
Other post-employment benefits	39,797	--	1,942	37,855	--
Net pension liability	953,315	126,574	--	1,079,889	--
Capital leases	1,632,738	13,147	368,218	1,277,667	240,562
Compensated absences	94,668	58,767	81,886	71,549	17,888
Total business-type activities long-term liabilities	\$ 14,176,142	250,384	1,228,240	13,198,286	1,063,029

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**H. Fund Balances**

Effective October 1, 2010, the City implemented Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is implemented to address issues related to how fund balance was being reported and to clear up any confusion regarding the relationship between reserved fund balance and restricted net position. The City implemented GASB Statement 54 during fiscal year 2011 and is reporting the fund balance in summary in the Governmental Funds Balance Sheet. The detail of the fund balance is as follows:

- **Nonspendable** – The following fund balances are nonspendable because they are allocated to:

***General Fund***

Inventories	\$ 318,269
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- **Restricted** – The following fund balances are restricted for:

***General Fund***

Building Department - used to fund operations	\$ 398,907
Impact fees - Used to fund growth in General government, Law enforcement and Parks and Recreation	155,944
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the city's cemetery	11,139
Special law enforcement reserve	40,658
Lease proceeds - for capital assets	<u>8,579</u>

**General Fund subtotal \$ 615,227**

***Community Redevelopment Agency Fund***

Used to alleviate slum and blight in the city per Florida Statute 163

Loan proceeds - for capital improvements	\$ 604,347
General operating expenses	<u>1,263,839</u>

**Community Redevelopment Agency Fund subtotal \$ 1,868,186**

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

***Road and Bridge Fund***

Per Florida Statutes, this fund is restricted to the operations, maintenance and capital improvement of the City's roadways.

Capital improvements	\$ 408,501
Lease proceeds - for capital assets	230,564
Impact fees - For the growth in transportation	160,562
Bocage legal settlement	6,501
General operating expenses	<u>882,228</u>

**Road and Bridge Fund subtotal** \$ 1,688,356

**Total Restricted Fund Balances** \$ 4,171,769

- **Committed** – The following fund balances are committed to:

***General Fund***

Trailer Park Trust - City Commission approval required	<u>\$ 2,003,079</u>
--	---------------------

**General Fund subtotal** \$ 2,003,079

***Capital Projects Fund***

Capital projects	<u>\$ 262,856</u>
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**Capital Projects Fund subtotal** \$ 262,856

**Total Committed Fund Balances** \$ 2,265,935

- **Assigned** – The following fund balances are assigned to:

***General Fund***

Funding for Capital Improvement Program	\$ 71,683
Tree reserve - used to replant trees in the City	6,000
One-time operating expenses	<u>121,459</u>

**Total Assigned Fund Balance** \$ 199,142



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

- **Unassigned** – The City’s policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster. Through resolution, the City Commission has adopted a financial standard to maintain a General Fund unassigned fund balance of three to six months of budgeted expenditures.
- I. Encumbered Commitments** – The following table lists the outstanding encumbrances at September 30, 2015. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

<b>Governmental Activities</b>					
	<b>General Fund</b>	<b>CRA Fund</b>	<b>Road and Bridge Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Operating Encumbrances	\$ 24,003	52,591	289,726	--	366,320
Operating Capital Projects	--	120,156	--	--	120,156
Capital Improvement Projects (CIP)	--	--	--	32,858	32,858
Total Encumbrances Outstanding	<u>\$ 24,003</u>	<u>172,747</u>	<u>289,726</u>	<u>32,858</u>	<u>519,334</u>

<b>Business-Type Activities</b>					
	<b>Solid Waste Fund</b>	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Reuse Fund</b>	<b>Total</b>
Operating Encumbrances	\$ --	58,510	14,926	1,491	74,927
Capital Improvement Projects (CIP)	--	807,658	256,325	120,230	1,184,213
Total Encumbrances Outstanding	<u>\$ --</u>	<u>866,168</u>	<u>271,251</u>	<u>121,721</u>	<u>1,259,140</u>

Total Outstanding Encumbrances	<u>1,778,474</u>				
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NOTE VI — OTHER INFORMATION

**A. Risk Management**

The City is exposed to risks of loss through various operations such as police, streets, water, sewer, and garbage operations and loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the City carries commercial insurance.

The City purchases insurance through carriers, primarily, the Florida League of Cities' Florida Municipal Insurance Trust Fund, for large risks, and retains certain risks directly and through the use of deductibles on the insurance policy. The City's limits of insurance are based on the statutory limits of liability of \$100,000, with layering to a maximum of \$1,000,000, for certain types of exposures. The Florida League of Cities' Florida Municipal Insurance Trust is a non-assessable entity created by an act of the Legislature.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

Risks retained by the City include risks of vehicle accidents for collision and comprehensive coverage, liability claims below the deductible or in excess of insured amounts, crime below a deductible of \$2,500, inland marine and property exposures less than \$10,000, and all unemployment insurance risks.

There have been no significant reductions in insurance coverage for the current fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

1. Unemployment Insurance

The City reimburses the State of Florida for eligible claims paid for unemployment benefits.

2. Workmen's Compensation

The City maintains an insurance policy with Florida Municipal Insurance Trust with regard to workmen's compensation benefits for employees.

**B. Employee Retirement Systems and Pension Plans**

1. Plan Description, Accounting Policies and Contribution Information

The City has two (2) defined benefit single-employer pension plans:

- Palmetto General Employees' Pension Plan (PGEPP)
- Palmetto Police Pension Plan (PPPP)

The plans do not issue stand-alone financial reports and are not included in any other retirement system or entity's financial report. The City accounts for both plans as pension trust funds; therefore, they are accounted for in substantially the same manner as proprietary funds, with a capital maintenance measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

The City Commission approves all plan provisions and amendments. City ordinance and state law requires contributions to be determined by actuarial studies at least every three years; however, the City has elected to obtain these studies each year.

The City implemented GASB Statement No. 68 for the Palmetto Police Pension Plan and the Palmetto General Employees' Pension Plan in 2015. The primary objective of this Statement is to improve financial reporting by state and local governments for pension plans. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

A schedule of funding progress and employer contributions that include historical trend information about the annual required contributions of the employer are included as required supplementary information to the financial statements.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP)

Plan Administration:

The City of Palmetto General Employees' Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 22, Article IV of the Palmetto City Code and Internal Revenue Code Section 401. The Plan is administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of seven Trustees, two of whom shall be legal residents of the City who are appointed pursuant to City Charter, two of whom are Members of the plan who are elected by a majority of the General Employees who are Members of the plan, the City Clerk pursuant to City ordinance, and a sixth and seventh Trustee who are chosen by a majority of the first five Trustees.

Plan Membership

	<u>As of</u> <u>September 30, 2014</u>	<u>As of</u> <u>September 30, 2015</u>
Retirees, beneficiaries, and DROP participants receiving benefits	61	62
Terminated employees entitled to, But not yet receiving benefits	5	3
Active Plan Members	68	71
Total	<u>134</u>	<u>136</u>

Normal Retirement and Vesting

The Plan covers permanent, probationary and full time City of Palmetto employees who are not members of the Palmetto Police Pension Plan. Any participant, is vested once 10 years of creditable service is reached or 5 years for participants hired prior to January 1, 1995. Any vested participant, who has attained age 60 or has creditable service of 30 years regardless of age, is eligible for normal retirement. Such a retiree would receive a retirement benefit based upon a 2.5% of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of credited service.

Early Retirement

Plan members with 10 years of credited service, or 5 years for participants hire prior to January 1, 1995, are eligible to retire at age 50 with a reduction of the accrued benefit of 3% per each year that the benefit commencement date precedes the Normal Retirement Date.

Disability

The Plan provides disability benefits of 2.5% of average final compensation times the years of credited service, providing 10 year of credited service has been attained, or 5 years for participants hired prior to January 1, 1995.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP) (Continued)

Termination of Employment

If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions plus 4% interest compounded annually. If an employee separates service from the City after achieving ten or more years, the employee may choose 1) refund of contributions with interest, 2) vested accrued benefit payable at Normal (unreduced) Retirement Date or 3) vested accrued benefit payable at Early (reduced) Retirement Date, determined as if the Member had continued employment.

Death Benefits

The Plan provides death benefits for vested and non-vested members. Beneficiaries of members dying prior to vesting eligibility for retirement receive a full refund of the member's accumulated contributions with interest. A beneficiary of a member, who is vested will received an accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise actuarially reduced Early Retirement Date, or immediately.

Contributions

Participants are required to contribute 5% of their annual salary to the Plan. The City contributes an amount to make the fund actuarially sound. The City's contribution rate for fiscal year 2015 was 30.66%.

Deferred Retirement Option Program (DROP)

Effective October 18, 2004, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the member becomes eligible for Normal Retirement. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest as elected by the plan member at an effective rate of 6.5% per annum, compounded monthly, or at the actual net rate of investment return realized by the plan. As of September 30, 2015, three employees are participating in the DROP program with a balance of \$135,743.

Net Pension Liability of the City

The City's net pension liability was measured as of October 1, 2014. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2014, and reported for fiscal year 2015, were as follows:

Total pension liability	\$ 15,140,628
Plan fiduciary net position	<u>(11,300,338)</u>
City's net pension liability	<u>\$ 3,840,290</u>
Plan fiduciary net position as a percentage of the total pension liability	74.64%

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP) (Continued)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions:

Inflation	3.00%
Salary increases	6.00% - 7.50%
Discount rate	7.50%
Investment rate of return	7.50%

Investment policy assumptions

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	50%	7.64%
International equity	10%	7.72%
Fixed income	15%	2.37%
Global fixed income	5%	2.71%
Hedge funds	10%	2.75%
Real estate	10%	5.09%
Total	100%	

Concentrations

The Plan did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP) (Continued)

Rate of Return

For the year ended September 30, 2015 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 1.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN NET PENSION LIABILITY

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Reporting Period Ending September 30, 2014	\$ 14,867,301	\$ 10,639,447	\$ 4,227,854
Changes for a Year:			
Service Cost	388,341	--	388,341
Interest	1,098,660	--	1,098,660
Differences between expected and actual experience	--	--	--
Changes of assumptions	--	--	--
Changes of benefit terms	--	--	--
Contributions - Employer	--	837,688	( 837,688)
Contributions - Employee	--	133,816	( 133,816)
Net investment income	--	923,158	( 923,158)
Benefit payments, including refunds of employee contributions	( 1,213,674)	( 1,213,674)	--
Administrative expense	--	( 20,097)	20,097
Net changes	273,327	660,891	( 387,564)
Reporting period ending September 30, 2015	\$ 15,140,628	\$ 11,300,338	\$ 3,840,290

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

2. Palmetto General Employees' Pension Plan (PGEPP) (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
City's net pension liability	\$ 5,438,674	\$ 3,840,290	\$ 2,477,644

Pension expense and deferred inflows/outflows of resources related to pension

For the year ended September 30, 2015, the City recognized a reduction of pension expense of \$301,181. On September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	--	108,028
Employers contributions subsequent to the measurement date	859,333	--
	<u>\$ 859,333</u>	<u>\$ 108,028</u>

The outcome of the deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the applicable year. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$( 27,007)
2017	( 27,007)
2018	( 27,007)
2019	( 27,007)
2020	-
Thereafter	-

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP)

Plan Administration:

The City of Palmetto Police Pension Plan, a defined benefit single-employer public employee retirement plan, is administered in accordance with Chapter 22, Article IV of the Palmetto City Code and Internal Revenue Code Section 401. The Plan is administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of five Trustees, two of whom shall be legal residents of the City who are appointed by the City Commission, two of whom are Members of the plan who are elected by a majority of the Police Officers who are Members of the plan, and a fifth Trustee who is chosen by a majority of the first four Trustees.

Plan Membership:

	<u>As of</u> <u>September 30, 2014</u>	<u>As of</u> <u>September 30, 2015</u>
Retirees, beneficiaries, and DROP participants receiving benefits	27	28
Terminated employees entitled to, but not yet receiving benefits	4	5
Active Plan Members	32	31
Total	<u>63</u>	<u>64</u>

Normal Retirement and Vesting

The Plan covers permanent, probationary and full time City of Palmetto employees who are classified as uniform police personnel. Any participant, is vested once 10 years of creditable service is reached. Any vested participant, who has attained age 55 or has creditable service of 23 years regardless of age, is eligible for normal retirement. Such a retiree would receive a retirement benefit based upon a 3% of average annual earnings during the highest 5 years of the last 10 years of employment prior to the date of retirement multiplied by the years of credited service with a maximum of 75% of average final compensation if hired after June 7, 1982.

On October 7, 2002, the City of Palmetto adopted Ordinance 02-579. This ordinance allows a member who previously served as a police officer with the City during a period of previous employment and for which period accumulated contributions were withdrawn from the plan, or a member who served as a police officer for any other municipal, county or state law enforcement department in the United States to purchase other police service time. To purchase other police service time, the police officer must contribute to the Plan, the amount actuarially determined for the time for which he or she is requesting credit, such that the crediting of service does not result in a cost or liability to the Plan. However, the member may not purchase prior police service that is counted for retirement benefits from another pension plan.

Early Retirement

Plan members with 10 years of credited service are eligible to retire at age 50 with a reduction of the accrued benefit of 3% per each year that the benefit commencement date precedes the Normal Retirement Date.



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP) (Continued)

Disability

The Plan provides disability benefits for both duty-related and non-duty related disabilities from the date of employment. A service incurred disability is computed at 3% of average final compensation (AFC) multiplied by years of credited service on the date of disability, actuarially reduced for payment prior to the normal retirement date. The actuarially reduced benefit may not be less than 62% of the members' AFC. The benefit provided for a non-service incurred disability is computed at the same 3% of AFC as a service incurred disability. However, to a member with 10 years of credited service, the actuarially reduced benefit may not be less than 25% of the member's AFC or 20% of the member's AFC for members with at least 5 years of service. Benefits are paid at a maximum of 75% of average final compensation if hired after June 7, 1982.

Death Benefits

The Plan provides death benefits for vested and non-vested members. Beneficiaries of members dying prior to vesting eligibility for retirement receive a full refund of the member's accumulated contributions. A beneficiary of a member, who is vested or eligible for retirement upon their death, will receive a benefit payable for life equal to the accrued benefit on the date of death at early (reduced) or normal (unreduced) retirement date.

Contributions

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound. The City's contribution rate was 28.09%

Deferred Retirement Option Program (DROP)

Effective October 7, 2002, the City approved an Ordinance No. 02-759 creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the election becomes effective. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest as elected by the plan member at an effective rate of 6.5% per annum, compounded monthly, or at the actual net rate of investment return realized by the plan. As of September 30, 2015, two sworn officers are participating in the DROP program with a balance of \$172,783.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP) (Continued)

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2014. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2014, and reported for fiscal year 2015, were as follows:

Total pension liability	\$ 12,239,343
Plan fiduciary net position	<u>(10,609,954)</u>
City's net pension liability	<u>\$ 1,629,389</u>
Plan fiduciary net position as a percentage of the total pension liability	86.69%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions:

Inflation	4.00%
Salary increases	4.00% - 9.40%
Discount rate	7.60%
Investment rate of return	7.60%

Mortality rates were based on the RP 2000 Generational, 100% Annuitant white collar, scale BB for females and RP2000 Generational, 10% Annuitant white collar/90% Annuitant blue collar, scale BB for males. The Mortality rates for disabled is 60% RP2000 Disabled female set forward two years/40% Annuitant white collar with no setback and no projection scale and 60% RP2000 Disabled male setback four years/40% Annuitant white collar with no setback, no projection scale.

Investment policy assumptions

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

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45%	7.5%
International equity	15%	8.5%
Broad market fixed income	30%	2.5%
Global fixed income	5%	3.5%
Real estate	5%	4.5%
Total	100%	

*Rate of Return*

For the year ended September 30, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP) (Continued)

CHANGES IN NET PENSION LIABILITY

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Reporting Period Ending September 30, 2014	\$ 11,547,437	\$ 9,579,905	\$ 1,967,532
Changes for a Year:			
Service Cost	393,530	-	393,530
Interest	883,658	-	883,658
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	426,776	(426,776)
Contributions - State	-	97,971	(97,971)
Contributions - Employee	-	74,568	(74,568)
Net investment income	-	1,032,897	(1,032,897)
Benefit payments, including refunds of employee contributions	(585,282)	(585,282)	-
Administrative expense	-	(16,881)	16,881
Net changes	691,906	1,030,049	(338,143)
Reporting period ending September 30, 2015	<u>\$ 12,239,343</u>	<u>\$ 10,609,954</u>	<u>\$ 1,629,389</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.60%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
City's net pension liability	\$ 2,946,105	\$ 1,629,389	\$ 513,396

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

3. Palmetto Police Pension Plan (PPPP) (Continued)

Pension expense and deferred inflows/outflows of resources related to pensions

For the year ended September 30, 2015 the City recognizes a reduction of pension expense of \$109,948 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	--	243,945
Employers contributions subsequent to the measurement date	540,497	--
	<u>\$ 540,497</u>	<u>\$ 243,945</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date is recognized as a reduction of the pension expense in the applicable year. Other amounts reported as Deferred Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$( 60,987)
2017	( 60,986)
2018	( 60,986)
2019	( 60,986)
2020	-
Thereafter	-

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

4. Combining statement of fiduciary net position and statement of changes in fiduciary net position for the defined benefit pension plans are as follows:

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 400	257	657
Accounts receivable	800	--	800
Interest and dividends receivable	21,302	7,384	28,686
Investments, at fair value			
Money market funds	402,409	471,261	873,670
U. S. government securities	932,967	985,412	1,918,379
Corporate bonds	1,864,544	591,261	2,455,805
Corporate stocks	5,016,153	5,758,811	10,774,964
Mutual Funds	1,678,027	1,138,448	2,816,475
Alternative investments	565,742	2,307,553	2,873,295
Total investments	<u>10,459,842</u>	<u>11,252,746</u>	<u>21,712,588</u>
Total assets	<u>10,482,344</u>	<u>11,260,387</u>	<u>21,742,731</u>
<b>LIABILITIES</b>			
Accounts payable	<u>701</u>	<u>359</u>	<u>1,060</u>
Total liabilities	<u>701</u>	<u>359</u>	<u>1,060</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u><u>\$ 10,481,643</u></u>	<u><u>11,260,028</u></u>	<u><u>21,741,671</u></u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 437,016	859,126	1,296,142
Plan members	77,319	140,138	217,457
State (from the General Fund)	103,281	--	103,281
Miscellaneous	2,527	257	2,784
Total contributions	<u>620,143</u>	<u>999,521</u>	<u>1,619,664</u>
Investment earnings			
Interest	75,869	41,111	116,980
Dividends	165,937	129,886	295,823
Net increase (decrease) in the fair value of investments	( 264,184)	13,912	( 250,272)
Total investment earnings	( 22,378)	184,909	162,531
Less investment expenses	( 69,240)	( 76,251)	( 145,491)
Net investment earnings	( 91,618)	108,658	17,040
Total additions	<u>528,525</u>	<u>1,108,179</u>	<u>1,636,704</u>
<b>DEDUCTIONS</b>			
Benefits	601,304	980,637	1,581,941
Refunds of contributions	20,395	102,983	123,378
Administrative expenses	28,018	27,016	55,034
Total deductions	<u>649,717</u>	<u>1,110,636</u>	<u>1,760,353</u>
Change in net position	( 121,192)	( 2,457)	( 123,649)
Net position - beginning	10,602,835	11,262,485	21,865,320
Net position - ending	<u>\$ 10,481,643</u>	<u>11,260,028</u>	<u>21,741,671</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

NOTE VI — OTHER INFORMATION (CONTINUED)

**C. Other Post-Employment Benefits (OPEB)**

1. Plan Description

The City provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost and until the attainment of age 65, to continue to obtain health, dental and life benefits upon retirement. The benefits of the plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

2. Funding Policy and Annual OPEB Cost

Retirees under the age of sixty-five and their beneficiaries pay the same group rates as charged to the City for active employees by its healthcare provider. However, the City's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an employer contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the City or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year. There is no implied subsidy for dental and life insurance since dental insurance costs for covered individuals do not increase with age and life insurance premiums are age-specific.

The annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed fifteen years.

	As of September 30, 2015	As of September 30, 2014
Required contribution rates:		
Employer	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution (ARC)	\$ 34,000	\$ 33,000
Interest on the Net OPEB Obligation	9,000	9,000
Adjustment to the ARC	(20,000)	(20,000)
Annual OPEB Cost	23,000	22,000
Employer contributions	(14,000) *	(15,000)
Increase in the Net OPEB	\$ 9,000	\$ 7,000
Net OPEB obligation (beginning of year)	234,000	227,000
Net OPEB obligation (end of year)	<u>\$ 243,000</u>	<u>\$ 234,000</u>

\* reflects a contribution credit for the implied subsidy



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and previous years were:

<b>Fiscal year ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
September 30, 2010	\$ 117,000	2%	\$ 166,000
September 30, 2011	47,000	43%	193,000
September 30, 2012	47,000	45%	219,000
September 30, 2013	23,000	65%	227,000
September 30, 2014	22,000	68%	234,000
September 30, 2015	23,000	61%	243,000

3. Funded Status and Funding Progress

The funded status of the plan based on the actuarial valuation as of July 1, 2013 rolled forward to September 30, 2015:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As % of Covered Payroll</b>
October 1, 2007	\$ 0.00	\$ 519,000	519,000	0.0%	\$ 4,485,000	11.6%
July 1, 2011	0.00	338,000	338,000	0.0%	4,380,000	7.7%
July 1, 2013	0.00	210,000	210,000	0.0%	4,225,000	5.0%
September 30, 2015	0.00	228,000	228,000	0.0%	4,225,000	5.4%

The actuarial valuation for the calculation of OPEB involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the City has not contributed assets to the plan at this time.

4. Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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NOTE VI — OTHER INFORMATION (CONTINUED)

Significant methods and assumptions were as follows:

Actuarial valuation date	9/30/2015
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; Level-dollar payment
Remaining amortization period	13 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	
Includes inflation at 2.75%	4.00%
Healthcare cost trend rate	5.00%
Select rates	9% for 2013/2014 graded to 5.5% for 2020/2021
Ultimate rate	5.00%

**D. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City Attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**E. Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan are held in trust on behalf of the employees. Accordingly, the assets are not reported in these financial statements.



#### REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement Number 34, the following budgetary comparisons for the Governmental Funds include: General, CRA, and Road and Bridge Funds.

This section contains the following subsections:

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	101
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - CRA Fund	102
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Road and Bridge Fund	103



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CITY OF PALMETTO, FLORIDA  
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes				
Property	\$ 3,750,609	3,767,508	3,767,854	346
Sales	900,782	954,871	950,806	( 4,065)
Utility	984,750	1,089,828	1,096,095	6,267
Motor fuel	11,000	11,994	11,993	( 1)
Other	800,794	839,721	781,298	( 58,423)
Permits, fees and special assessments	1,101,600	1,310,121	1,312,655	2,534
Intergovernmental revenues	14,680	14,680	14,693	13
Fines and forfeitures	40,400	52,920	53,414	494
Charges for services	744,993	789,898	770,937	( 18,961)
Interest and investment earnings	29,836	35,898	96,088	60,190
Miscellaneous	157,387	196,451	196,198	( 253)
Impact fees	--	24,735	24,732	( 3)
Total revenues	8,536,831	9,088,625	9,076,763	( 11,862)
EXPENDITURES				
Current				
General government				
Commission	224,487	222,646	202,453	20,193
City Clerk	1,741,617	1,749,626	1,731,795	17,831
City Attorney	233,239	263,239	260,973	2,266
Finance	579,647	578,818	573,888	4,930
Human resources	145,323	150,911	127,838	23,073
Total general government	2,924,313	2,965,240	2,896,947	68,293
Public safety				
Police	3,901,133	3,937,646	3,832,906	104,740
Code enforcement	152,850	148,078	91,466	56,612
Planning and zoning	154,700	168,525	162,167	6,358
Building department	255,111	253,566	250,620	2,946
Total public safety	4,463,794	4,507,815	4,337,159	170,656
Recreation				
Parks and recreation	543,495	548,732	490,347	58,385
Events and facilities	154,605	162,285	147,192	15,093
Total recreation	698,100	711,017	637,539	73,478
Intergovernmental services				
Information technology	327,473	333,721	328,852	4,869
Public works administration	541,193	540,541	517,994	22,547
Fleet maintenance	215,860	220,122	214,511	5,611
Total intergovernmental services	1,084,526	1,094,384	1,061,357	33,027
Capital outlay	268,900	306,098	283,634	22,464
Debt service	239,091	239,091	225,560	13,531
Total expenditures	9,678,724	9,823,645	9,442,196	381,449
Excess (deficiency) of revenues over (under) expenditures	( 1,141,893)	( 735,020)	( 365,433)	369,587
OTHER FINANCING SOURCES (USES)				
Transfers in	783,368	783,368	753,366	( 30,002)
Transfers out	( 119,000)	( 119,000)	( 119,000)	--
Capital leases	220,100	251,500	251,500	--
Total other financing sources (uses)	884,468	915,868	885,866	( 30,002)
Net change in fund balances	( 257,425)	180,848	520,433	339,585
Fund balances - beginning	7,202,168	7,202,168	7,202,168	--
Fund balances - ending	\$ 6,944,743	7,383,016	7,722,601	339,585

CITY OF PALMETTO, FLORIDA  
COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2015

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Taxes				
Property	\$ 2,785,874	2,789,188	2,789,187	( 1)
Intergovernmental revenues	--	6,000	12,000	6,000
Interest and investment earnings	17,393	17,393	9,532	( 7,861)
Miscellaneous	47,000	82,716	82,916	200
Total revenues	<u>2,850,267</u>	<u>2,895,297</u>	<u>2,893,635</u>	<u>( 1,662)</u>
<b>EXPENDITURES</b>				
Intergovernmental services	1,661,744	1,682,720	1,526,071	156,649
Capital outlay				
Streets	1,020,000	1,055,675	72,260	983,415
Other	181,238	1,040,240	1,022,810	17,430
Debt service principal and interest	884,659	884,659	252,297	632,362
Total expenditures	<u>3,747,641</u>	<u>4,663,294</u>	<u>2,873,438</u>	<u>1,789,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 897,374)</u>	<u>( 1,767,997)</u>	<u>20,197</u>	<u>1,788,194</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	( 49,410)	( 252,535)	( 208,099)	44,436
Total other financing sources (uses)	<u>( 49,410)</u>	<u>( 252,535)</u>	<u>( 208,099)</u>	<u>44,436</u>
Net change in fund balances	<u>( 946,784)</u>	<u>( 2,020,532)</u>	<u>( 187,902)</u>	<u>1,832,630</u>
Fund balances - beginning	2,056,088	2,056,088	2,056,088	--
Fund balances - ending	<u>\$ 1,109,304</u>	<u>35,556</u>	<u>1,868,186</u>	<u>1,832,630</u>

## CITY OF PALMETTO, FLORIDA

## ROAD AND BRIDGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes				
Motor fuel	\$ 1,251,565	1,509,530	1,416,529	( 93,001)
Charges for services	97,480	103,547	103,546	( 1)
Interest and investment earnings	8,826	10,272	6,088	( 4,184)
Miscellaneous	747	747	421	( 326)
Impact fees	--	9,691	9,690	( 1)
Total revenues	1,358,618	1,633,787	1,536,274	( 97,513)
EXPENDITURES				
Highways and streets	806,752	777,035	635,317	141,718
Capital outlay				
Streets	263,725	271,308	48,008	223,300
Debt service principal and interest	297,995	297,995	272,882	25,113
Total expenditures	1,368,472	1,346,338	956,207	390,131
Excess of revenues over expenditures	( 9,854)	287,449	580,067	292,618
OTHER FINANCING SOURCES (USES)				
Transfers out	( 440,733)	( 495,694)	( 412,361)	83,333
Capital leases	248,770	256,353	256,353	--
Total other financing sources (uses)	( 191,963)	( 239,341)	( 156,008)	83,333
Net change in fund balances	( 201,817)	48,108	424,059	375,951
Fund balances - beginning	1,264,297	1,264,297	1,264,297	--
Fund balances - ending	\$ 1,062,480	1,312,405	1,688,356	375,951



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## REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement Numbers 67, *Financial Reporting for Pension Plans*, implemented with fiscal year 2014, and 68 *Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27*. The following is the historical trend information of the City's Pension Trust Funds.

This section contains the following subsections:

Schedule of Changes in the City's Net Pension Liability and Related Ratios - Palmetto General Employees' Pension Plan	106
Schedule of Contributions - Palmetto General Employees' Pension Plan	107
Schedule of Investment Returns - Palmetto General Employees' Pension Plan	108
Schedule of Changes in the City's Net Pension Liability and Related Ratios - Palmetto Police Officers' Pension Plan	109
Schedule of Contributions - Palmetto Police Officers' Pension Plan	110
Schedule of Investment Returns - Palmetto Police Officers' Pension Plan	111
Other Post Employment Benefits Schedule of Funding Progress	112

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
Last Ten Fiscal Years (1)

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 388,341
Interest	1,098,660
Benefit payments, including refunds of employee contributions	(1,213,673)
<b>Net change in total pension liability</b>	<b>273,328</b>
<b>Total pension liability - beginning</b>	<b>14,867,300</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 15,140,628</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	837,688
Contributions - employee	133,816
Net investment income	923,158
Benefit payments, including refunds of employee contributions	(1,213,674)
Administrative expense	(20,097)
<b>Net change in plan fiduciary net position</b>	<b>660,891</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,639,447</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,300,338</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 3,840,290</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>74.64%</b>
<sup>(2)</sup> <b>Covered-employee payroll</b>	<b>\$ 2,676,320</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>143.49%</b>

(1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.

(2) For the 2015 reporting period ending year, the Covered Employee Payroll figure was based on pensionable salary.

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
Last Ten Fiscal Years (1)

	2014	2015
Actuarially determined contribution	\$ 837,688	859,281
Contributions in relation to the actuarially determined contributions	837,688	859,333
Contribution deficiency(excess)	<u>\$ -</u>	<u>(52)</u>
Covered employee payroll (2)	2,676,320	2,938,908
Contributions as a percentage of covered employee payroll	31.30%	29.24%

**Notes to the Schedule**

\* Valuation date October 1, 2013

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

Methods and assumptions used to determine contribution rates:

Funding method Entry age normal actuarial cost method (level percent of pay)

Amortization method Level dollar, closed

Remaining amortization period 28 years (as of 10/1/2013)

Mortality RP-2000 Combined Healthy, projected to the valuation date with Schedule AA. Static rates from RP2000 were utilized for the prior valuation.

Interest rate 7.5% per year compounded annually, net of investment related expenses.

Inflation 3.0% per year

Cost of living adjustments None

Payroll increases None

Actuarial value of assets

The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.

Normal Retirement Age:

Number of Years after First  
Eligibility for Normal Retirement

Probability of  
Retirement

Salary increases:

Years of Service

Rates

0-1

75%

Less than 20

7.5%

1-2

25%

20-24

7.0%

2-3

50%

25-29

6.5%

3+

100%

30 or more

6.0%

Early Retirement Age:

Number of Years after First  
Eligibility for Normal Retirement

Probability of  
Retirement

Disability rates:

Age

Probability of Disability

0-1

25%

25

0.09%

1-2

10%

30

0.12%

2-3

10%

35

0.14%

3-4

10%

40

0.25%

4-5

10%

45

0.35%

50

0.55%

55

0.74%

60

0.97%

65 and older

1.19%

Termination rates:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
All	0-1	22%
	1-2	20%
	2-3	18%
	3-4	16%
	4-5	14%
	5-6	12%
	6-7	10%
	7-8	9%
	8-9	8%
	9-10	7%
30 and older	10 or more	2%

Terminal leave pay:

Credited Service  
as of 10/1/2012

Liability Load

10 or more years

4.5%

At least 5, less than 10 years

3.0%

Less than 5 years

0.0%

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

(1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.

(2) For the 2015 reporting period ending year, the Covered Employee Payroll figure was based on pensionable salary.

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
Last Ten Fiscal Years (1)

---

	September 30, 2014	September 30, 2015
Annual money-weighted rate of return net of investment expense	8.77%	1.61%

**Notes to the Schedule**

(1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
Last Ten Fiscal Years (1)

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 393,530
Interest	883,658
Benefit payments, including refunds of employee contributions	(585,282)
<b>Net change in total pension liability</b>	<b>691,906</b>
<b>Total pension liability - beginning</b>	<b>11,547,437</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 12,239,343</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	426,776
Contributions - state	97,971
Contributions - employee	74,568
Net investment income	1,032,897
Benefit payments, including refunds of employee contributions	(585,282)
Administrative expense	(16,881)
<b>Net change in plan fiduciary net position</b>	<b>1,030,049</b>
<b>Plan fiduciary net position - beginning</b>	<b>9,579,905</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 10,609,954</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,629,389</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>86.69%</b>
<b>Covered-employee payroll (2)</b>	<b>\$ 1,491,360</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>109.26%</b>

(1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.

(2) For the 2015 reporting period ending year, the Covered Employee Payroll figure was based on pensionable salary.

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
Last Ten Fiscal Years (1)

	2014	2015
Actuarially determined contribution	\$ 524,660	536,596
Contributions in relation to the actuarially determined contributions	524,747	540,497
Contribution deficiency(excess)	\$ (87)	(3,901)
Covered employee payroll (2)	1,491,360	1,663,139
Contributions as a percentage of covered employee payroll	35.19%	32.50%

**Notes to the Schedule**

\* Valuation date October 1, 2013

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

Methods and assumptions used to determine contribution rates:

Funding method Entry age normal actuarial cost method (level percent of pay)

Amortization method Level dollar

Remaining amortization period 25 years (as of 10/1/2013)

Mortality RP-2000 Combined Healthy - Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Interest rate 7.7% (previously 7.8%) per year compounded annually, net of investment related expenses

Inflation 4.0% per year

Cost of living adjustments None

Payroll increases None

Actuarial value of assets The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.

<u>Normal Retirement Age:</u>	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>	<u>Salary increases:</u>	
	0	80%	<u>Years of Service</u>	<u>Rates</u>
	1-4	40%	Less than 10	9.40%
	5	100%	15-Nov	6.00%
			16-20	6.50%
			21 or more	4.00%

Early Retirement Rate: 5% for each eligible year

Disability rates:

<u>Termination rates:</u>	<u>Age</u>	<u>Rates</u>	<u>Age</u>	<u>Probability of Disability</u>
	25	5.70%	25	0.15%
	30	5.00%	30	0.18%
	35	3.80%	35	0.23%
	40	2.60%	40	0.30%
	45	1.60%	45	0.51%
	50	0.80%	50	1.00%

It is assumed that 75% of disablements and active member deaths are service related

Terminal leave pay:

<u>Credited Service as of 10/1/2011</u>	<u>Liability Load</u>
10 or more years	4.50%
1-10 years	3.50%
Less than 1 year	0.00%

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

- (1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.  
(2) For the 2015 reporting period ending year, the Covered Employee Payroll figure was based on pensionable salary.

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
Last Ten Fiscal Years (1)

---

	<u>September 30, 2014</u>	<u>September 30, 2015</u>
Annual money-weighted rate of return net of investment expense	10.85%	-0.90%

**Notes to the Schedule**

(1) GASB 68 was implemented in fiscal year 2015. Information necessary for this table will accumulate until 10 years of data is available.

CITY OF PALMETTO, FLORIDA  
OTHER POST EMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

---

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL As % of Covered Payroll</b>
October 1, 2007	\$ 0	519,000	519,000	0.0%	4,485,000	11.6%
July 1, 2011	0	338,000	338,000	0.0%	4,380,000	7.7%
July 1, 2013	0	210,000	210,000	0.0%	4,225,000	5.0%
September 30, 2015 <sup>(1)</sup>	0	228,000	228,000	0.0%	4,225,000	5.4%

(1) The data from the July 1, 2013 valuation was rolled forward to September 30, 2015.

Note: The City does not contribute to its other post employment benefits. The OPEB valuation calculates a contribution credit for the City's implied subsidy.





## COMBINING FUND STATEMENTS AND SCHEDULES

These financial statements provide a more detailed view of the “Basic Financial Statements” presented in the preceding subsection.

Combining statements are presented when there are more than one fund of a given fund type. Individual fund statements are presented when there is only one fund of a given type. They are also necessary to present non-major or capital project fund budgetary comparisons.

This section contains the following subsections:

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Funds	115
Combining Statement of Fiduciary Net Position - Fiduciary Funds	116
Combining Statement of Changes in Fiduciary Net Position - Fiduciary Funds	117
Statement of Changes in Assets and Liabilities - Fiduciary Fund - Agency Fund	118
Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill	119



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CITY OF PALMETTO, FLORIDA  
CAPITAL PROJECTS FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2015

---

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Special assessments	\$ 166,667	166,667	--	( 166,667)
Intergovernmental revenues	6,000	621,368	485,194	( 136,174)
Total revenues	172,667	788,035	485,194	( 302,841)
EXPENDITURES				
Capital outlay				
Streets	365,000	415,817	90,147	325,670
Other	265,900	1,128,834	806,463	322,371
Total expenditures	630,900	1,544,651	896,610	648,041
Excess (deficiency) of revenues over (under) expenditures	( 458,233)	( 756,616)	( 411,416)	345,200
OTHER FINANCING SOURCES (USES)				
Transfers in	267,333	520,458	392,689	( 127,769)
Total other financing sources (uses)	267,333	520,458	392,689	( 127,769)
Net change in fund balances	( 190,900)	( 236,158)	( 18,727)	217,431
Fund balances - beginning	281,583	281,583	281,583	--
Fund balances - ending	\$ 90,683	45,425	262,856	217,431

CITY OF PALMETTO, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 September 30, 2015

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 400	257	657
Accounts receivable	800	--	800
Interest and dividends receivable	21,302	7,384	28,686
Investments, at fair value			
Money market funds	402,409	471,261	873,670
U. S. government securities	932,967	985,412	1,918,379
Corporate bonds	1,864,544	591,261	2,455,805
Corporate stocks	5,016,153	5,758,811	10,774,964
Mutual Funds	1,678,027	1,138,448	2,816,475
Alternative investments	565,742	2,307,553	2,873,295
Total investments	<u>10,459,842</u>	<u>11,252,746</u>	<u>21,712,588</u>
Total assets	<u>10,482,344</u>	<u>11,260,387</u>	<u>21,742,731</u>
<b>LIABILITIES</b>			
Accounts payable	<u>701</u>	<u>359</u>	<u>1,060</u>
Total liabilities	<u>701</u>	<u>359</u>	<u>1,060</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u>\$ 10,481,643</u>	<u>11,260,028</u>	<u>21,741,671</u>

CITY OF PALMETTO, FLORIDA  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended September 30, 2015

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 437,016	859,126	1,296,142
Plan members	77,319	140,138	217,457
State (from the General Fund)	103,281	--	103,281
Miscellaneous	2,527	257	2,784
Total contributions	<u>620,143</u>	<u>999,521</u>	<u>1,619,664</u>
Investment earnings			
Interest	75,869	41,111	116,980
Dividends	165,937	129,886	295,823
Net increase (decrease) in the fair value of investments	( 264,184)	13,912	( 250,272)
Total investment earnings	<u>( 22,378)</u>	<u>184,909</u>	<u>162,531</u>
Less investment expenses	( 69,240)	( 76,251)	( 145,491)
Net investment earnings	<u>( 91,618)</u>	<u>108,658</u>	<u>17,040</u>
Total additions	<u>528,525</u>	<u>1,108,179</u>	<u>1,636,704</u>
<b>DEDUCTIONS</b>			
Benefits	601,304	980,637	1,581,941
Refunds of contributions	20,395	102,983	123,378
Administrative expenses	28,018	27,016	55,034
Total deductions	<u>649,717</u>	<u>1,110,636</u>	<u>1,760,353</u>
Change in net position	( 121,192)	( 2,457)	( 123,649)
Net position - beginning	10,602,835	11,262,485	21,865,320
Net position - ending	<u><u>\$ 10,481,643</u></u>	<u><u>11,260,028</u></u>	<u><u>21,741,671</u></u>

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND - AGENCY FUND  
For the Year Ended September 30, 2015

---

	<b>Agency Fund</b>		
	<b>October 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>
			<b>September 30, 2015</b>
Assets			
Cash	\$ 10,510	2,399,381	( 2,409,891)
Prepaid items	--	69,666	--
Total Assets	<u>\$ 10,510</u>	<u>2,469,047</u>	<u>( 2,409,891)</u>
Liabilities			
Accounts payable	\$ 10,510	2,260,384	( 2,268,263)
Advances from other funds	--	67,035	--
Total Liabilities	<u>\$ 10,510</u>	<u>2,327,419</u>	<u>( 2,268,263)</u>

CITY OF PALMETTO, FLORIDA  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS  
RELATED TO THE DEEPWATER HORIZON OIL SPILL  
For the Year Ended September 30, 2015

---

Source	FISCAL YEAR ENDED SEPTEMBER 30, 2015	
	Amount Received	Amount Expended
British Petroleum BP Case # 2:10-md-02179-CJB-SS	\$ 283,069	\$ -

Note: This does not include funds related to the Deepwater Horizon Oil Spill that are considered Federal awards or State financial assistance. The City did not receive or expend any funds from Federal awards or State financial assistance during the year ended September 30, 2015



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## STATISTICAL SECTION

This part of the City of Palmetto, Florida's comprehensive annual financial report presents 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. The following types of information are presented:

### Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Net Position by Component	122
Changes in Net Position	124
Fund Balances, Governmental Funds	128
Changes in Fund Balances of Governmental Funds	130

### Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Governmental Activities Tax Revenues by Source	133
Assessed and Estimated Actual Value of Taxable Property	134
Property Tax Rates, Direct and Overlapping Governments	136
Principal Property Tax Payers	137
Property Tax Levies and Collections	139

### Debt Capacity

These schedules contain 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.

Ratios of Outstanding Debt by Type	140
Ratio of General Bonded Debt Outstanding	141
Computation of Direct and Overlapping Debt	142

### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place.

Demographic Statistics	143
Principal Employers in Manatee County	144

### Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs.

Full-time Equivalent City Government Employees by Function	145
Operating Indicators by Function	146
Capital Asset Statistics by Function	148

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

CITY OF PALMETTO, FLORIDA  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
		(1)		(2)
Governmental activities				
Net investment in capital assets	\$ 21,403,804	22,066,324	21,790,336	26,180,322
Restricted	2,724,927	2,701,868	2,951,584	2,303,732
Unrestricted	5,855,614	5,427,424	5,355,196	10,297,510
Total governmental activities net assets	<u>\$ 29,984,345</u>	<u>30,195,616</u>	<u>30,097,116</u>	<u>38,781,564</u>
Business-type activities				
Net investment in capital assets	\$ 14,035,556	15,142,690	15,222,642	15,824,203
Restricted	578,920	232,947	265,339	311,137
Unrestricted	( 1,082,103)	( 428,519)	735,193	1,058,757
Total business-type activities net assets	<u>\$ 13,532,373</u>	<u>14,947,118</u>	<u>16,223,174</u>	<u>17,194,097</u>
Primary government				
Net investment in capital assets	\$ 35,439,360	37,209,014	37,012,978	42,004,525
Restricted	3,303,847	2,934,815	3,216,923	2,614,869
Unrestricted	4,773,511	4,998,905	6,090,389	11,356,267
Total primary government net assets	<u>\$ 43,516,718</u>	<u>45,142,734</u>	<u>46,320,290</u>	<u>55,975,661</u>

Fiscal Year					
2010	2011	2012	2013	2014	2015
			(3)		(4)
25,413,841	27,139,012	30,654,831	31,673,980	32,241,516	33,319,038
3,836,360	8,923,098	5,078,638	4,217,646	3,193,316	3,567,422
10,257,039	5,196,210	7,684,475	7,257,727	6,679,783	3,030,809
<u>39,507,240</u>	<u>41,258,320</u>	<u>43,417,944</u>	<u>43,149,353</u>	<u>42,114,615</u>	<u>39,917,269</u>
16,716,784	17,638,823	18,570,910	19,190,117	21,989,061	21,533,620
2,033,805	469,719	530,506	488,908	245,743	906,723
1,215,155	2,548,267	2,392,528	2,564,049	2,929,840	3,731,428
<u>19,965,744</u>	<u>20,656,809</u>	<u>21,493,944</u>	<u>22,243,074</u>	<u>25,164,644</u>	<u>26,171,771</u>
42,130,625	44,777,835	49,225,741	50,864,097	54,230,577	54,852,658
5,870,165	9,392,817	5,609,144	4,706,554	3,439,059	4,474,145
11,472,194	7,744,477	10,077,003	9,821,776	9,609,623	6,762,237
<u>59,472,984</u>	<u>61,915,129</u>	<u>64,911,888</u>	<u>65,392,427</u>	<u>67,279,259</u>	<u>66,089,040</u>

(1) During fiscal year 2007 the City recorded "pre-fiscal-year 2003" general governmental infrastructure assets in the Statement of Net Assets through the restatement of Net Assets at October 1, 2006.

(2) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

(3) GASB 63 & 65 was implemented during fiscal year 2013. Prior to this, Net Position was termed Net Assets and Net investment in capital assets was titled Invested in capital assets, net of related debt.

(4) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this Net Pension Liability and associated deferred inflows and outflows were not recorded.

CITY OF PALMETTO, FLORIDA  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(continued on subsequent pages)

	Fiscal Year			Fiscal Year
	2006	2007	2008	2009
				(1)
<b>Expenses</b>				
Governmental activities:				
General government (net of indirect allocation) \$	4,075,661	5,339,790	5,327,528	4,495,082
Public safety	3,907,346	4,368,584	4,543,046	4,776,464
Highways and streets	857,423	814,556	1,004,720	895,995
Recreation	1,043,437	1,277,409	1,299,642	1,180,146
Intergovernmental (net of indirect allocation)	--	--	--	3,440,725
Interest on long-term debt	131,386	248,752	155,583	229,944
Total governmental activities expenses	10,015,253	12,049,091	12,330,519	15,018,356
Business-type activities:				
Solid waste	1,906,150	2,108,258	2,138,301	2,041,362
Water and sewer	3,834,184	4,059,466	4,368,485	4,489,574
Stormwater	947,434	729,909	971,958	675,366
Reuse	161,881	87,150	147,375	85,519
Total business-type activities expenses	6,849,649	6,984,783	7,626,119	7,291,821
Total primary government expenses	16,864,902	19,033,874	19,956,638	22,310,177
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	204,406	152,740	297,739	1,667,917
Public safety	1,297,956	515,604	338,004	412,943
Highways and streets	91,527	193,103	92,672	247,958
Recreation	161,100	448,272	123,862	496,629
Intergovernmental	--	--	--	--
Operating grants and contributions	639,740	1,139,797	1,081,897	48,000
Capital grants and contributions	258,683	349,373	264,360	54,347
Total governmental activities program revenues	2,653,412	2,798,889	2,198,534	2,927,794
Business-type activities:				
Charges for services:				
Solid waste	1,902,409	2,118,189	2,127,525	2,120,933
Water and sewer	4,607,750	4,620,521	4,826,409	4,689,607
Stormwater	337,507	535,429	708,504	824,822
Reuse	179,257	168,656	183,824	188,115
Operating grants and contributions	--	--	--	223,712
Capital grants and contributions	866,963	826,323	988,859	44,906
Total business-type activities program revenues	7,893,886	8,269,118	8,835,121	8,092,095
Total primary government program revenues	10,547,298	11,068,007	11,033,655	11,019,889
<b>Net (Expense)/Revenue</b>				
Government activities	( 7,361,841)	( 9,250,202)	( 10,131,985)	( 12,090,562)
Business type activities	1,044,237	1,284,335	1,209,002	800,274
Total primary government net expense	\$ ( 6,317,604)	( 7,965,867)	( 8,922,983)	( 11,290,288)

Note: This statistical table is continued on the next page.

<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
	(2)		(3)		(4)
4,036,111	2,270,420	2,667,131	3,382,557	3,434,529	2,761,333
4,648,615	4,256,660	4,432,536	4,353,495	4,489,409	4,447,435
870,116	960,680	827,562	894,480	1,332,919	1,030,938
892,002	787,011	823,114	729,485	636,947	648,017
3,151,831	3,068,007	2,504,506	2,582,701	2,634,057	2,713,354
188,221	171,188	160,217	151,233	129,675	120,874
<u>13,786,896</u>	<u>11,513,966</u>	<u>11,415,066</u>	<u>12,093,951</u>	<u>12,657,536</u>	<u>11,721,951</u>
2,008,625	1,974,313	1,990,565	2,075,468	2,200,590	2,180,098
3,794,901	4,193,367	4,258,959	4,524,200	4,744,118	4,919,816
686,325	688,710	668,659	656,269	612,953	574,894
89,366	91,761	86,689	88,650	113,245	130,437
<u>6,579,217</u>	<u>6,948,151</u>	<u>7,004,872</u>	<u>7,344,587</u>	<u>7,670,906</u>	<u>7,805,245</u>
<u>20,366,113</u>	<u>18,462,117</u>	<u>18,419,938</u>	<u>19,438,538</u>	<u>20,328,442</u>	<u>19,527,196</u>
1,646,668	330,820	243,076	312,316	163,793	480,864
414,139	277,205	340,888	270,709	375,222	146,175
137,268	85,349	92,720	109,443	139,397	113,236
87,333	2,242	--	--	600	35,139
--	--	--	--	--	--
3,000	209,731	--	--	--	29,693
654,471	304,488	1,700,739	144,407	334,025	554,283
<u>2,942,879</u>	<u>1,209,835</u>	<u>2,377,423</u>	<u>836,875</u>	<u>1,013,037</u>	<u>1,359,390</u>
2,155,751	2,124,827	2,088,560	2,136,874	2,177,967	2,272,215
4,653,542	4,805,767	4,815,175	4,897,027	5,615,854	6,638,840
804,251	788,920	788,563	785,132	785,144	781,649
184,702	187,480	188,069	189,698	282,522	389,078
--	--	--	--	--	--
132,575	912,043	211,618	513,359	960,091	67,137
<u>7,930,821</u>	<u>8,819,037</u>	<u>8,091,985</u>	<u>8,522,090</u>	<u>9,821,578</u>	<u>10,148,919</u>
<u>10,873,700</u>	<u>10,028,872</u>	<u>10,469,408</u>	<u>9,358,965</u>	<u>10,834,615</u>	<u>11,508,309</u>
( 10,844,017)	( 10,304,131)	( 9,037,643)	( 11,257,076)	( 11,644,499)	( 10,362,561)
<u>1,351,604</u>	<u>1,870,886</u>	<u>1,087,113</u>	<u>1,177,503</u>	<u>2,150,672</u>	<u>2,343,674</u>
<u>( 9,492,413)</u>	<u>( 8,433,245)</u>	<u>( 7,950,530)</u>	<u>( 10,079,573)</u>	<u>( 9,493,827)</u>	<u>( 8,018,887)</u>

(1) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

(2) As of fiscal year 2011, franchise fees are no longer reported as taxes.

(3) GASB 63 & 65 was implemented during fiscal year 2013. Prior to this, Net Position was termed Net Assets.

(4) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this Net Pension Liability and associated deferred inflows and outflows were not recorded.

CITY OF PALMETTO, FLORIDA  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)  
(Continued from previous pages)

	Fiscal Year			
	2006	2007	2008	2009
				(1)
<b>Net (Expense)/Revenue</b>				
Government activities	\$ ( 7,361,841)	( 9,250,202)	( 10,131,985)	( 12,090,562)
Business type activities	1,044,237	1,284,335	1,209,002	800,274
Total primary government net expense	( 6,317,604)	( 7,965,867)	( 8,922,983)	( 11,290,288)
<b>General Revenues and Other Changes in Net Assets</b>				
Government activities:				
Taxes				
Property taxes	3,299,629	4,428,513	4,663,292	9,951,558
Sales taxes	980,876	915,019	859,157	807,927
Utility taxes	750,455	817,117	821,401	841,254
Motor fuel taxes	868,596	1,104,761	1,170,680	1,205,131
Other taxes	368,696	372,673	363,776	333,337
Franchise fees	1,278,485	1,361,267	1,358,799	1,410,284
Investment earnings	288,388	393,731	205,031	338,298
Gain (loss) on sale of capital assets	180,547	--	--	--
Other general revenues	--	--	--	--
Capital contributions from community	--	--	544,140	--
Transfers	1,068,154	68,392	47,209	262,209
Total governmental activities	9,083,826	9,461,473	10,033,485	15,149,998
Business-type activities:				
Investment earnings	279,253	198,802	114,263	22,231
Gain (loss) on sale of capital assets	26,867	--	--	--
Transfers	( 1,068,154)	( 68,392)	( 47,209)	( 262,209)
Total business-type activities	( 762,034)	130,410	67,054	( 239,978)
Total primary government	8,321,792	9,591,883	10,100,539	14,910,020
<b>Change in Net Position</b>				
Governmental activities	1,721,985	211,271	( 98,500)	3,059,436
Business-type activities	282,203	1,414,745	1,276,056	560,296
Total primary government	\$ 2,004,188	1,626,016	1,177,556	3,619,732

Fiscal Year					
2010	2011	2012	2013	2014	2015
	(2)		(3)		(4)
( 10,844,017)	( 10,304,131)	( 9,037,643)	( 11,257,076)	( 11,644,499)	( 10,362,561)
1,351,604	1,870,886	1,087,113	1,177,503	2,150,672	2,343,674
( 9,492,413)	( 8,433,245)	( 7,950,530)	( 10,079,573)	( 9,493,827)	( 8,018,887)
8,191,906	6,315,246	6,107,019	5,802,343	6,252,171	6,557,041
809,534	861,772	793,591	848,863	912,455	950,806
903,826	909,987	910,783	986,029	1,088,481	1,096,095
1,219,376	1,227,138	1,202,520	1,194,620	1,298,344	1,428,522
316,025	917,678	886,666	864,389	853,806	781,298
1,265,842	818,570	840,158	811,682	856,531	904,809
253,740	196,277	178,264	26,515	107,545	111,708
--	--	--	--	--	--
--	--	--	--	--	244,338
--	--	--	--	--	--
( 1,390,556)	808,543	278,266	454,044	( 759,572)	406,595
11,569,693	12,055,211	11,197,267	10,988,485	10,609,761	12,481,212
29,487	29,989	28,288	25,671	11,326	23,362
--	--	--	--	--	--
1,390,556	( 808,543)	( 278,266)	( 454,044)	759,572	( 406,595)
1,420,043	( 778,554)	( 249,978)	( 428,373)	770,898	( 383,233)
12,989,736	11,276,657	10,947,289	10,560,112	11,380,659	12,097,979
725,676	1,751,080	2,159,624	( 268,591)	( 1,034,738)	2,118,651
2,771,647	1,092,332	837,135	749,130	2,921,570	1,960,441
3,497,323	2,843,412	2,996,759	480,539	1,886,832	4,079,092

(1) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

(2) As of fiscal year 2011, franchise fees are no longer reported as taxes.

(3) GASB 63 & 65 was implemented during fiscal year 2013. Prior to this, Net Position was termed Net Assets.

(4) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this Net Pension Liability and associated deferred inflows and outflows were not recorded.

CITY OF PALMETTO, FLORIDA  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
				(1)
General fund				
Reserved	\$ 2,423,319	2,156,783	1,696,641	1,473,190
Unreserved	4,580,605	4,605,911	4,715,179	5,381,549
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total general fund	<u>7,003,924</u>	<u>6,762,694</u>	<u>6,411,820</u>	<u>6,854,739</u>
All other governmental funds				
Reserved	1,094,953	1,081,700	1,822,132	3,954,371
Unreserved, reported in:				
Special revenue funds	--	--	--	3,877,606
Capital projects funds	--	--	519	519
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total all other governmental funds	<u>\$ 1,094,953</u>	<u>1,081,700</u>	<u>1,822,651</u>	<u>7,832,496</u>



Fiscal Year					
2010	2011	2012	2013	2014	2015
	(2)				
1,474,449	--	--	--	--	--
6,078,172	--	--	--	--	--
--	459,956	345,962	277,823	319,834	318,269
--	1,041,681	797,181	654,934	477,674	615,227
--	2,008,234	1,964,498	1,964,498	1,983,593	2,003,079
--	123,674	461,271	804,869	343,795	199,142
--	4,022,971	4,047,702	3,867,975	4,077,272	4,586,884
<u>7,552,621</u>	<u>7,656,516</u>	<u>7,616,614</u>	<u>7,570,099</u>	<u>7,202,168</u>	<u>7,722,601</u>
3,096,331	--	--	--	--	--
3,666,272	--	--	--	--	--
670,772	--	--	--	--	--
--	2,654	--	--	--	--
--	7,881,417	5,256,670	4,509,519	3,320,385	3,556,542
--	876,753	941,849	583,906	281,583	262,856
--	--	--	--	--	--
--	--	--	--	--	--
<u>7,433,375</u>	<u>8,760,824</u>	<u>6,198,519</u>	<u>5,093,425</u>	<u>3,601,968</u>	<u>3,819,398</u>

(1) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.

(2) During fiscal year 2011 the City implemented the new fund balance classifications.

CITY OF PALMETTO, FLORIDA  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
				(2)
<b>Revenues</b>				
Taxes	\$ 7,546,737	8,999,350	9,237,105	14,549,491
Permits, fees and special assessments	1,194,215	347,625	255,191	299,253
Intergovernmental	281,549	389,436	272,658	102,347
Charges for services	912,807	1,419,841	1,304,733	1,738,264
Fines	103,741	167,979	82,813	113,690
Investments earnings	288,388	393,731	205,031	338,298
Impact Fees (1)	--	--	34,300	177,611
Miscellaneous	356,710	457,876	142,855	2,524,862
Total revenues	10,684,147	12,175,838	11,534,686	19,843,816
<b>Expenditures</b>				
General government	2,260,285	3,403,304	3,133,268	3,518,269
Public safety	3,979,078	4,397,477	4,352,240	4,571,897
Highways and streets	796,872	842,726	696,269	683,448
Intergovernmental services	1,067,776	1,169,792	1,192,966	3,395,195
Recreation	1,063,886	1,287,909	1,200,155	1,098,184
Capital outlay	1,368,806	1,621,230	1,359,257	533,100
Debt service				
Interest	80,693	89,836	126,700	229,943
Principal	16,883	64,476	419,929	697,993
Total expenditures	10,634,279	12,876,750	12,480,784	14,728,029
Excess of revenues over (under) expenditures	49,868	( 700,912)	( 946,098)	5,115,787
<b>Other financing sources (uses)</b>				
Transfers in	1,068,154	631,475	666,907	1,702,110
Transfers out	--	( 563,083)	( 820,698)	( 1,815,901)
Loan proceeds	--	--	1,334,000	--
Capital leases	473,949	378,037	155,966	--
Reallocation of loan	--	--	--	--
Total other financing sources (uses)	1,542,103	446,429	1,336,175	( 113,791)
Net change in fund balances	\$ 1,591,971	( 254,483)	390,077	5,001,996
Debt service as a percentage of noncapital expenditures	1.05%	1.37%	4.92%	6.54%

(1) Impact Fees for General Government, Public Safety, Highways and Streets, and Recreation were established in 2007.

2010	2011	2012	2013	2014	2015
12,706,509	10,231,821	9,900,579	9,696,244	10,405,257	10,813,762
215,939 (3)	1,015,445	1,023,579	964,238	1,135,631	1,312,655
657,471	514,219	1,700,739	102,941	334,025	511,887
1,485,145	1,405,022	907,925	846,821	783,332	874,483
161,769	29,843	101,317	61,545	58,255	53,414
253,740	196,277	178,264	26,515	107,545	111,708
245,878	4,045	12,611	21,292	65,417	34,422
168,566	245,295	228,740	168,543	255,752	279,535
15,895,017	13,641,967	14,053,754	11,888,139	13,145,214	13,991,866
3,125,314	2,728,179	2,723,534	3,378,574	2,767,181	2,896,947
4,313,113	4,196,600	4,215,246	4,159,702	4,264,229	4,337,159
637,443	768,765	590,527	609,082	757,656	635,317
2,865,768	2,958,752	2,359,788	2,421,266	2,483,372	2,587,428
763,796	742,296	754,781	672,960	598,012	637,539
1,770,178	869,311	6,044,196	1,679,365	2,636,068	2,323,322
188,221	171,189	160,217	151,233	339,802	629,785
625,867	543,020	466,938	526,340	347,493	120,954
14,289,700	12,978,112	17,315,227	13,598,522	14,193,813	14,168,451
1,605,317	663,855 (	3,261,473) (	1,710,383) (	1,048,599) (	176,585)
597,074	1,402,298	1,602,970	2,081,969	1,358,442	1,146,055
( 1,987,630)	( 574,387)	( 1,324,704)	( 1,627,925)	( 2,118,014)	( 739,460)
--	--	--	--	--	--
84,000	165,482	381,000	104,730	291,500	507,853
-	-	-	-	(342,717)	-
( 1,306,556)	993,393	659,266	558,774	( 810,789)	914,448
298,761	1,657,248	( 2,602,207)	( 1,151,609)	( 1,859,388)	737,863
6.50%	5.90%	5.56%	5.68%	5.95%	6.34%

(2) During fiscal year 2009, City Commission approved the reorganization of the Community Redevelopment Agency (CRA), declaring itself as the CRA Board changing the presentation of the CRA from a discretely presented component unit to a blended component unit as a special revenue fund included in governmental activities.

(3) Beginning in fiscal year 2011, franchise fees are no longer reported as taxes but are reported as permits, fees and special assessments.



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CITY OF PALMETTO, FLORIDA  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Sales Tax</b>	<b>Utility Tax</b>	<b>Motor Fuel Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2006	3,299,629	1,278,485	980,876	750,455	868,596	368,696	7,546,737
2007	4,428,513	1,361,267	915,019	817,117	1,104,761	372,673	8,999,350
2008	4,663,292	1,358,799	859,157	821,401	1,170,680	363,776	9,237,105
2009 (1)	9,951,558	1,410,284	807,927	841,254	1,205,131	333,337	14,549,491
2010	8,191,906	1,265,842	809,534	903,826	1,219,376	316,025	12,706,509
2011	6,315,246	--	861,772	909,987	1,227,138	917,678	10,231,821
2012	6,107,019	--	793,591	910,783	1,202,520	886,666	9,900,579
2013	5,802,343	--	848,863	986,029	1,194,620	864,389	9,696,244
2014	6,252,171		912,455	1,088,481	1,298,344	853,806	10,405,257
2015	6,557,041		950,806	1,096,095	1,428,522	781,298	10,813,762
Change:							
2006 - 2015	98.72%	-100.00%	-3.07%	46.06%	64.46%	111.91%	43.29%
(2)							

(1) During fiscal year 2009, City Commission approved the reorganization of the Community Redevelopment Agency (CRA), declaring itself as the CRA Board changing the presentation of the CRA from a discretely presented component unit to a blended component unit as a special revenue fund included in governmental funds. Tax Increment Financing (TIF) received by CRA is now listed as property tax revenue.

(2) Beginning in fiscal year 2011, Franchise Fees are no longer reported as taxes but are now reported as permits, fees and special assessments in the fund statements. Communication services taxes previously reported as franchise fees are now reported as other taxes.

CITY OF PALMETTO, FLORIDA  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	Real Property <sup>(1)</sup>			Personal Property <sup>(2)</sup>
		Residential Property	Commercial Property	Other	
2007	2006	558,733,963	226,244,545	103,979,945	66,642,416
2008	2007	809,517,595	229,226,826	135,838,492	72,189,561
2009	2008	944,283,089	254,524,487	158,149,860	82,113,719
2010	2009	800,179,028	226,838,156	148,447,421	69,541,573
2011	2010	614,168,328	212,722,187	137,320,529	69,641,003
2012	2011	557,754,188	196,427,515	118,572,496	62,585,676
2013	2012	529,454,692	177,147,023	117,865,188	58,154,531
2014	2013	542,474,465	170,679,337	120,027,477	56,942,237
2015	2014	546,047,253	173,714,875	130,736,017	54,537,589
2016	2015	575,879,259	183,047,888	148,321,535	54,046,711

Source: Manatee County Property Appraiser's Office

- (1) Taxable value of property subject to direct tax rate.
- (2) Personal Property includes furniture, fixtures, tools, machinery, euqipment, etc and is taxed at various rates.
- (3) Adopted Millage Rate
- (4) Estimated Actual Value represents the Total Net Taxable Assessed Value plus the value of
  - A. Tax exempt properties (i.e. governmental and institutional),
  - B. Exemptions (i.e. homestead exemptions) and
  - C. The 1992 Florida Constitution amendment known as "Save Our Homes" (or Amendment 10 Cap).

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<b>Less Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate <sup>(3)</sup></b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
294,990,076	660,610,793	5.1645	661,503,856	99.9%
362,763,582	884,008,892	4.6662	884,008,892	100.0%
410,465,307	1,028,605,848	4.6662	1,028,605,848	100.0%
315,710,987	929,295,191	4.6662	929,295,191	100.0%
275,055,525	758,796,522	4.6662	763,433,066	99.4%
248,654,218	686,685,657	5.1185	686,685,657	100.0%
229,863,094	652,758,340	5.2171	652,758,340	100.0%
233,788,946	656,334,570	5.7171	656,334,570	100.0%
225,659,674	679,376,060	5.7171	679,376,060	100.0%
244,350,184	716,945,209	5.9671	716,945,209	100.0%

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CITY OF PALMETTO, FLORIDA  
PROPERTY TAX RATES, DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(Per \$1,000 of Assessed Value)

<b>Fiscal Year</b>	<b>City Direct Rates (1)</b>	<b>Overlapping Rates</b>		<b>Total</b>
	<b>General Fund</b>	<b>School District (2)</b>	<b>County (2)</b>	
2006	5.16	7.61	8.24	21.01
2007	4.67	7.66	7.06	19.39
2008	4.67	7.37	7.08	19.12
2009	4.67	7.54	7.10	19.31
2010	4.67	7.59	7.11	19.37
2011	5.12	7.96	6.99	20.07
2012	5.22	7.59	6.99	19.80
2013	5.71	7.57	6.98	20.26
2014	5.71	7.38	6.31	19.40
2015	5.97	7.27	6.94	20.18

Source: (1) Office of the City Clerk

(2) Manatee County Tax Collector's Office  
<http://www.manateepao.com/dnn/Tax-Roll-Data>



CITY OF PALMETTO, FLORIDA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Stores East LP	\$ 12,981,931	1	1.81%	6,763,392	2	1.02%
Florida Power & Light Co	7,521,692	2	1.05%			
Sanctuary Cove (Bradenton) ASLI VI LLLP	6,366,030	3	0.89%	12,880,720	1	1.95%
VREC Space Box LLC	6,348,553	4	0.89%			
Palmetto Dunes LTD	6,345,665	5	0.89%	6,325,195	3	0.96%
Palmetto, City of	6,297,170	6	0.88%			
Riverside Plaza of Manatee, LLC	5,782,156	7	0.81%			
Pacific Tomato Growers	5,609,423	8	0.78%			
Palmetto Mobile Home Club Inc.	5,309,705	9	0.74%	4,867,237	7	0.74%
Tropical Isles Co-Op Inc	4,896,035	10	0.68%			
Florida, State of				4,975,694	4	0.75%
Laguna Rivera Ventures, LLC				4,947,019	5	0.75%
Albertson, Inc				4,898,437	6	0.74%
US Funding Group, LLC				4,556,923	8	0.69%
Rivera Dunes Development Partners, LLC				4,453,644	9	0.67%
Bergeron WD Palmetto, LC				4,361,940	10	0.66%
Totals	<u>\$ 67,458,360</u>		<u>9.42%</u>	<u>59,030,201</u>		<u>8.93%</u>
Note						
Total taxable assessed value	<u>\$ 716,945,209</u>			<u>661,503,856</u>		

Source: Manatee County Property Top 100 Tax Payers/2014/Palmetto  
Website: <http://www.manateepao.com/dnn/Downloads>



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CITY OF PALMETTO, FLORIDA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (2)		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2006	3,416,336	3,299,629	96.6%	71	3,299,700	96.6%
2007	4,561,037	4,410,731	96.7%	411	4,411,142	96.7%
2008	4,800,476	4,663,292	97.1%	2,292	4,665,584	97.2%
2009	5,052,558	4,966,769	98.3%	19,995	4,986,764	98.7%
2010	4,336,277	4,203,070	96.9%	22,957	4,226,027	97.5%
2011	3,524,841	3,411,075	96.8%	9,223	3,420,298	97.0%
2012	3,422,787	3,386,486	98.9%	2,925	3,389,411	99.0%
2013	3,415,249	3,292,442	96.4%	8,582	3,301,024	96.7%
2014	3,752,330	3,623,920	96.6%		3,623,920	96.6%
2015	3,889,099	3,755,416	96.6%		3,755,416	96.6%

Notes: (1) Florida law allows a percentage discount for prompt payment of taxes. Accordingly, it is unlikely that the amount levied will equal the amount collected.

(2) Manatee County's payment system started tracking prior year payments in fiscal year 2011. Therefore, taxes for prior years are only determinable if remitted in fiscal year 2011 or later.

Source: Manatee County Property Appraiser's and Tax Collector's offices and Office of the City Clerk.

CITY OF PALMETTO, 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	Per Capita
	Bank Qualified Loans	Capital Leases	Bank Qualified Loans	State Revolving Loan Funds	Capital Leases			
2006	1,691,139	781,800	7,294,838	2,333,138	206,816	12,307,731	2.82%	927
2007	1,774,878	808,551	6,896,548	2,184,580	527,171	12,191,728	2.16%	871
2008	3,009,708	806,064	10,542,967	2,057,650	159,122	16,575,511	2.81%	1,147
2009	6,630,671	442,606	10,136,732	1,926,841	73,292	19,210,142	3.30%	1,309
2010	6,290,948	240,462	9,712,117	1,792,033	26,465	18,062,025	3.10%	1,250
2011	5,945,722	208,150	9,268,053	1,653,105	50,444	17,125,474	3.43%	1,359
2012	5,595,143	472,791	8,805,056	1,509,929	39,162	16,422,081	3.06%	1,288
2013	5,238,163	408,161	8,319,269	1,362,376	1,464,786	16,792,755	3.06%	1,317
2014	4,547,953	489,532	9,388,019	1,210,313	1,632,738	17,268,555	2.71%	1,349
2015	4,196,661	718,812	8,768,536	1,053,602	1,277,667	16,015,278	2.55%	1,224

CITY OF PALMETTO, FLORIDA  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

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<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Assessed Value <sup>2</sup></b>	<b>Gross Bonded Debt <sup>3,4</sup></b>	<b>Net Bonded Debt <sup>3</sup></b>	<b>Percentage of Actual Taxable Value of Property <sup>3</sup></b>	<b>Per Capita <sup>3</sup></b>
2006	13,272	661,503,856	--	--	0.00%	--
2007	14,002	884,008,892	--	--	0.00%	--
2008	14,447	1,028,605,848	--	--	0.00%	--
2009	14,447	929,295,191	--	--	0.00%	--
2010	14,447	763,433,066	--	--	0.00%	--
2011	12,606	686,685,657	--	--	0.00%	--
2012	12,755	652,758,340	--	--	0.00%	--
2013	12,755	656,334,570	--	--	0.00%	--
2014	12,799	679,376,060	--	--	0.00%	--
2015	13,082	716,945,209	--	--	0.00%	--

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Source: <sup>1</sup> University of Florida, Bureau of Economic and Business Research. Table 1.25 Population

<sup>2</sup> Manatee County Property Appraiser's Office

<sup>3</sup> Office of the City Clerk

<sup>4</sup> Reclassified to Proprietary Fund - Stormwater, Fiscal Year 2003

CITY OF PALMETTO, FLORIDA  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
AS OF SEPTEMBER 30, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct:</b>			
City of Palmetto	\$ 4,915,473	100%	<u>\$ 4,915,473</u>
<b>Subtotal Direct Debt</b>			<u>4,915,473</u>
<b>Overlapping (2):</b>			
Manatee County	95,137,000	3.85%	3,662,775
Manatee County School Board	236,632,455	3.85%	<u>9,110,349</u>
<b>Subtotal Overlapping Debt</b>			<u>12,773,124</u>
<b>Total direct and overlapping debt</b>			<u>\$ 17,688,597</u>

Source: Manatee County Government

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable

(2) 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 the City of Palmetto. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire 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.

**CITY OF PALMETTO, FLORIDA**  
**DEMOGRAPHIC STATISTICS**  
**LAST TEN FISCAL YEARS**

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<u>Fiscal Year</u>	<u>City Population(1)</u>	<u>Personal Income thousand \$(1)</u>	<u>Personal Income Per Capita(2)</u>	<u>Median Age(3)</u>	<u>School Enrollment(4)</u>	<u>Manatee County Unemployment Rate(5)</u>
2006	13,272	435,813	32,837	37.6	42,572	3.1%
2007	14,002	564,323	40,303	37.6	42,572	4.2%
2008	14,447	589,784	40,824	38.7	42,307	6.9%
2009	14,447	582,980	40,353	36.8	42,075	11.3%
2010	14,447	582,980	40,353	44.6	42,700	12.6%
2011	12,606	499,828	39,650	45.7	43,516	10.9%
2012	12,755	537,049	42,105	45.8	45,050	9.0%
2013	12,755	549,447	43,077	45.8	45,800	7.5%
2014	12,799	638,197	49,863	46	46,800	6.1%
2015	13,082	626,903	47,921	46	47,700	5.1%

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- Source: (1) University of Florida, Bureau of Economic and Business Research. Florida Estimates of Population - Table 1 Pg. 11
- (2) U.S. Bureau of Economic Analysis - 2014
- (3) Personal income is a calculated amount based on population and per capita person income utilizing North Port - Sarasota Bradenton Metropolitan Statistical Area
- (4) Manatee County School Board. School enrollment exceeds the City population because the school system serves the entire county via Manatee County. Data provided by Manatee County Clerk of Circuit Court.
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CITY OF PALMETTO, FLORIDA  
 PRINCIPAL EMPLOYERS IN MANATEE COUNTY  
 CURRENT YEAR AND NINE YEARS AGO

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Manatee County School Board	5,500	1	3.60%	5,000	1	3.25%
Beall's Inc.	1,924	2	1.26%	2,100	2	1.37%
Manatee County Government	1,795	3	1.18%	1,730	3	1.13%
Manatee Memorial Hospital	1,445	4	0.95%	1,500	5	0.98%
Tropicana Products, Inc	1,200	5	0.79%	1,600	4	1.04%
Manatee County Sheriff's Dept	1,138	6	0.75%	1,146	6	0.75%
Blake Medical Center	1,100	7	0.72%	1,100	7	0.72%
Publix	875	8	0.57%	--	--	0.00%
IMG Academies	564	9	0.37%	--	--	0.00%
State College of Florida Manatee/Sarasota	472	10	0.31%	--	--	0.00%
Hoveround Corp.	--	--	0.00%	637	9	0.41%
SYSCO West Coast Florida	--	--	0.00%	695	8	0.45%
City of Bradenton	--	--	0.00%	588	10	0.38%
Total	<u>16,013</u>		<u>10.50%</u>	<u>16,096</u>		<u>10.48%</u>
Total Manatee County	152,693			153,696		

Source:

- (1) Data was unavailable specifically for the City of Palmetto. The above information is based on the county in which the city resides. Manatee County 2015 CAFR - Page 159-160



CITY OF PALMETTO, FLORIDA  
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS

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<b>Full-time Equivalent Employees as of September 30,</b>										
<b>Function</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
General government	17.0	19.0	17.5	17.5	17.5	17.8	17.8	21.0	20.0	19.0
Intergovernmental	13.5	17.0	16.5	12.5	13.5	12.0	13.3	13.3	13.5	12.5
Public safety										
Police										
Officers	33.0	36.0	37.0	35.0	35.0	35.0	35.8	35.8	36.0	35.5
Civilians	22.8	24.3	25.8	19.8	20.8	19.0	20.8	20.8	22.0	22.0
Highways and streets										
Engineering	3.0	4.0	3.0	3.0	3.0	-	-	-	-	-
Maintenance	5.0	3.0	3.0	4.0	3.0	3.0	5.0	5.0	5.0	10.0
Sanitation	2.0	2.0	2.0	1.0	2.0	1.0	1.0	2.0	2.0	2.0
Culture and recreation	15.0	17.0	17.0	13.0	10.0	10.0	9.0	9.0	8.0	8.0
Water	15.0	15.0	15.0	13.0	13.0	14.0	12.0	11.0	11.0	6.0
Sewer	6.0	6.0	6.0	6.0	6.0	4.0	7.0	7.0	6.0	7.0
<b>Total</b>	<b>132.3</b>	<b>143.3</b>	<b>142.8</b>	<b>124.8</b>	<b>123.8</b>	<b>115.8</b>	<b>121.7</b>	<b>124.9</b>	<b>123.5</b>	<b>122.0</b>

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Source: Payroll Reports:Cost Center Analysis

CITY OF PALMETTO, FLORIDA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2006	2007	2008	2009
<b>Police (1)</b>				
Total arrests	547.00	504.00	511.00	567.00
Juvenile arrests	112.00	132.00	130.00	112.00
Traffic violations	2,823.00	2,050.00	2,003.00	2,450.00
Traffic warnings	869.00	924.00	860.00	1,380.00
<b>Water</b>				
New connections (2)	76.00	44.00	14.00	17.00
Average daily consumption (3) (million of gallons)	1.50	1.48	1.43	1.29
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00
<b>Wastewater</b>				
New connections (2)	122.00	85.00	27.00	28.00
Average daily sewage treatment (3) (million of gallons)	1.28	0.95	0.89	1.18
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40
<b>Reuse</b>				
New connections (2)	79.00	125.00	28.00	42.00
Average daily consumption (3) (million of gallons)	0.86	0.98	0.89	1.02
Average daily capacity (3) (million of gallons)	1.87	4.07	4.07	4.07

N/A Information is not available.

Source: (1) Palmetto PD  
(2) Palmetto Customer Service  
(3) Palmetto Public Works

Fiscal Year					
2010	2011	2012	2013	2014	2015
478.00	473.00	470.00	547.00	986.00	884.00
93.00	100.00	99.00	74.00	149.00	193.00
1,993.00	1,419.00	2,120.00	1,882.00	1,950.00	1,754.00
713.00	1,039.00	1,844.00	1,168.00	1,045.00	792.00
62.00	10.00	19.00	32.00	11.00	14.00
1.31	1.31	1.28	1.38	1.39	1.45
2.00	2.00	2.00	2.00	2.00	2.00
58.00	11.00	13.00	15.00	11.00	11.00
1.14	1.07	1.20	1.32	1.25	1.48
2.40	2.40	2.40	2.40	2.40	2.40
-	20.00	39.00	315.00	-	25.00
0.91	0.92	0.96	1.07	1.12	0.87
4.07	4.07	3.25	3.25	3.32	3.33

CITY OF PALMETTO, FLORIDA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2006	2007	2008	2009
<b>Public Safety (1)</b>				
Police				
Stations	1.00	1.00	1.00	1.00
Patrol units	39.00	46.00	49.00	48.00
K-9 units	1.00	2.00	2.00	1.00
<b>Highways and Streets (2)</b>				
Streets (miles)	41.20	41.20	42.00	42.00
Traffic signals	11.00	11.00	11.00	11.00
Streetlights	864.00	864.00	864.00	864.00
<b>Culture and Recreation (3)</b>				
Parks acreage	64.74	64.74	64.74	64.74
Parks	12.00	12.00	12.00	12.00
Tennis courts	1.00	1.00	1.00	1.00
<b>Utility Infrastructure</b>				
Water mains (miles)	66.06	66.06	66.66	66.66
Sewer (miles)	46.00	46.00	47.60	49.10
Storm sewers (miles)	11.76	11.76	11.76	11.90
Reclaimed water (miles)	22.00	22.00	22.00	22.80

Source:     (1) Palmetto PD  
               (2) Palmetto Public Works  
               (3) Palmetto Parks Department

Fiscal Year					
2010	2011	2012	2013	2014	2015
1.00	1.00	1.00	1.00	1.00	1.00
49.00	44.00	45.00	41.00	44.00	46.00
2.00	2.00	2.00	3.00	3.00	2.00
42.00	42.00	42.00	42.33	42.33	42.33
12.00	12.00	12.00	12.00	12.00	12.00
864.00	864.00	864.00	1,111.00	1,111.00	928.00
95.49	95.49	95.49	95.49	95.49	100.79
12.00	12.00	12.00	12.00	12.00	13.00
1.00	1.00	1.00	1.00	1.00	1.00
66.66	66.66	66.66	66.69	66.69	73.85
49.10	49.10	49.10	49.10	49.10	67.76
11.90	11.90	11.90	11.90	11.90	27.30
22.80	22.80	22.80	22.80	24.18	32.54



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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*

To the Honorable Mayor,  
And Members of the City Commission  
City of Palmetto, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2016.

#### 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 10, 2016  
Bradenton, Florida



MANAGEMENT LETTER

To the Honorable Mayor,  
and Members of the City Commission  
City of Palmetto, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Palmetto, Florida (the "City"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 10, 2016.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 10, 2016, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Palmetto, Florida was incorporated in 1897. Additional information on the City's creation and the City's component unit is disclosed within the City's footnotes.

## Financial Condition

Section 10.554(1)(i)5.a. and 10.566(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Palmetto, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City of Palmetto, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Palmetto, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

## Other Matters

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

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

## Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 10, 2016  
Bradenton, Florida

INDEPENDENT ACCOUNTANT'S REPORT  
ON INVESTMENT COMPLIANCE

To the Honorable Mayor,  
and Members of the City Commission  
City of Palmetto, Florida

We have examined the City of Palmetto, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

March 10, 2016  
Bradenton, Florida



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