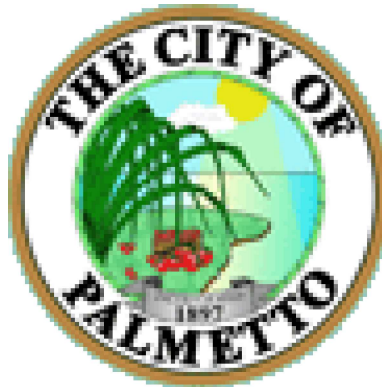


The City of Palmetto, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2018

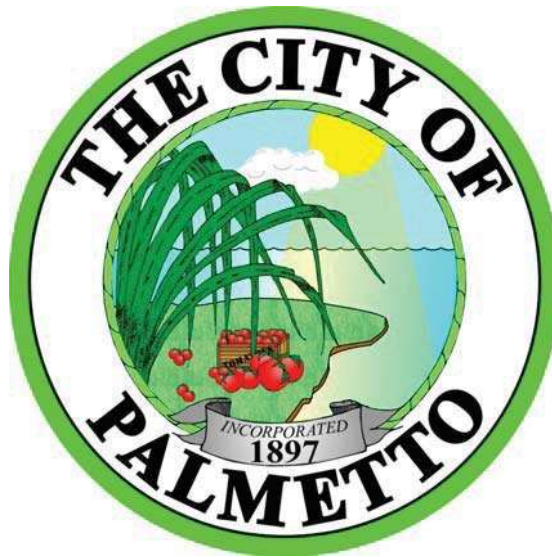
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*Comprehensive Annual
Financial Report*

City of Palmetto, Florida

For the Fiscal Year Ended
September 30, 2018



Prepared By
The Finance Department

Cheryl A. Miller, CGFO
Finance Director

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City of Palmetto, Florida

September 30, 2018

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City of Palmetto, Florida

September 30, 2018

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City of Palmetto, Florida

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516 8th Avenue West
P.O. Box 1209
Palmetto, Florida 34220-1209
Phone (941) 723-4570
FAX (941) 723-4576

March 22, 2019

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, 2018.

This report consists of management's representations concerning the finances of the City of Palmetto, Florida. Consequently, management assumes full responsibility for the reliability and completeness of all the information presented in this report. To provide a reasonable basis for making these representations, 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, not absolute, assurance that the financial statements are free from any material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) that the evaluation of the costs and benefits requires estimates and judgments by management. 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, 2018, 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, 2018 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.

In addition to meeting the requirements of the state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act and the Florida Single Audit Act. The City did not expend the required minimum threshold of \$750,000 of Federal or State expenditures during fiscal year 2018 and did not require a single audit and therefore, an auditor's report is not required.

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 CITY

The City of Palmetto, Florida was incorporated in 1897. The current charter was approved by the voters on November 8, 2016. Revisions to the charter included changing the residency requirements for elected officials, modifications to the selection process for electing a Vice Mayor and changing the time requirement for a charter review from every five years to every ten years. 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 30th 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, 2018 continued to show strong signs that the economy has rebounded and growth is making a steady comeback. Foreclosures and abandoned properties have slowed considerably compared to prior years. Over the past few years, the economic environment has placed additional demands on the City to ensure that the health, safety, and welfare of the community are maintained. Specifically, the State legislature continues to place financial pressures on local government via unfunded mandates, and home rule continues to come under attack. The increases to property values have helped to lessen this impact, but challenges still remain. Statewide unemployment has continued to decrease from 3.5 percent at the end of 2017 to 3.3 percent as of November 2018. Unemployment in the North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) also showed a slight improvement during the year and was projected to be 2.9 percent in November 2018, compared to 3.5 percent in November 2017.

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. In addition to developer incentives, storefront grants are available for commercial businesses, and the residential rehabilitation program that was started in 2010 continues to offer assistance to qualifying properties. More recently, the CRA created a Tax Incremental Financing (TIF) rebate incentive to encourage development for larger projects in excess of 10 million dollars.

Although the economy has certainly improved over the last five years, Palmetto continues to be faced with increasing costs, increasing demand for services, aging infrastructure and unfunded mandates by state and federal governments. Fortunately, in November 2016, residents of Manatee County passed an additional ½ cent sales tax. This tax will generate approximately \$15 million dollars over the next 15 years and the revenue will be used to fund much needed capital infrastructure in areas such as transportation, public safety, and parks. As stated above, the Florida Legislature continues to propose and pass legislation that puts additional pressure on local government. Fortunately, the additional homestead exemption referendum proposed in November 2018 was voted down by Floridians. However, reductions in state revenue dollars continue to make it difficult for cities across the state. Increasing property values during the last five years have helped offset declines in other areas, but tax revenues are still well below their peak of 2009. Since 2014, the final assessed taxable value has increased by 23 percent. This equates to an average annual increase of 3.8% over the period from 2014 to 2018.

Capital funding presents a big challenge for the City but the additional ½ cent sales tax will go a long way towards improving our aging infrastructure. During 2019, the City expects to vote on a

new utility rate structure to ensure the current rates support the costs to provide service. In addition, the City will continue to aggressively seek grant funds to help offset the costs for infrastructure projects. In fact, the City was just awarded a \$750,000 Community Development Block Grant (CDBG) through the State of Florida for utility improvements in a residential neighborhood. We are starting to see the benefits of this additional funding as many infrastructure projects are in the design phase or under construction. Major current and future initiatives for fiscal year 2018 and fiscal year 2019 include:

- New Equalization Tank at our Wastewater Treatment Plant to eliminate sanitary sewer overflow
- Continued development of the multimodal corridor via our partnership with FDOT
- Planning and design for a new Police Department Headquarters
- Street paving throughout the City
- Intersection improvements along 10th Street and 2nd Avenue West
- Multimodal enhancements on the Green Bridge via our FDOT partnership

Our focus will continue toward 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.

AWARDS AND ACKNOWLEDGEMENTS

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, 2017. This was the thirteenth 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 also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 2018, the same period covered by this Comprehensive Annual Financial Report. This was the ninth consecutive year that the City received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in all the required categories including policy documentation, financial planning, organization, and as a communications medium.

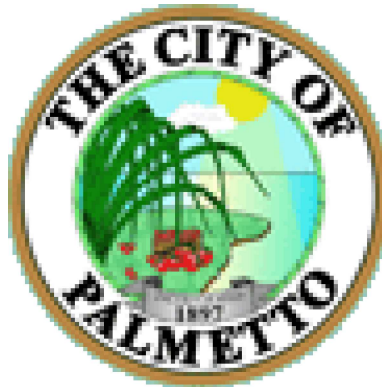
The preparation of the Comprehensive Annual Financial Report was accomplished through the diligent efforts of the City Clerk's Office, the Finance Department and other City staff. I would like to express my appreciation to the firm of Christopher, Smith, Leonard, Bristow & Stanell, P.A. for their cooperation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

Sincerely,



Shirley Groover Bryant, Mayor
City of Palmetto

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Government Finance Officers Association

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

Presented to

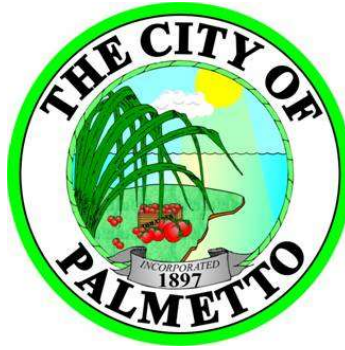
**City of Palmetto
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrell

Executive Director/CEO



**City of Palmetto, Florida
Fiscal Year Ended September 30, 2018
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 LaRowe	Assistant City Clerk
Cheryl A. Miller	Finance Director

Public Works

Allen Tusing	Director
Mohammed Rayan	Deputy Director of Public Works
Grace Johnson	Public Works Coordinator

Police Department

Scott Tyler	Police Chief
Mike Stinson	Captain
Lorenzo Waiters	Captain

Community Redevelopment Agency

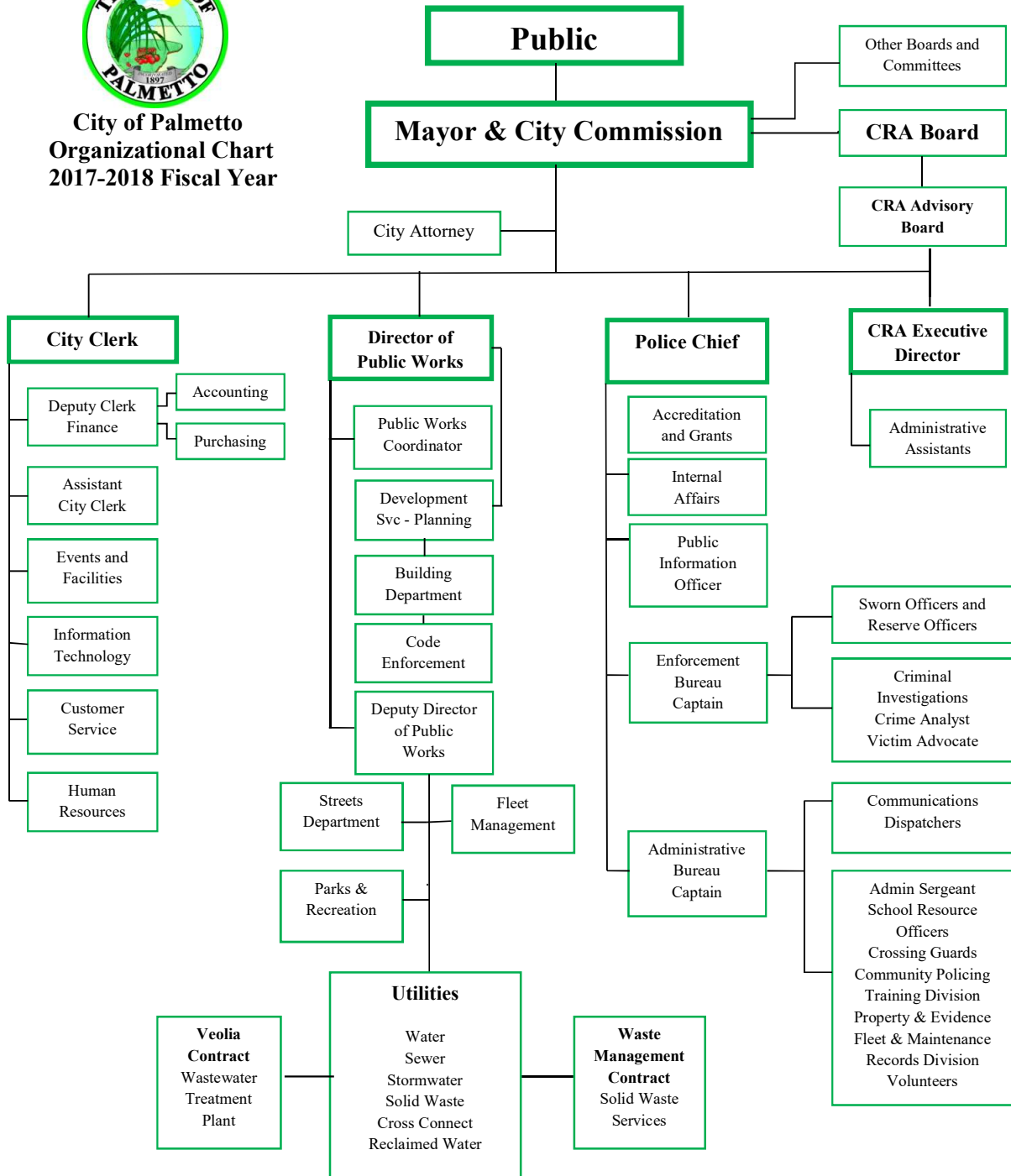
Jeff Burton	Director
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City Attorney

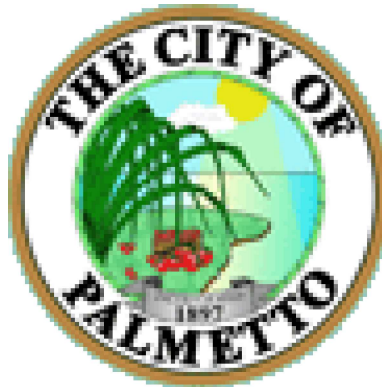
Mark Barnebey	City Attorney
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**City of Palmetto
Organizational Chart
2017-2018 Fiscal Year**



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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note II to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules, as listed in the table of contents, 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 non-major fund statements and schedules, 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 non-major fund statements and schedules, 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 non-major fund financial statements and schedules, 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 22, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

March 22, 2019
Bradenton, Florida

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

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, 2018. 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 26.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year ending September 30, 2018:

- The assets of the City exceeded its liabilities by \$81,256,552 (*net position*). Of this amount, \$10,804,973 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City reported an increase in total net position of \$6,548,988 compared to \$5,814,596 in fiscal year 2018. Increased revenues outpaced nearly stable expenses resulting in a healthier net position at the end of fiscal year 2018. The City's total net position increased by \$6,548,988, or 8.77%, in comparison to the prior year, which included a change in accounting principle due to the implementation of GASB 75.
- Total revenues increased \$2,146,743 or 8.14% in comparison to the prior year. Property taxes and half-cent sales taxes, increased \$533,186 and \$439,128 respectively. The increase of property taxes was due to a 6.89% increase in property values and the sales tax increase was a result of a full year of revenues from the half-cent sales tax for infrastructure. Other increases include utility rate increases for water, sewer and reuse.
- Total expenses increased \$1,412,351 or 6.88% in comparison to prior year. Governmental activities reported a net increase of \$994,262 due in part to the purchase of land for the future site of the police department and various department cost savings. Business-type activities increased of \$418,089 due in part to the removal of debris from Hurricane Irma.
- The City's governmental funds reported combined ending fund balances of \$16,427,606, an increase of \$1,781,235 in comparison with the prior year ending balance. Approximately 25.85% of this total amount, \$4,246,647 (*unassigned fund balance*), is available for spending at the City's discretion and is 34.80% of the total general fund expenditures. Restricted fund balance of \$8,872,485 is restricted for roadway infrastructure, Community Redevelopment Agency (CRA), 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 \$2,728,701 includes \$2,020,887 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, and tend to be 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, these statements 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.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between them 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.

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 economic and physical environmental 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 26 through 28 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, 2018 was the Capital Projects fund.

The City's governmental fund financial statements are presented beginning on page 29.

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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. The City does not report any 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.

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, 2018.

The proprietary fund financial statements can be found beginning on page 32 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 36 and 37 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 39 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 102 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 102 through 104.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, which are not required supplementary information, begin on page 115.

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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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$81,256,552 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net position found on page 26 of this report:

City of Palmetto's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 14,318,224	\$ 12,826,232	\$ 5,567,382	\$ 4,982,982	\$ 19,885,606	\$ 17,809,214
Restricted assets	3,330,637	2,441,348	4,948,765	3,715,077	8,279,402	6,156,425
Capital assets, net of depreciation	39,801,811	38,403,790	32,516,601	32,936,691	72,318,412	71,340,481
Total assets	<u>57,450,672</u>	<u>53,671,370</u>	<u>43,032,748</u>	<u>41,634,750</u>	<u>100,483,420</u>	<u>95,306,120</u>
Deferred outflows of resources	<u>763,874</u>	<u>936,896</u>	<u>264,215</u>	<u>602,961</u>	<u>1,028,089</u>	<u>1,539,857</u>
Liabilities						
Current and other liabilities	806,647	579,097	984,425	966,703	1,791,072	1,545,800
Non-current liabilities	7,641,276	8,609,639	9,272,234	10,579,593	16,913,510	19,189,232
Total liabilities	<u>8,447,923</u>	<u>9,188,736</u>	<u>10,256,659</u>	<u>11,546,296</u>	<u>18,704,582</u>	<u>20,735,032</u>
Deferred inflows of pension earnings	1,330,661	1,143,668	208,605	229,527	1,539,266	1,373,195
Deferred inflows from OPEB	9,326	--	1,783	--	11,109	--
Deferred inflows of resources	<u>1,339,987</u>	<u>1,143,668</u>	<u>210,388</u>	<u>229,527</u>	<u>1,550,375</u>	<u>1,373,195</u>
Net Position						
Net investment in capital assets	35,933,864	34,364,152	24,524,166	24,414,011	60,458,030	58,778,163
Restricted	8,872,485	5,751,126	1,121,064	1,120,585	9,993,549	6,871,711
Unrestricted	3,620,287	4,160,584	7,184,686	4,927,292	10,804,973	9,087,876
Total net position	<u>\$ 48,426,636</u>	<u>\$ 44,275,862</u>	<u>\$ 32,829,916</u>	<u>\$ 30,461,888</u>	<u>\$ 81,256,552</u>	<u>\$ 74,737,750</u>

The overall net position of the City increased in 2018 as a result of increases in revenues and less of an increase in operating expenses. 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 increased from fiscal year 2017 by \$6,548,988 or 8.77%. The net position of governmental activities increased by \$4,176,115, or 9.44% due to the increase of approximately \$533,186 in property taxes, \$439,128 in half-cent sales taxes and smaller increases in nearly every other revenue type. Net position of business-type activities increased by \$2,372,873, or 7.79% primarily as a result of an approved increase in user fees for water, sewer and reuse utilities. The overall net operating income of the business-type activities is \$3,098,398.

A significant portion of the City's net position, \$60,458,030 or 74.40% reflects 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.

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An additional portion of the City's net position, \$9,993,549 or 12.30% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$10,804,973 or 13.30% may be used to meet the City's ongoing obligations to citizens and creditors. The unrestricted net position includes the fund balance of the Trailer Park Trust (Governmental Activities) of \$2,020,887, 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, which includes, governmental activities, business-type activities and total combined net position for the primary government.

The following is a summary of the information presented in the Statement of Activities found on pages 27 and 28 of this report:

City of Palmetto's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Charges for services	\$ 1,472,954	\$ 915,412	\$ 10,997,039	\$ 10,554,131	\$ 12,469,993	\$ 11,469,543
Operating grants and contributions	6,000	1,952	--	--	6,000	1,952
Capital grants and contributions	506,276	224,402	134,437	394,126	640,713	618,528
General revenue						
Property taxes	8,277,283	7,744,097	--	--	8,277,283	7,744,097
Other taxes	5,666,663	5,227,535	--	--	5,666,663	5,227,535
Other	1,273,158	1,200,692	144,230	68,950	1,417,388	1,269,642
Total revenues	17,202,334	15,314,090	11,275,706	11,017,207	28,478,040	26,331,297
Expenses						
Governmental Activities:						
General government	3,389,085	3,202,580	--	--	3,389,085	3,202,580
Public safety	4,922,734	4,712,040	--	--	4,922,734	4,712,040
Highways and streets	1,455,875	1,004,315	--	--	1,455,875	1,004,315
Recreation	691,519	650,416	--	--	691,519	650,416
Economic and physical environment	3,087,537	2,993,731	--	--	3,087,537	2,993,731
Interest on long-term debt	123,283	112,689	--	--	123,283	112,689
Business-type Activities:						
Solid Waste	--	--	2,324,223	2,001,143	2,324,223	2,001,143
Water and Sewer	--	--	5,272,179	5,136,548	5,272,179	5,136,548
Stormwater	--	--	497,092	559,892	497,092	559,892
Reuse	--	--	165,525	143,347	165,525	143,347
Total expenses	13,670,033	12,675,771	8,259,019	7,840,930	21,929,052	20,516,701
Increase (decrease) in net position before transfers	3,532,301	2,638,319	3,016,687	3,176,277	6,548,988	5,814,596
Transfers	643,814	611,935	(643,814)	(611,935)	--	--
Change in net position	4,176,115	3,250,254	2,372,873	2,564,342	6,548,988	5,814,596
Net position - beginning	44,275,862	41,025,608	30,461,888	27,897,546	74,737,750	68,923,154
Change in accounting principle	(25,341)	--	(4,845)	--	(30,186)	--
Net position - beginning, as restated	44,250,521	41,025,608	30,457,043	27,897,546	74,707,564	68,923,154
Net position - ending	\$ 48,426,636	\$ 44,275,862	\$ 32,829,916	\$ 30,461,888	\$ 81,256,552	\$ 74,737,750

CITY OF PALMETTO, FLORIDA
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Governmental activities

Total revenues for governmental activities increased by \$1,888,244 or 12.33% when compared to the prior year. The net increase in revenues for the current year is the result of the following:

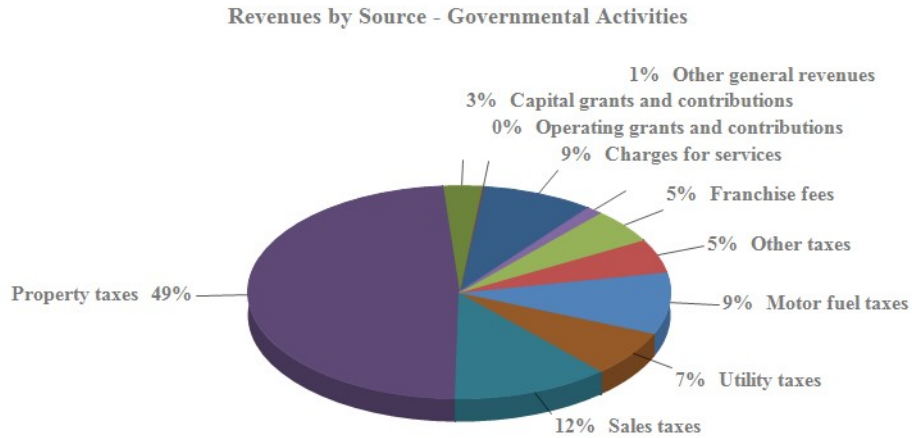
- City property tax revenues increased by \$533,186 or 6.89% due to an increase in property values. These increases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County. This was the fifth year property values have increased, and it appears the trend will continue in the future.
- Capital grants applicable to governmental activities increased by \$281,874 or 125.61% due to grants received from Florida Department of Transportation for the 14th Ave and 17th St realignment.
- Other taxes increased by \$439,128 or 8.40% compared to the prior year due to a full year of the new half-cent sales tax, small increases in receipts of sales tax and utility tax revenue.
- Charges for services increased by \$557,542 or 60.91%. This increase in revenue is attributed to building and zoning fees associated with new development, transportation service reimbursement and other fee revenues.

Total expenses for governmental activities increased by \$994,262 or 7.84% in comparison to the prior year. The increase in the current year expenses is attributed to:

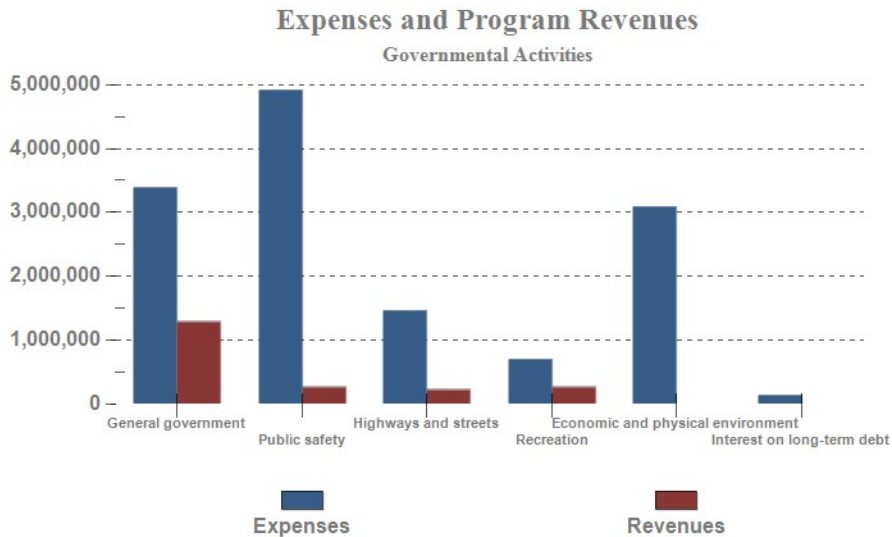
- General government increased by \$186,505 (5.82%) in comparison to prior year and accounts for 18.8% of the overall increase in governmental expenses. This increase includes \$132,598 in increased tax increment funds to CRA for increased property values.
- Public safety increased by \$210,694 (4.47%) and accounts for 21.2% of the overall increase in governmental expenses. The increase includes \$188,269 in costs for associated with contract service in the Community Department for the independent building inspector. In the previous year, the department was in the process of a reorganization and put in place necessary services for the increased growth within the City.
- Highways and streets increased by \$451,560 (44.96%) and accounts for 45.4% of the overall increase in governmental expenses and can be attributed to an increase of personnel costs of \$43,150 and the completion of several road projects totaling \$374,000. In the previous year, the department had a high level of attrition and is currently fully staffed.
- Increases in culture and recreation accounted for \$41,103 (6.32%), and accounts for 4.1% of the overall increase in governmental expenses. The increase includes \$29,472 in additional personnel cost for positions previously vacant in the previous fiscal year.
- Increases in interest on long-term debt accounted for \$10,594 (9.40%), and accounts for 1.1% of the overall increase in governmental expenses. The increase is due to a variable interest rate loan.
- Economic and physical environmental activities incurred minimal changes that allowed the other areas to remain relatively stable.

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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:



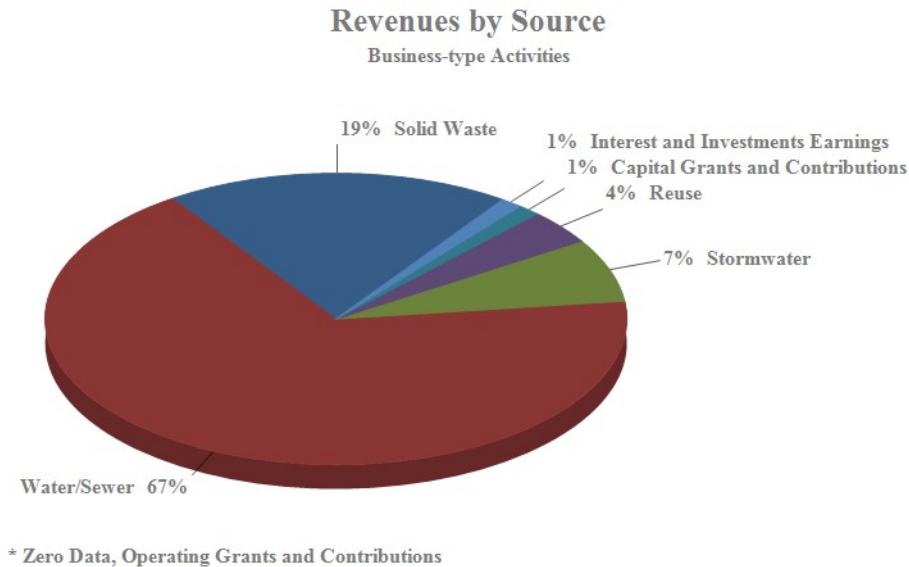
Business-type Activities

Total revenues increased by \$258,499 or 2.35% for the current year. This revenue increase was largely associated with increases in charges for services of \$442,908 offset by a decrease in capital grants totaling \$259,689. The increase in charges for services was due to a 4% increase in water, sewer and 2% in reuse user fees. This increase was the fifth 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 City has completed a new user rate study in fiscal year 2019 that will be implemented in fiscal year 2020 pending final Commission approval in the summer of 2019. A small increase occurred in the solid waste rates based on the franchise agreements CPI changes and no changes were made to the stormwater rates.

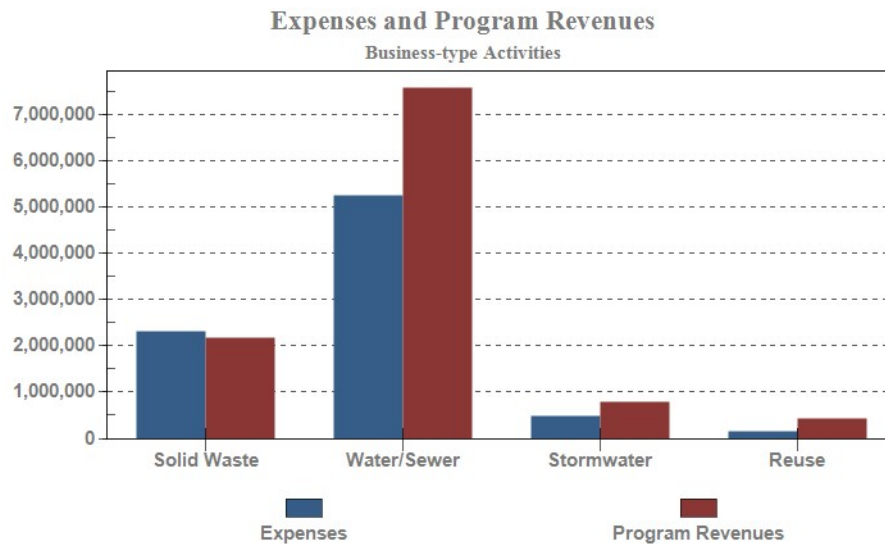
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Total expenses increased by \$418,089 or 5.33% when compared to the previous year. Increased expenses in Solid Waste of \$323,080 was due to the debris removal from Hurricane Irma. Increases were due to increased personnel expenses in the Water/Sewer Department of \$49,871 and a slight increase in overall maintenance in the Reuse department. Greater detail and explanation is provided in the Proprietary funds section.

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:



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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 29 and 30. 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 \$16,427,606 an increase of \$1,781,235 compared to the prior year. Approximately 25.85% of this amount, or \$4,246,647, 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 General fund of \$530,276, CRA \$1,430,739 and Road and Bridge \$113,060 offset by a decrease in the Capital Projects Fund of \$292,840.

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 \$9,899,578, as compared with \$9,369,302 in the previous year.

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

- Unassigned fund balance is \$4,246,647 as compared to \$5,101,766 the previous year. The \$855,119 decrease was due in part to the purchase of land for the future site of the police department. The current unassigned fund balance is 4.27 months of budgeted 2019 expenditures.
- Assigned fund balance decreased by \$34,481 to \$316,356. This decrease was attributed to fewer carried forward encumbrances and a smaller portion of the available fund balance being assigned to fund 2019 capital projects. The City's fund balance policy allows that unassigned balances above five months of expenditure budget can be used to fund capital projects.
- Committed fund balance is \$2,020,887, all of which is associated with the Trailer Park Trust.
- Restricted fund balance is \$3,052,271 which includes \$979,924 for the Building department, \$1,619,586 for the infrastructure half-cent sales tax, \$398,383 for impact fees, \$54,378 in Law Enforcement/Cemetery Reserve and the remaining amount for law enforcement and cemetery use. The Building department restriction was increased \$393,871 from fiscal year 2018 operations. This is the fourth straight year reserves have increased due an upturn in construction.
- Nonspendable fund balance related to inventory is \$263,417.

Revenues for the General Fund increased by \$1,344,340 or 12.92%. The largest increases in revenue was mostly associated with taxes. The property taxes increased \$275,111 from higher property values, half-cent sales taxes increased \$382,058 due the first full year of a new voter approved sales tax and permits, fees and special assessments increased by \$384,153 due to a new residential construction project which also increased impacts fees by \$147,634. Other increases occurred in utility, other taxes, fines, interest and charges for services totaling \$164,651. Decreases in miscellaneous revenues and intergovernmental offset the increases totaling \$9,282.

Expenditures for the General Fund increased by \$1,765,435 or 16.92%. This increase was largely driven by the purchase of land for the police department of \$1,478,755. Other increases include increased TIF funds to the CRA of \$132,598 and consulting services in information technology and building department of \$171,629. Although there was a deficiency of revenues over expenditures of \$455,631, after taking into account transfers in, transfers out and capital leases, the net change in fund balance was \$530,276.

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Revenues for the CRA, a blended component unit of the City, increased \$301,242 or 8.90% compared to the previous year. TIF dollars from the City and County accounted for \$258,075, or 86%, of this increase. Total expenditures increased by \$233,653 or 10.99%. The majority of increased expenditures includes the Haben Boulevard landscape project and Department of Environment mitigation grant \$171,246 and additional consulting fees with a focus on brownfield mitigation of \$56,190.

Revenues in the Road and Bridge and Capital Projects Funds decreases by \$35,330 or 1.92%, and \$137,445 or 57.02% respectively for each fund. Revenues associated with charges for service in Road and Bridge accounted for the majority of the decrease. Revenues in the Capital Project was down by the reduction of from reimbursement grants received from SWFWMD and Department of Historical resources for the completion of the MMEC Phase I project and Carnegie Library restoration. Expenditures decreased in Capital Projects funds by \$874,767 due to the completion of the MMEC Phase I project and Carnegie Library restoration in the prior fiscal year. Expenditures increased by \$708,569 in the Road and Bridge fund due to the purchase of a new street sweeper of \$335,322 and increases to repair and maintenance and personnel expense totaling \$303,426.

Proprietary funds

The fund financial statements for the City's proprietary funds, provided on pages 32 through 35, 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 \$32,829,916, an increase of \$2,372,873 in comparison with the prior year. Total operating revenues associated with the proprietary funds were \$10,997,039. Total operating revenues, increased by \$442,908 or 4.20% compared to the previous year. The reasons for the increased revenues is explained below.

The Solid Waste Fund had operating loss of \$157,358 compared to the operating income of \$150,544 the previous year. The loss in the current year was due to costs associated with the removal of debris from Hurricane Irma. Net position decreased by \$217,345 after interest and transfers out, the total net position at the end of the current fiscal year, is \$439,361 of which, 97.58% is unrestricted.

The Water and Sewer Fund had operating income of \$2,539,380 for the year, and an increase in net position of \$1,959,980. This increase in net position is due to revenues from the rate increase which outpaced small increases in operating revenues. Revenues increased \$382,178 or 5.30% in accordance with the scheduled rate increases, and operating expenses an increase of \$141,601 or 2.80% as a result of higher personnel costs of \$71,852 due to filling vacancies and contract services of \$55,929. The unrestricted net position at the end of current fiscal year is \$5,490,229 and total net position is \$20,585,498.

The Stormwater Fund had operating income of \$391,597 and an increase in net position of \$368,675. The stormwater user fee structure for residential and commercial customers remains unchanged from 2008, however account audits of impervious areas resulted in revenues increasing by \$19,520 or 2.5% as a result of account adjustments. Operating expenses decreased by \$55,997 or 12.10%. The unrestricted net position at the end of current fiscal year is \$290,703 and the total net position is \$5,410,164.

The Reuse Fund had operating income of \$324,779 and an increase in net position of \$261,563. The fifth year of a five year rate study increased user fees 2% which increased total revenues from the previous year. The expenses increased by \$24,122 or 27.58% as a result of increase in contract services, pension expense and maintenance. At the end of the current fiscal year the unrestricted net position reflects a balance of \$975,025 and the total net position is \$6,394,893.

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GENERAL FUND BUDGET AND ACTUAL

Differences between the original budget and the final amended budget can be found on page 102. Revenues associated with the original and final amended budget were increased by \$1,826,716. Approximately \$1,013,873 of the revenue increase was associated with taxes. More specifically, \$984,000 in new half-cent sales tax and \$100,126 in utility taxes associated with electricity rate increases. Other taxes, impact fees, permits, fees and assessments and miscellaneous revenues were also increased by smaller amounts and offset by decreases to interest revenues and charges for services. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$270,167 for use of fund balance to fund approved capital outlay and contingencies.

The General Fund total expense budget was increased by \$1,724,070 of which the largest adjustments totaling \$1,478,755 related to the purchase of land for the future police department. Purchase orders carryforward from fiscal year 2017 was \$64,575. Transfers out were increased by \$23,546 to fund capital projects. The final amended budget anticipated decreasing the General Fund's fund balance by \$227,521 after transfers. This was largely due to the additional capital expense added during the year that surpassed the additional increase in revenues. However, the final result of a net increase \$530,276 was even better due to lower actual expenses compared to the final budget.

Actual revenues excluding other financing sources were more than final budgetary estimates by \$74,535. Actual revenues for investment earnings and fines and forfeitures were in excess of budget. However, these revenues were offset by unfavorable budget to actual receipts in two other revenue categories. Actual expenditures were less than budgetary estimates by \$714,407 and can be attributed to position vacancies throughout the City as well as conservative spending City-wide.

CAPITAL ASSETS AND DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$72,318,412 (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 \$977,931 or 1.37%. Factors contributing to the increase in capital assets include improvements to 14th Ave and 17th St realignment and the WWTP EQ Basin design, the purchase of land for the police department, three new police vehicles, and associated in car videos, seven vehicles for various utility departments, street sweeper, and mini excavator through a capital lease for a total of \$650,000.

The 2018 Capital Improvement Plan (CIP) was approved by the Commission on October 16, 2017 in the amount of \$9,176,940 for fiscal year 2018.

The CRA also budgeted approximately \$933,633 for other capital improvements within the CRA district.

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The following projects in 2018 had expenditures greater than \$50,000:

City Capital Projects

- Equalization Basin - \$374,961 for the design of a Equalization Basis for the Waste Water Treatment Plant.
- 14th Avenue at 17th Street West - \$279,532 for intersection improvements. This project was funded from a FDOT grant.
- Lift Station Upgrades - \$66,814 for new lift stations and improvements to existing lift stations.
- Future site of the Palmetto Police Department and multimodel projects - \$1,478,433.

CRA

- Edenfield - \$167,088 for brownfield remediation at the Edenfield site in preparation for the construction of Connor Park.
- Palmetto Historic Park Building Restoration - \$102,648 for the second phase of the restoration of the Carnegie Library. This project was funded in part with a Historic Resources grant.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 6,500,443	\$ 4,756,674	\$ 279,415	\$ 279,415	\$ 6,779,858	\$ 5,036,089
Buildings	284,224	212,364	275,551	296,857	559,775	509,221
Improvements other than buildings	--	--	23,972,242	24,338,642	23,972,242	24,338,642
Machinery and equipment	2,268,396	2,221,606	1,917,687	2,046,360	4,186,083	4,267,966
Infrastructure	27,633,747	27,597,847	--	--	27,633,747	27,597,847
Construction in progress	3,115,001	3,615,299	6,071,706	5,975,417	9,186,707	9,590,716
Total	\$ 39,801,811	\$ 38,403,790	\$ 32,516,601	\$ 32,936,691	\$ 72,318,412	\$ 71,340,481

Additional information on the City's capital assets is presented in Note V, F beginning on page 63 of this report.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

Long-term Liabilities

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$16,913,510. Long-term liabilities includes compensated absences of \$731,465, net pension liability of \$3,015,101, and OPEB of \$288,455 as well as the City's bank loans and capital leases as shown in the table below. 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 2007, a \$1.25 million loan in fiscal year 2014 and three 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 \$394,325 as of September 30, 2018 which is a decrease of \$338,682 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 \$1,723,356 in outstanding capital leases as of September 30, 2018.

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 \$1,738,348 as of September 30, 2018. 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 Primary Government	
	2018	2017	2018	2017	2018	2017
Bank Qualified Loans						
2004 Loan	\$ 224,722	\$ 259,385	\$ 798,726	\$ 921,927	\$ 1,023,448	\$ 1,181,312
2005 Loan	610,209	681,922	2,456,443	2,745,127	3,066,652	3,427,049
2007 Loan	513,060	557,185	2,528,396	2,745,849	3,041,456	3,303,034
2014 Loan	--	--	968,017	1,041,015	968,017	1,041,015
SRF Loans	--	--	922,887	725,663	922,887	725,663
CRA Loan	1,738,348	1,977,750	--	--	1,738,348	1,977,750
Total Loans	<u>3,086,339</u>	<u>3,476,242</u>	<u>7,674,469</u>	<u>8,179,581</u>	<u>10,760,808</u>	<u>11,655,823</u>
Capital Leases	<u>781,608</u>	<u>678,635</u>	<u>941,749</u>	<u>1,096,954</u>	<u>1,723,357</u>	<u>1,775,589</u>
Total Loans and Leases	<u>\$ 3,867,947</u>	<u>\$ 4,154,877</u>	<u>\$ 8,616,218</u>	<u>\$ 9,276,535</u>	<u>\$ 12,484,165</u>	<u>\$ 13,431,412</u>

See Note V, G, and H 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 2018 was 2.90%, which is slightly lower than the State unemployment rate of 3.30% for the same time period. The national unemployment rate for the same time period is 3.70% percent (source: Bureau of Labor Statistics).

According to the 2010 Census, the City's population was 12,606. As of April 2018, the population is estimated at 13,259 a 5.08% percent increase since the 2010 census (source: Bureau of Economic and Business Research).

The 2018 taxable value of commercial and residential property increased from \$809,612,522 in fiscal year 2017 to \$851,952,040 for fiscal year 2018. This represents a 5.23 percent increase in taxable value and is largely attributed to the increased property values that are being experienced statewide. This increase of 5.23 percent was slightly less than the 6.7 percent increased realized a year ago. After several years of declining property values, fiscal year 2018 was the sixth 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 fiscal year 2008, values decreased by 36 percent during a four year slide ending in FY2012. 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.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018
(Unaudited)

The General Fund property tax millage of \$5.9671 for fiscal year 2018 has remained the same since FY2016 when the millage increased by .25 mills. Prior to FY2016, the City passed millage increases in FY2012, 2013 and 2014 of .4523 mills, .10 mills and .50 mills respectively. These increases were driven by the declining property values during this timeframe.

The fiscal year 2018 pension contribution amounts as a percentage of each payroll dollar for the Police and General Employees Pension Plans was 25.48% and 24.47% respectively. This represented an decrease of 4.56% for the Police Plan and a decrease of 4.30% for the General Employees' Pension Plan. The decrease in contribution amounts was largely attributed to the strong investment returns for each plan. Despite rising health care costs, the City managed to realize only a 4.85% overall increase in premiums for fiscal year 2018.

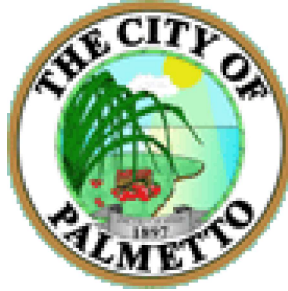
Funding for capital projects continues to present a challenge to the City. The cost of construction materials, concrete and steel, have escalated creating a challenge as we move forward with major construction projects. However, in fiscal year 2019 the implementation of a utility rate study will provide much needed funding. In addition, the City continues to seek grants whenever possible to leverage City dollars. The plans for a new convention center hotel has been approved with incentives being provided by the CRA and the potential for a CDBG economic development grant submitted in FY2019. During fiscal year 2017, the City was awarded a Community Development Block Grant (CDBG) in the amount of \$750,000 for infrastructure improvements in west Palmetto. In addition, our funding partnership with FDOT for the MMEC Phase II project is expected to continue in the coming years as part of a five-year project in our old main street district. The City is also looking forward to Congestion Management Projects in fiscal year 2019 which will add turn lanes on 10th Street and 2nd Avenue. Construction of the new equalization basin at our Wastewater Treatment plant will begin in the Spring of 2019. This project is being funded with a loan from the Florida State Revolving Fund an overall cost of \$6.8 million. In addition, the City will begin the design of the new police department in Spring of 2019 utilizing funds from the capital infrastructure sales tax fund.

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.

City of Palmetto, Florida

For the Year Ended September 30, 2018



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CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
As of September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,169,181	\$ 4,590,394	\$ 14,759,575
Receivables, net of allowance for uncollectible	920,503	1,245,429	2,165,932
Due from other governments	308,130	--	308,130
Investments	2,388,552	--	2,388,552
Internal balances	268,441	(268,441)	--
Inventory	263,417	--	263,417
Restricted assets			
Cash and cash equivalents	3,330,637	4,948,765	8,279,402
Capital assets (net of accumulated depreciation)			
Land	6,500,443	279,415	6,779,858
Buildings	284,224	275,551	559,775
Improvements other than buildings	--	23,972,242	23,972,242
Machinery and equipment	2,268,396	1,917,687	4,186,083
Infrastructure	27,633,747	--	27,633,747
Construction in progress	3,115,001	6,071,706	9,186,707
Total assets	<u>57,450,672</u>	<u>43,032,748</u>	<u>100,483,420</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of pension resources	633,764	--	633,764
Accumulated decrease in fair value of swap agreement	130,110	264,215	394,325
Total deferred outflow of resources	<u>763,874</u>	<u>264,215</u>	<u>1,028,089</u>
LIABILITIES			
Accounts payable and other accrued liabilities	497,882	283,800	781,682
Accrued interest	17,395	52,536	69,931
Unearned revenue	289,170	--	289,170
Customer deposits	2,200	648,089	650,289
Noncurrent liabilities			
Due within one year	878,740	1,209,928	2,088,668
Due in more than one year	6,762,536	8,062,306	14,824,842
Total liabilities	<u>8,447,923</u>	<u>10,256,659</u>	<u>18,704,582</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	1,330,661	208,605	1,539,266
Deferred inflows from OPEB	9,326	1,783	11,109
Total deferred inflows of resources	<u>1,339,987</u>	<u>210,388</u>	<u>1,550,375</u>
NET POSITION			
Net investment in capital assets	35,933,864	24,524,166	60,458,030
Restricted for:			
Capital projects	1,919,772	623,782	2,543,554
Debt service	--	185,837	185,837
Building program	979,924	--	979,924
Law enforcement	50,693	--	50,693
Impact fees	754,525	311,445	1,065,970
Community redevelopment	3,883,488	--	3,883,488
Transportation	1,284,083	--	1,284,083
Unrestricted	<u>3,620,287</u>	<u>7,184,686</u>	<u>10,804,973</u>
Total net position	<u>\$ 48,426,636</u>	<u>\$ 32,829,916</u>	<u>\$ 81,256,552</u>

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, 2018

Function/Programs	Expenses	Indirect Expenses Allocation
Primary Government:		
Governmental activities:		
General government	\$ 3,904,909	\$ (515,824)
Public safety	4,922,734	--
Highways and streets	1,455,875	--
Recreation	691,519	--
Economic and physical environment	2,571,713	515,824
Interest on long-term debt	123,283	--
Total governmental activities	<u>13,670,033</u>	<u>--</u>
Business-type activities:		
Solid Waste	2,324,223	--
Water and Sewer	5,272,179	--
Stormwater	497,092	--
Reuse	165,525	--
Total business-type activities	<u>8,259,019</u>	<u>--</u>
 Total primary government	 <u>\$ 21,929,052</u>	 <u>\$ --</u>

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

Charges for Services	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities	
\$ 881,869	\$ --	\$ 402,679	\$ (2,104,537)	\$ --	\$ (2,104,537)
244,484	6,000	--	(4,672,250)	--	(4,672,250)
203,537	--	83	(1,252,255)	--	(1,252,255)
143,064	--	103,514	(444,941)	--	(444,941)
--	--	--	(3,087,537)	--	(3,087,537)
--	--	--	(123,283)	--	(123,283)
<u>1,472,954</u>	<u>6,000</u>	<u>506,276</u>	<u>(11,684,803)</u>	<u>--</u>	<u>(11,684,803)</u>
2,166,408	--	--	--	(157,815)	(157,815)
7,595,756	--	134,032	--	2,457,609	2,457,609
798,498	--	--	--	301,406	301,406
436,377	--	405	--	271,257	271,257
<u>10,997,039</u>	<u>--</u>	<u>134,437</u>	<u>--</u>	<u>2,872,457</u>	<u>2,872,457</u>
<u>\$ 12,469,993</u>	<u>\$ 6,000</u>	<u>\$ 640,713</u>	<u>\$ (11,684,803)</u>	<u>\$ 2,872,457</u>	<u>\$ (8,812,346)</u>
General Revenues:					
Property taxes			\$ 8,277,283	\$ --	\$ 8,277,283
Sales taxes			2,030,235	--	2,030,235
Utility taxes			1,187,993	--	1,187,993
Motor fuel taxes			1,590,376	--	1,590,376
Other taxes			858,059	--	858,059
Franchise fees			906,516	--	906,516
Interest and investment earnings			199,260	144,230	343,490
Other general revenues			167,382	--	167,382
Transfers			643,814	(643,814)	--
Total general revenues and transfers			<u>15,860,918</u>	<u>(499,584)</u>	<u>15,361,334</u>
Change in net position			4,176,115	2,372,873	6,548,988
Net position - beginning, as originally stated			44,275,862	30,461,888	74,737,750
Change in accounting principle (Note II)			<u>(25,341)</u>	<u>(4,845)</u>	<u>(30,186)</u>
Net position - beginning, as restated			<u>44,250,521</u>	<u>30,457,043</u>	<u>74,707,564</u>
Net position - ending			<u>\$ 48,426,636</u>	<u>\$ 32,829,916</u>	<u>\$ 81,256,552</u>

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

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 3,908,007	\$ 4,052,271	\$ 1,544,003	\$ 664,900	\$ 10,169,181
Receivables (net of allowance for uncollectible)	360,113	178,200	23,003	357,509	918,825
Advances to other funds	270,119	--	--	--	270,119
Due from other governments	188,425	--	119,705	--	308,130
Investments	2,388,552	--	--	--	2,388,552
Inventory	263,417	--	--	--	263,417
Cash - Restricted	2,967,994	--	362,643	--	3,330,637
Total assets	<u>\$ 10,346,627</u>	<u>\$ 4,230,471</u>	<u>\$ 2,049,354</u>	<u>\$ 1,022,409</u>	<u>\$ 17,648,861</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 216,955	\$ 175,477	\$ 93,700	\$ 29,145	\$ 515,277
Unearned revenue	77,170	--	--	--	77,170
Customer deposits payable	1,200	1,000	--	--	2,200
Total liabilities	<u>295,325</u>	<u>176,477</u>	<u>93,700</u>	<u>29,145</u>	<u>594,647</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>151,724</u>	<u>170,506</u>	<u>18,928</u>	<u>285,450</u>	<u>626,608</u>
FUND BALANCES					
Nonspendable	263,417	--	--	--	263,417
Restricted	3,052,271	3,883,488	1,936,726	--	8,872,485
Committed	2,020,887	--	--	707,814	2,728,701
Assigned	316,356	--	--	--	316,356
Unassigned	4,246,647	--	--	--	4,246,647
Total fund balances	<u>9,899,578</u>	<u>3,883,488</u>	<u>1,936,726</u>	<u>707,814</u>	<u>16,427,606</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,346,627</u>	<u>\$ 4,230,471</u>	<u>\$ 2,049,354</u>	<u>\$ 1,022,409</u>	
Adjustments for primary government total net position					
General capital assets, net of accumulated depreciation					\$ 39,801,811
Unearned revenue					(212,000)
Unavailable revenue					626,608
Deferred outflows of pension resources					633,764
Deferred inflows of pension earnings					(1,330,661)
Deferred inflows from OPEB					(9,326)
Long term debt for capital leases; compensated absences, net pension liabilities, OPEB and loans					<u>(7,511,166)</u>
Total net position for governmental activities (page 26)					<u>\$ 48,426,636</u>

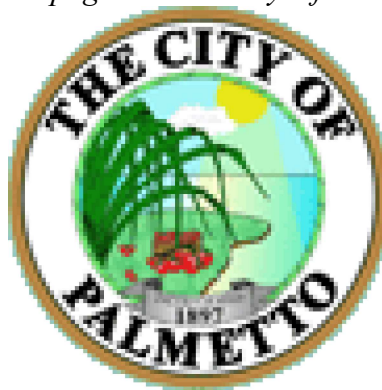
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Property	\$ 4,671,351	\$ 3,605,932	\$ --	\$ --	\$ 8,277,283
Sales	2,030,235	--	--	--	2,030,235
Utility	1,187,993	--	--	--	1,187,993
Motor fuel	11,818	--	1,578,558	--	1,590,376
Other	858,059	--	--	--	858,059
Permits, fees, and special assessments	1,678,070	--	--	--	1,678,070
Intergovernmental revenues	6,000	--	--	103,597	109,597
Fines and forfeitures	96,605	--	--	--	96,605
Charges for services	735,875	--	123,590	--	859,465
Interest earnings	104,271	69,344	25,645	--	199,260
Miscellaneous	179,940	11,636	1,134	--	192,710
Impact fees	186,062	--	79,947	--	266,009
Total revenues	<u>11,746,279</u>	<u>3,686,912</u>	<u>1,808,874</u>	<u>103,597</u>	<u>17,345,662</u>
EXPENDITURES					
Current					
General government	3,492,141	--	--	--	3,492,141
Public safety	4,786,308	--	--	--	4,786,308
Highways and streets	--	--	990,841	--	990,841
Recreation	678,255	--	--	--	678,255
Economic and physical environment	1,210,354	1,716,737	--	--	2,927,091
Capital outlay					
Streets	--	92,600	375,966	326,766	795,332
Other	1,707,498	268,140	--	152,422	2,128,060
Debt service principal and interest	327,354	281,628	305,131	--	914,113
Total expenditures	<u>12,201,910</u>	<u>2,359,105</u>	<u>1,671,938</u>	<u>479,188</u>	<u>16,712,141</u>
Excess (deficiency) of revenues over expenditures	<u>(455,631)</u>	<u>1,327,807</u>	<u>136,936</u>	<u>(375,591)</u>	<u>633,521</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	917,707	142,249	--	225,000	1,284,956
Transfers out	(60,000)	(39,317)	(399,576)	(142,249)	(641,142)
Capital leases	128,200	--	375,700	--	503,900
Total other financing sources (uses)	<u>985,907</u>	<u>102,932</u>	<u>(23,876)</u>	<u>82,751</u>	<u>1,147,714</u>
Net change in fund balances	530,276	1,430,739	113,060	(292,840)	1,781,235
Fund balances, beginning	9,369,302	2,452,749	1,823,666	1,000,654	14,646,371
Fund balances, ending	<u>\$ 9,899,578</u>	<u>\$ 3,883,488</u>	<u>\$ 1,936,726</u>	<u>\$ 707,814</u>	<u>\$ 16,427,606</u>

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 BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

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

Net change in fund balances - total governmental funds	\$ 1,781,235
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.	1,398,021
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 position. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	286,930
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.	337,433
Some revenues reported in the statement of activities do not increase current financial resources.	<u>372,496</u>
Changes in net assets of governmental activities	<u><u>\$ 4,176,115</u></u>

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 409,544	\$ 3,417,097	\$ 204,301	\$ 559,452	\$ 4,590,394
Receivables (net of allowance for uncollectible)	225,311	854,817	87,482	77,819	1,245,429
Total current assets	<u>634,855</u>	<u>4,271,914</u>	<u>291,783</u>	<u>637,271</u>	<u>5,835,823</u>
Noncurrent assets					
Cash - Restricted					
Cash - capital projects	--	2,421,877	129,875	627,860	3,179,612
Loan proceeds	--	623,782	--	--	623,782
Loan covenant accounts	--	7,480	177,065	1,292	185,837
Impact fees	--	311,445	--	--	311,445
Customer deposits	--	648,089	--	--	648,089
Total cash - restricted	<u>--</u>	<u>4,012,673</u>	<u>306,940</u>	<u>629,152</u>	<u>4,948,765</u>
Capital Assets:					
Land	--	4,815	274,600	--	279,415
Buildings	--	652,267	--	--	652,267
Improvements other than buildings	--	29,728,076	9,677,947	3,149,390	42,555,413
Machinery and equipment	252,041	3,954,642	220,066	13,390	4,440,139
Construction in progress	--	2,069,540	20,125	3,982,041	6,071,706
Less: accumulated depreciation	<u>(213,346)</u>	<u>(17,244,200)</u>	<u>(3,234,093)</u>	<u>(790,700)</u>	<u>(21,482,339)</u>
Total capital assets (net of accumulated depreciation)	<u>38,695</u>	<u>19,165,140</u>	<u>6,958,645</u>	<u>6,354,121</u>	<u>32,516,601</u>
Total noncurrent assets	<u>38,695</u>	<u>23,177,813</u>	<u>7,265,585</u>	<u>6,983,273</u>	<u>37,465,366</u>
Total assets	<u>673,550</u>	<u>27,449,727</u>	<u>7,557,368</u>	<u>7,620,544</u>	<u>43,301,189</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of swap agreement	--	83,448	179,811	956	264,215

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
LIABILITIES					
Total liabilities					
Accounts payable and accrued liabilities	140,227	129,577	7,442	6,554	283,800
Accrued interest payable	--	29,107	17,291	6,138	52,536
Advances from other funds	--	--	--	268,441	268,441
Compensated absences	1,330	10,603	4,701	--	16,634
Capital leases payable-current	8,053	219,464	37,494	--	265,011
Loans payable-current	--	476,980	357,860	93,443	928,283
Total current liabilities payable from unrestricted assets	<u>149,610</u>	<u>865,731</u>	<u>424,788</u>	<u>374,576</u>	<u>1,814,705</u>
Current liabilities payable from restricted assets:					
Customer deposits payable	--	648,089	--	--	648,089
Total current liabilities payable from restricted assets	<u>--</u>	<u>648,089</u>	<u>--</u>	<u>--</u>	<u>648,089</u>
Total current liabilities	<u>149,610</u>	<u>1,513,820</u>	<u>424,788</u>	<u>374,576</u>	<u>2,462,794</u>
Noncurrent liabilities					
Loans payable	--	4,318,619	1,585,465	842,102	6,746,186
Interest rate swap contracts	--	83,448	179,811	956	264,215
Other post-employment benefits	5,395	30,407	8,262	752	44,816
Net pension liability	31,531	198,995	45,227	4,697	280,450
Compensated absences	3,989	31,810	14,103	--	49,902
Capital leases payable	20,010	621,297	35,430	--	676,737
Total noncurrent liabilities	<u>60,925</u>	<u>5,284,576</u>	<u>1,868,298</u>	<u>848,507</u>	<u>8,062,306</u>
Total liabilities	<u>210,535</u>	<u>6,798,396</u>	<u>2,293,086</u>	<u>1,223,083</u>	<u>10,525,100</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of pension earnings	23,454	148,016	33,641	3,494	208,605
Deferred inflows of other post employment benefits	200	1,265	288	30	1,783
Total deferred inflows of resources	<u>23,654</u>	<u>149,281</u>	<u>33,929</u>	<u>3,524</u>	<u>210,388</u>
NET POSITION					
Net investment in capital assets	10,632	14,152,562	4,942,396	5,418,576	24,524,166
Restricted for:					
Capital improvements	--	623,782	--	--	623,782
Debt service	--	7,480	177,065	1,292	185,837
Impact fees	--	311,445	--	--	311,445
Unrestricted	<u>428,729</u>	<u>5,490,229</u>	<u>290,703</u>	<u>975,025</u>	<u>7,184,686</u>
Total net position	<u>\$ 439,361</u>	<u>\$ 20,585,498</u>	<u>\$ 5,410,164</u>	<u>\$ 6,394,893</u>	<u>\$ 32,829,916</u>

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
Operating Revenues:					
Charges for sales and services					
Garbage and trash pickup	\$ 2,109,275	\$ --	\$ --	\$ --	\$ 2,109,275
Water sales	--	3,920,545	--	--	3,920,545
Sewer charges	--	3,325,034	--	--	3,325,034
Stormwater fees	--	--	787,141	--	787,141
Reuse fees	--	--	--	427,590	427,590
Installation and connection fees	--	36,400	--	--	36,400
Penalties and check charges	26,921	111,738	11,015	8,761	158,435
Miscellaneous	30,212	202,039	342	26	232,619
Total operating revenues	<u>2,166,408</u>	<u>7,595,756</u>	<u>798,498</u>	<u>436,377</u>	<u>10,997,039</u>
Operating Expenses:					
Cost of sales and services	2,319,203	4,169,986	194,237	46,501	6,729,927
Depreciation	4,563	886,390	212,664	65,097	1,168,714
Total operating expenses	<u>2,323,766</u>	<u>5,056,376</u>	<u>406,901</u>	<u>111,598</u>	<u>7,898,641</u>
Operating income (loss)	<u>(157,358)</u>	<u>2,539,380</u>	<u>391,597</u>	<u>324,779</u>	<u>3,098,398</u>
Nonoperating Revenues (Expenses)					
Interest earnings	6,756	114,056	5,325	18,093	144,230
Interest expense	(457)	(215,803)	(90,191)	(53,927)	(360,378)
Total nonoperating revenues (expenses)	<u>6,299</u>	<u>(101,747)</u>	<u>(84,866)</u>	<u>(35,834)</u>	<u>(216,148)</u>
Income (loss) before capital contributions and transfers	(151,059)	2,437,633	306,731	288,945	2,882,250
Capital contributions-impact fees	--	134,032	--	--	134,032
Capital contributions-grants	--	--	--	405	405
Transfers in	--	--	186,000	--	186,000
Transfers out	(66,286)	(611,685)	(124,056)	(27,787)	(829,814)
Change in net position	<u>(217,345)</u>	<u>1,959,980</u>	<u>368,675</u>	<u>261,563</u>	<u>2,372,873</u>
Total net position - beginning, as originally stated	<u>657,251</u>	<u>18,628,956</u>	<u>5,042,270</u>	<u>6,133,411</u>	<u>30,461,888</u>
Change in accounting principle (Note II)	(545)	(3,438)	(781)	(81)	(4,845)
Total net position - beginning, as restated	<u>656,706</u>	<u>18,625,518</u>	<u>5,041,489</u>	<u>6,133,330</u>	<u>30,457,043</u>
Total net position - ending	<u>\$ 439,361</u>	<u>\$ 20,585,498</u>	<u>\$ 5,410,164</u>	<u>\$ 6,394,893</u>	<u>\$ 32,829,916</u>

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	2,163,020	7,485,578	795,312	751,597	11,195,507
Payments to suppliers	2,190,588	3,479,115	64,655	11,638	5,745,996
Payments to employees	151,939	934,060	212,006	20,578	1,318,583
Net cash provided (used) by operating activities	<u>179,507</u>	<u>3,072,403</u>	<u>518,651</u>	<u>719,381</u>	<u>4,130,928</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances (to)/from other funds	--	--	--	49,089	49,089
Transfers from other funds	--	--	186,000	--	186,000
Transfers to other funds	66,286	611,685	124,056	27,787	829,814
Net cash provided (used) by noncapital and related financing activities	<u>66,286</u>	<u>611,685</u>	<u>61,944</u>	<u>76,876</u>	<u>692,903</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	8,097	564,021	21,129	9,277	602,524
Proceeds from issuance of debt	--	368,749	--	--	368,749
Impact fee capital contributions	--	134,032	--	--	134,032
Grant capital contributions	--	--	--	405	405
Payments on capital lease obligations	4,937	256,075	40,294	--	301,306
Principal paid on capital debt	--	439,759	344,593	89,509	873,861
Interest paid on capital debt	457	216,204	92,746	53,936	363,343
Net cash provided (used) by capital and related financing activities	<u>13,491</u>	<u>973,278</u>	<u>498,762</u>	<u>152,317</u>	<u>1,637,848</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	6,756	114,056	5,325	18,093	144,230
Net cash provided (used) by investing activities	<u>6,756</u>	<u>114,056</u>	<u>5,325</u>	<u>18,093</u>	<u>144,230</u>
Net increase (decrease) in cash and cash equivalents	252,528	1,601,496	87,158	508,281	1,944,407
Cash and cash equivalents - October 1	662,072	5,828,274	424,083	680,323	7,594,752
Cash and cash equivalents - September 30	<u>409,544</u>	<u>7,429,770</u>	<u>511,241</u>	<u>1,188,604</u>	<u>9,539,159</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	157,358	2,539,380	391,597	324,779	3,098,398
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	4,563	886,390	212,664	65,097	1,168,714
Non-cash pension expense	22,650	248,082	82,947	8,191	345,488
Non-cash other post employment expense	133	840	192	21	1,186
(Increase) decrease in accounts receivable	3,388	133,238	3,186	315,220	175,408
Increase (decrease) in accounts payable and accrued liabilities	807	4,053	331	6,073	9,650
Increase (decrease) in customer deposits	--	23,060	--	--	23,060
Total adjustments	<u>22,149</u>	<u>533,023</u>	<u>127,054</u>	<u>394,602</u>	<u>1,032,530</u>
Net cash provided (used) by operating activities	<u>179,507</u>	<u>3,072,403</u>	<u>518,651</u>	<u>719,381</u>	<u>4,130,928</u>
Detail of cash and equivalents at September 30:					
Cash and equivalents	409,544	3,417,097	204,301	559,452	4,590,394
Restricted cash:					
Cash - Capital Projects	--	2,421,877	129,875	627,860	3,179,612
Loan proceeds	--	623,782	--	--	623,782
Loan covenant accounts	--	7,480	177,065	1,292	185,837
Impact fees	--	311,445	--	--	311,445
Customer deposits	--	648,089	--	--	648,089
Total	<u>409,544</u>	<u>7,429,770</u>	<u>511,241</u>	<u>1,188,604</u>	<u>9,539,159</u>
NONCASH CAPITAL ACTIVITIES					
Change in fair market value of interest rate swaps	--	166,590	62,382	46,251	275,223
Borrowing under capital lease	33,000	105,400	7,700	--	146,100

The 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, 2018

	Pension Trust	Agency Fund
	Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 619	\$ --
Interest and dividends receivable	40,977	--
Prepaid benefits	71,756	1,678
Investments, at fair value		
Money market funds	670,655	--
U. S. government securities	1,786,917	--
Corporate bonds	1,516,403	--
Corporate stocks	9,705,136	--
Mutual funds	11,684,704	--
Alternative investments	2,987,772	--
Total investments	28,351,587	--
Total assets	28,464,939	1,678
LIABILITIES		
Accounts payable	64,687	--
Advances from other funds	--	1,678
Total liabilities	64,687	1,678
NET POSITION		
Restricted for pension benefits	\$ 28,400,252	\$ --

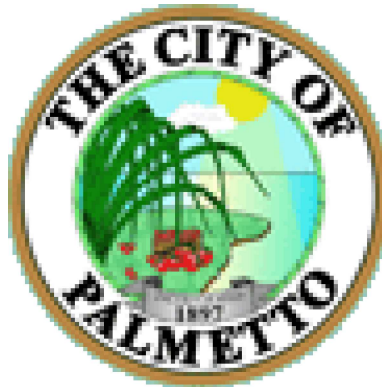
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2018

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,225,864
Plan members	245,498
State (from the General Fund)	130,363
Miscellaneous	631
Total contributions:	1,602,356
Investment Earnings	
Interest	86,585
Dividends	482,697
Net increase in the fair value of investments	2,106,638
Total investment earnings	2,675,920
Less investment expense	(129,082)
Net investment earnings	2,546,838
Total additions	4,149,194
DEDUCTIONS	
Benefits	1,812,184
Refunds of contributions	66,804
Administrative expenses	58,556
Total deductions	1,937,544
Change in net position	2,211,650
Net position, beginning	26,188,602
Net position, ending	\$ 28,400,252

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

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City of Palmetto, Florida

September 30, 2018



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CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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 13,259. 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (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 statements 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (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. 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. Reported with the General Fund are two "sub-funds". The Trailer Park Trust is a "sub-fund" which is separated for the convenience of the City in tracking certain investments and reports committed fund balance. The second sub-fund is the Infrastructure Half-Cent Sales Tax Fund which is used to record revenues and expenses from the county-wide half-cent sales tax approved by voters in November, 2016. The sales tax is to be used for capital improvements for public safety, transportation and parks and recreation and reports restricted fund balance.

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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 certain investments in the City's cash and investment pool that are 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, except as noted below. 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 (FL SAFE) 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. Funds held with SBA are recognized at amortized cost and funds held with FL SAFE are recognized at net asset value.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

2. Fair Value

The City uses fair value measurements to record fair value adjustments to certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note V for additional information regarding fair value.

3. Investments Measured at the Net Asset Value

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The City values these investments based on the partnerships’ audited financial statements.

If September 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than September 30. If September 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

4. 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.

5. 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.

6. 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.

7. 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 sheet or statement of net position. 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, impact fees 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.

8. 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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

8. Compensated Absences (Continued)

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.

9. 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. The capitalization policy was modified to revise the useful life of computer equipment, infrastructure and infrastructure equipment as noted below. Capital assets of the primary government are depreciated, using the straight-line method over the following estimated useful lives using these capitalization thresholds:

Assets	Useful Life	Threshold
Buildings and building improvements	30 years	\$ 20,000
Machinery and equipment		
Computer Equipment	4 years	\$ 2,000
Equipment and vehicles	7 years	\$ 2,000
Software	7 years	\$ 20,000
Infrastructure	40 years	\$ 20,000
Infrastructure Equipment	20 years	\$ 2,000
Improvements other than buildings	50 years	\$ 20,000

Donated capital assets are recorded at estimated fair value at the date of donation. Donated capital assets, works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Currently, the City is not involved with service concession arrangements. 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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 related to the City's pension plans representing changes in the net pension liabilities that are not included in pension expense and must be amortized in a systematic and rational manner.

In addition to liabilities, the statements 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 a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has one deferred inflow reported in the governmental fund balance sheet, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, relates to unavailable revenues from grants and special assessments. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Additionally, in the statement of net position, the City has deferred inflows of pension earnings and from other post employment benefits that will be recognized in future years.

11. 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 2018 was based on taxable assessed property values totaling \$851,952,040.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2017-2018 fiscal year, the City levied taxes of \$5.9671 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 un-remitted tax revenues at the end of the fiscal year.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

11. Property Tax Calendar (Continued)

The property tax cycle is summarized as follows:

June 1	Preliminary taxable valuation
July 1	Certification of valuations
September 14	Tentative tax levy set and first public hearing
September 28	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

12. Special Assessments

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

13. 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 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 in the year incurred.

14. 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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Equity (Continued)

14. Net Position/Fund Balance (Continued)

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. Under City policy, assigned fund balance amounts represent intended uses established by the City Commission. The City Commission has authorized the City Clerk or his designee to assign fund balance.
- *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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE II - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT

A. Change in net position

During fiscal year 2018, the City adopted GASB Statement No. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement required the restatement of the September 30, 2017 net position in governmental activities, business-type activities, and proprietary fund type statements. The net position has been restated at October 1, 2017 as follows:

Government-wide - Statement of Activities

	Governmental	Business Type	Total
Net Position at October 1, 2017 - as originally stated	\$ 44,275,862	\$ 30,461,888	\$ 74,737,750
Change in accounting principle	(25,341)	(4,845)	(30,186)
Net position at October 1, 2017 - as restated	\$ 44,250,521	\$ 30,457,043	\$ 74,707,564

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

	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
Net Position at October 1, 2017 - as originally stated	\$ 657,251	\$ 18,628,956	\$ 5,042,270	\$ 6,133,411	\$ 30,461,888
Change in accounting principle	(545)	(3,438)	(781)	(81)	(4,845)
Net position at October 1, 2017 - as restated	\$ 656,706	\$ 18,625,518	\$ 5,041,489	\$ 6,133,330	\$ 30,457,043

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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 total 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 \$39,801,811 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 6,500,443
Buildings	284,224
Machinery and equipment	2,268,396
Infrastructure	27,633,747
Construction in progress	<u>3,115,001</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 39,801,811</u></u>

2. *Other liabilities*: Other liabilities are not due and payable in the current period and therefore are 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 \$626,608 difference are as follows:

Unavailable revenue - Code Enforcement	\$ 109,577
Unavailable revenue - Capital Projects	285,450
Unearned revenue - Special Assessments	52,275
Unearned revenue for grants which were earned in the governmental activities but did not meet the 60 day requirement in the governmental funds	<u>179,306</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 626,608</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (Continued)

4. *Deferred outflows and inflows of resources related to the City's pension plans and OPEB are not expected to be liquidated with expendable available financial resources* and are not recognized in the governmental funds. However, they are recorded in the statement of net position under full accrual accounting in accordance with GASB Statement No. 68 and No. 75. The details of these deferred resources are as follows:

Deferred outflows of pension resources	\$ 633,764
Deferred inflows of pension earnings	\$ (1,330,661)
Deferred inflows from OPEB	\$ (9,326)

5. *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 governmental fund statements.* The details of this \$7,511,166 difference are as follows:

2004 loan payable	\$ (224,722)
2005 loan payable	(610,209)
2007 loan payable	(513,060)
CRA loan payable	(1,738,348)
Capital leases payable	(781,608)
Compensated absences	(664,929)
Other post-employment benefits	(243,639)
Net pension liability	<u>(2,734,651)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (7,511,166)</u></u>

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 \$1,398,021 difference are as follows:

Capital outlay	\$ 2,923,392
Depreciation expense	(1,524,984)
Capital assets sales	<u>(387)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 1,398,021</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

**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 (Continued)

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 \$286,930 difference are as follows:

Principal payments on long-term bank loans	\$ 389,903
Payments on capital leases	400,927
Capital lease additions	<u>(503,900)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 286,930</u>

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses are not reported as expenditures in governmental funds. The details of this \$337,433 difference are as follows:

Changes in other post-employment benefits	\$ (6,193)
Change in net pension liability, deferred inflows and deferred outflows	357,915
Changes in compensated absences	<u>(14,289)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 337,433</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 \$372,496 difference are as follows:

Change in unavailable revenue	\$ <u>372,496</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 372,496</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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.
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, 2018, expenditures did not exceed appropriations at the departmental level, the legal level of budgetary control.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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. The pension contributions are remitted to their respective trust funds on a biweekly basis. 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, 2018, the carrying amount of the City's primary government deposits was \$25,428,146. This amount includes interest bearing time deposits consisting of collateralized certificates of deposit and FDIC insured certificates of deposit valued at \$15,054,001, two money market accounts valued at \$2,711,372, the SBA investment of \$2,879,198, the FMIT investment of \$187,578, loan covenant accounts of \$185,837, the operating account of \$2,019,608, petty cash \$2,000 and \$2,388,552 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating accounts was \$2,271,363. 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.

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, 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, mutual funds, real estate, and alternative investments.

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 V.

For the year ended September 30, 2018, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 9.46% for the Police Pension Plan and 10.07% 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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Included in cash and cash equivalents are certain funds held in investment pools due to their overall liquidity. The Florida State Board of Administration's (SBA) Local Government Surplus Funds Account and the Florida Surplus Asset Fund Trust (FL SAFE) meet the criteria of 2a7-like pools. Funds held with the SBA are recognized at amortized cost and funds held with FL SAFE are recognized at net asset value.

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.

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. From October 1, 2017 through September 30, 2018, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Florida Surplus Asset Fund Trust (FL SAFE) is a local government investment pool (LGIP) trust fund, organized under Florida Statutes 163-01, et seq. to be a Stable Net Asset Value investment pool. As such a LGIP trust, FL SAFE pools and invests the funds of its Florida local government participants within the Investment Policy, established by the FL SAFE Board, and limitations set forth in the Indenture of Trust. FL SAFE is overseen by a Board of Trustees comprised of Florida local government officials, who are themselves participants in FL SAFE as the investment officer or designee for their own local government. The primary objectives of FL SAFE are to provide safety, liquidity, transparency and yield for Florida government entities. The fund includes a liquid money market like investment, called the “FL SAFE Fund” and one or more Term Series portfolios, as may be established from time to time, each of which has a fixed duration. The Fund has received and maintained an AAAM rating since 2007 from Standard & Poor’s (“S&P”). According to S&P’s rating criteria, the AAAM rating signifies excellent safety of invested principal and a superior capacity to maintain a \$1.00 per share net asset value. However, it should be understood that the rating is not either a “market” rating nor a recommendation to buy, hold or sell the securities.

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. Funds held in FMIT are recognized at fair value and are classified as investments.

As of September 30, 2018, the City had the following cash and investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
Cash and Short Term Investments	\$ 17,977,924	\$ 11,187,428	\$ 6,790,496	\$ --	\$ --
Investment Pools	5,544,749	5,544,749	--	--	--
US Agencies	4,363,047	2,712,304	645,707	506,582	498,454
Corporate Bonds	1,516,403	99,662	941,405	475,336	--
Common Stock	9,705,136	9,705,136	--	--	--
Mutual Funds - Fixed Income	3,389,421	3,389,421	--	--	--
Mutual Funds - Equity	8,295,283	8,295,283	--	--	--
Alternative Investments - Hedge Fund	--	--	--	--	--
Alternative Investments - Real Estate	2,987,772	2,987,772	--	--	--
Total cash and investments	\$ 53,779,735	\$ 43,921,755	\$ 8,377,608	\$ 981,918	\$ 498,454

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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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, 2018. These funds include \$2,879,198 in the SBA and \$2,665,551 in Florida Safe. The City also has \$15,054,001 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 AAAf/S2, and the Intermediate High Quality Bond Fund at AAAf/S3 as of September 30, 2018. The City has investments in these bond funds of \$187,578 and \$2,388,552, 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).

General Employees' Pension Plan

Investments	Fair Value	Credit Rating (Moody's)	Percent Distribution
Cash and Short Term Investments	\$ 445,728		3.00 %
U.S. Government Securities	1,081,428	Aaa	7.28 %
Corporate Bonds			
	49,457	Aa3	0.33 %
	137,721	A1	0.93 %
	169,968	A2	1.14 %
	49,795	A3	0.34 %
	375,856	Not rated	2.53 %
Corporate Stock	8,672,113		58.36 %
Mutual Funds - Fixed Income	1,450,786		9.76 %
Mutual Funds - Equity	870,026		5.86 %
Alternative Investments - Real Estate	1,555,895		10.47 %
Total cash and investments	\$ 14,858,773		100.00 %

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Police Pension Plan

Investments	Fair Value	Credit Rating (Moody's)	Percent Distribution
Cash and Short Term Investments	\$ 224,927		1.67 %
U.S. Governmental Securities	293,684	Aaa	2.18 %
	411,805	Not Rated	3.05 %
Corporate Bonds	9,676	Aa3	0.07 %
	91,988	A1	0.68 %
	98,943	A2	0.73 %
	253,553	A3	1.88 %
	178,342	Baa1	1.32 %
	101,104	Baa2	0.75 %
Corporate Stock	1,033,023		7.66 %
Mutual Funds - Fixed Income	1,938,635		14.37 %
Mutual Funds - Equity	7,425,257		55.03 %
Alternative Investments - Real Estate	1,431,877		10.61 %
Total cash and investments	\$ 13,492,814		100.00 %

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.

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles which are measured on a recurring basis. The City and the Pension Plans have the following recurring fair value measurements as of September 30:

	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Common Stocks	\$ 9,705,136	\$ 9,705,136	\$ --	\$ --
Mutual Funds	11,684,704	11,684,704	--	--
Money Market Funds	670,655	670,655	--	--
Debt Securities:				
U.S. Treasury Notes	1,246,745	--	1,246,745	--
U.S. Government Agencies	3,116,302	--	3,116,302	--
Corporate Bonds	1,516,403	--	1,516,403	--
Total investments by fair value level	27,939,945	22,060,495	5,879,450	--
Instruments measured at the net asset value (NAV):				
Real Estate:				
UBS Trumbull Property Fund	1,555,895			
Principal U.S. Property Account	1,431,877			
Total investments measured at NAV	2,987,772			
Total investments	\$ 30,927,717	\$ 22,060,495	\$ 5,879,450	\$ --
Investment derivative instruments:				
Interest rate swaps for loans	\$ 394,325	\$ --	\$ 394,325	\$ --
Total Derivatives	\$ 394,325	\$ --	\$ 394,325	\$ --

Common stocks, money market funds, and mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The City did not have any Level 3 assets or liabilities.

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and were established to offset the interest expense of three bank-qualified loans.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Fair Value (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the following table:

Real Estate:	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
UBS Trumbull Property Fund	\$ 1,555,895	\$ --	Quarterly	60 Days Prior to Quarter End Daily, but Subject to Deferment
Principal U.S. Property Account	<u>1,431,877</u>	--	Monthly	
Total investments measured at NAV	<u><u>\$ 2,987,772</u></u>			

1. *Real Estate Funds*: This type includes two real estate funds that invest primarily in US commercial real estate. The fair values of the investments have been determined using the NAV per share of the plans' ownership interest in the fund. If the investments are sold, it is possible the sale amount will be different than the fair value the investments are currently recognized at.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2018 totals \$2,205,231 for the City at the fund level as shown below:

	Governmental Funds					Total	Pension Trust
	General	CRA	Road & Bridge	Capital Projects			
Accounts receivable	\$ 120,877	\$ 171,771	\$ 503	\$ --	\$ 293,151	\$ --	
Special assessments	33,347	--	18,929	--	52,276	--	
Intergovernmental	187,770	--	--	--	187,770	--	
Interest and dividends	13,064	6,429	3,571	--	23,064	40,977	
Grants	5,055	--	--	357,509	362,564	--	
Gross Receivables	360,113	178,200	23,003	357,509	918,825	40,977	
Less: Allowances for Uncollectible	--	--	--	--	--	--	
Net Total Receivables	\$ 360,113	\$ 178,200	\$ 23,003	\$ 357,509	\$ 918,825	\$ 40,977	

	Enterprise Funds				
	Solid Waste Fund	Water and Sewer Fund	Stormwater Fund	Reuse Fund	Total
Accounts receivable	\$ 348,664	\$ 1,209,151	\$ 134,317	\$ 76,025	\$ 1,768,157
Special assessments	--	685	--	--	685
Interest and dividends receivable	1,001	13,190	575	1,989	16,755
Grants	--	--	--	26,011	26,011
Gross Receivables	349,665	1,223,026	134,892	104,025	1,811,608
Less: Allowances for Uncollectible	(124,354)	(368,209)	(47,410)	(26,206)	(566,179)
Net Total Receivables	\$ 225,311	\$ 854,817	\$ 87,482	\$ 77,819	\$ 1,245,429

D. 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, 2018, the General Fund advanced funds of \$1,678 to cover cash deficits in pooled cash within the Agency 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, 2018 is \$268,441 and is reported with the General Fund in the financial statements.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Inter-fund Receivables, Payables and Transfers (Continued)

Receivable fund	<u>Payable fund</u>	<u>Amount</u>
General Fund/Trailer Park Trust	Reuse	\$ 268,441
General Fund/Trailer Park Trust	Payroll Liability Fund	<u>1,678</u>
Total		<u><u>\$ 270,119</u></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.

The composition of interfund transfers as of September 30, 2018, is as follows:

Transfers Out	Transfers In General Fund	Transfers In CRA Fund	Transfers In Capital Projects Fund	Transfers In Stormwater Fund	Total Transfers
General Fund	\$ --	\$ --	\$ 60,000	\$ --	\$ 60,000
CRA Fund	39,317	--	--	--	39,317
Road and Bridge Fund	150,576	--	165,000	84,000	399,576
Road and Bridge Fund	--	142,249	--	--	142,249
Solid Waste Fund	66,286	--	--	--	66,286
Water and Sewer Fund	509,685	--	--	102,000	611,685
Stormwater Fund	124,056	--	--	--	124,056
Reuse Fund	27,787	--	--	--	27,787
Total	<u><u>\$ 917,707</u></u>	<u><u>\$ 142,249</u></u>	<u><u>\$ 225,000</u></u>	<u><u>\$ 186,000</u></u>	<u><u>\$ 1,470,956</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Funds		
	General	Road and Bridge	Total
Building Department reserve	\$ 979,924	\$ --	\$ 979,924
Law Enforcement	50,693	--	50,693
Impact fees	398,383	356,142	754,525
Customer deposits	1,200	--	1,200
Contributions - Capital improvements	1,537,794	6,501	1,544,295
Total Governmental Restricted Assets	\$ 2,967,994	\$ 362,643	\$ 3,330,637

	Proprietary Funds			
	Water and Sewer	Stormwater	Reuse	Total
Cash - capital projects	\$ 2,421,877	\$ 129,875	\$ 627,860	\$ 3,179,612
Loan proceeds	623,782	--	--	623,782
Loan covenant accounts	7,480	177,065	1,292	185,837
Impact fees	311,445	--	--	311,445
Customer deposits	648,089	--	--	648,089
Total Proprietary Restricted Assets	\$ 4,012,673	\$ 306,940	\$ 629,152	\$ 4,948,765
Total Restricted Assets				\$ 8,279,402

F. 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 2018 and total \$108,721.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital Assets (Continued)

Capital asset activity, for the year ended September 30, 2018, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,756,674	\$ 1,743,769	\$ --	\$ 6,500,443
Construction in progress	3,615,299	334,341	(834,639)	3,115,001
Total capital assets, not being depreciated:	<u>8,371,973</u>	<u>2,078,110</u>	<u>(834,639)</u>	<u>9,615,444</u>
Capital assets, being depreciated:				
Buildings	2,319,174	136,095	--	2,455,269
Machinery and equipment	7,854,994	624,816	(107,195)	8,372,615
Infrastructure	41,243,664	927,238	(1,360)	42,169,542
Total capital assets, being depreciated:	<u>51,417,832</u>	<u>1,688,149</u>	<u>(108,555)</u>	<u>52,997,426</u>
Less accumulated depreciation for:				
Buildings	(2,106,810)	(64,235)	--	(2,171,045)
Machinery and equipment	(5,633,388)	(569,411)	98,580	(6,104,219)
Infrastructure	(13,645,817)	(891,338)	1,360	(14,535,795)
Total accumulated depreciation	<u>(21,386,015)</u>	<u>(1,524,984)</u>	<u>99,940</u>	<u>(22,811,059)</u>
Total capital assets, being depreciated, net	<u>30,031,817</u>	<u>163,165</u>	<u>(8,615)</u>	<u>30,186,367</u>
Governmental activities capital assets, net	<u>\$ 38,403,790</u>	<u>\$ 2,241,275</u>	<u>\$ (843,254)</u>	<u>\$ 39,801,811</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 279,415	\$ --	\$ --	\$ 279,415
Construction in progress	5,975,417	464,630	(368,341)	6,071,706
Total capital assets, not being depreciated:	<u>6,254,832</u>	<u>464,630</u>	<u>(368,341)</u>	<u>6,351,121</u>
Capital assets being depreciated:				
Buildings	652,267	--	--	652,267
Improvements other than buildings	42,164,112	391,301	--	42,555,413
Machinery and equipment	4,219,248	261,034	(40,143)	4,440,139
Total capital assets, being depreciated:	<u>47,035,627</u>	<u>652,335</u>	<u>(40,143)</u>	<u>47,647,819</u>
Less accumulated depreciation for:				
Buildings	(355,410)	(21,306)	--	(376,716)
Improvements other than buildings	(17,825,470)	(797,844)	40,143	(18,583,171)
Machinery and equipment	(2,172,888)	(349,564)	--	(2,522,452)
Total accumulated depreciation	<u>(20,353,768)</u>	<u>(1,168,714)</u>	<u>40,143</u>	<u>(21,482,339)</u>
Total capital assets being, depreciated, net	<u>26,681,859</u>	<u>(516,379)</u>	<u>--</u>	<u>26,165,480</u>
Business-type activities capital assets, net	<u>\$ 32,936,691</u>	<u>\$ (51,749)</u>	<u>\$ (368,341)</u>	<u>\$ 32,516,601</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital Assets (Continued)

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

Governmental activities:

General government	\$ 514,429
Public safety	226,381
Streets and roads	483,259
Intergovernmental services	248,950
Recreation	<u>51,965</u>
Total depreciation for governmental activities	<u>\$ 1,524,984</u>

Business-type activities:

Solid waste	\$ 4,563
Water and sewer	886,390
Stormwater	212,664
Reuse	<u>65,097</u>
Total depreciation expense for business-type activities	<u>\$ 1,168,714</u>

Construction Commitments

The City has various active construction projects. At September 30, 2018, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

<u>Capital Projects</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Aquifer Storage Recovery Project	\$ 3,936,794	\$ 56
Inflow and Infiltration	1,450,415	--
Equalization Basin	409,878	23,628
14th Ave & 17th Street Realignment	326,568	64
Fire Protection Upgrades	147,082	73,067
Palmetto Area Reuse System	45,247	80,500
Other projects	<u>82,289</u>	<u>18,325</u>
Total capital projects	<u>\$ 6,398,273</u>	<u>\$ 195,640</u>

<u>CRA Projects</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Multimodal Emphasis Corridor	\$ 1,389,596	\$ 5,004
Sutton/Lamb Park Improvements	1,243,688	8,685
Other projects	<u>155,148</u>	<u>--</u>
Total CRA projects	<u>\$ 2,788,432</u>	<u>\$ 13,689</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. 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.

The assets acquired through capital leases as of September 30, 2018, are as follows:

	Year Ended September 30, 2018		
	Governmental Activities	Business -type Activities	Total
Asset:			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 699,264	\$ --	\$ 699,264
Light Duty & Equipment	252,331	1,632,456	1,884,787
Heavy Duty & Equipment	525,532	318,422	843,954
Office Systems	10,403	--	10,403
Total Leased Assets	1,487,529	1,950,878	3,438,408
Less Accumulated Depreciation	(346,406)	(98,874)	(445,280)
Total Leases	<u>\$ 1,141,123</u>	<u>\$ 1,852,004</u>	<u>\$ 2,993,128</u>

During the fiscal year ending September 30, 2018, lease payments were made totaling \$736,813 which includes principal payments of \$702,233 and \$34,580 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities	Total
2019	\$ 350,232	\$ 280,805	\$ 631,037
2020	241,978	260,746	502,724
2021	161,460	209,826	371,286
2022	55,611	155,283	210,894
2023	--	71,302	71,302
Total minimum lease payments	809,281	977,962	1,787,243
Less: amount representing interest	(27,673)	(36,214)	(63,887)
Present value of minimum lease payments	<u>\$ 781,608</u>	<u>\$ 941,748</u>	<u>\$ 1,723,356</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. 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, 2018, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$21,352. 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, 2018, loan payments were made totaling \$5,090 which includes principal payments of \$4,347 and \$743 in interest. Annual installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
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
Total	\$ 21,352	\$ 1,732	\$ 23,084

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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, 2018, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$532,786. 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, 2018, loan payments were made totaling \$184,799 which includes principal payments of \$167,178 and \$17,621 in interest. Annual installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 172,282	\$ 14,848	\$ 187,130
2020	177,542	9,588	187,130
2021	182,962	4,168	187,130
Total	\$ 532,786	\$ 28,604	\$ 561,390

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)
Water/Sewer Loan

The City received funding in the amount of \$390,000 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in funding design costs related to the construction of an equalization basin at the City's Waste Water Treatment Plant.

As of September 30, 2018, the City had drawn down loan funds totaling \$368,749. Pledged revenues for the repayment of the loan are net water and sewer system revenues after payment of debt on the City's prior liens. The original amortization of the loan was to be repaid in forty semiannual payments of \$11,220 including interest which accrued semiannually at 1.13% (annual rate) of the unpaid balance. After the final disbursement of loan proceeds, the loan principal will be adjusted to reflect the actual dates and amounts of disbursements. Payments are to begin December 15, 2018 with the final maturity date of December 15, 2038.

Annual installments for the fiscal years ending September 30, are estimated based on the amount outstanding as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2019	\$ 18,325	\$ 4,115	\$ 22,440
2020	18,532	3,908	22,440
2021	18,742	3,698	22,440
2022	18,955	3,485	22,440
2023	19,170	3,270	22,440
2024	19,387	3,053	22,440
2025	19,607	2,833	22,440
2026	19,829	2,611	22,440
2027	20,053	2,387	22,440
2028	20,281	2,159	22,440
2029	20,510	1,930	22,440
2030	20,743	1,697	22,440
2031	20,978	1,462	22,440
2032	21,216	1,224	22,440
2033	21,456	984	22,440
2034	21,699	741	22,440
2035	21,945	495	22,440
2036	22,194	246	22,440
2037	5,127	29	5,156
Total	\$ 368,749	\$ 40,327	\$ 409,076

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

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.

When originally issued, the interest rate on the loan was 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 received 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

As a result of the Tax Cuts and Jobs Act, effective January 1, 2018, the maximum federal corporate tax rate was reduced from 35% to 21%. A contractual adjustment was made to the Interest Rate Swap Agreement with the City now paying 77.8% of the 90 day LIBOR rate plus 135 basis points. Both the fixed rate of 4.235% and the amount the City receives of 64% of the 90 day LIBOR plus 111 basis points are unchanged.

During the fiscal year ending September 30, 2018, loan payments were made totaling \$210,180 which includes principal payments of \$157,864 and \$52,316 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, 2018 was 21.96% to governmental activities and 78.04% 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:

Year	Government Activities		Business-Type Activities		City-Wide		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 36,374	\$ 8,560	\$ 129,283	\$ 30,422	\$ 165,657	\$ 38,982	\$ 204,639
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	23,065	124	81,982	442	105,047	566	105,613
Total	\$ 224,722	\$ 26,176	\$ 798,726	\$ 93,033	\$ 1,023,448	\$ 119,209	\$ 1,142,657

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

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.

When originally issued, the interest rate on the loan was 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 received 64% of the 90 day LIBOR rate plus 111 basis points on the unamortized principal of the swap amount.

As a result of the Tax Cuts and Jobs Act, effective January 1, 2018, the maximum federal corporate tax rate was reduced from 35% to 21%. A contractual adjustment was made to the Interest Rate Swap Agreement with the City now paying 77.8% of the 90 day LIBOR rate plus 135 basis points. Both the fixed rate of 4.345% and the amount the City receives of 64% of the 90 day LIBOR plus 111 basis points are unchanged.

During the fiscal year ending September 30, 2018, loan payments were made totaling \$512,812 which includes principal payments of \$360,397 and \$152,415 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, 2018, 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:

Year	Governmental Activities		Business-Type Activities		City-Wide		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
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	10,494	668	42,237	2,691	52,731	3,359	56,090
Total	<u>\$ 610,209</u>	<u>\$ 129,538</u>	<u>\$ 2,456,443</u>	<u>\$ 521,467</u>	<u>\$ 3,066,652</u>	<u>\$ 651,005</u>	<u>\$ 3,717,657</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

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.

When originally issued, the interest rate on the loan was 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 received 63.7% of the 90 day LIBOR rate plus 90 basis points on the unamortized principal of the swap amount.

As a result of the Tax Cuts and Jobs Act, effective January 1, 2018, the maximum federal corporate tax rate was reduced from 35% to 21%. A contractual adjustment was made to the Interest Rate Swap Agreement with the City now paying 77.4% of the 90 day LIBOR rate plus 109 basis points. Both the fixed rate of 4.302% and the amount the City receives of 63.7% of the 90 day LIBOR plus 90 basis points are unchanged.

During the fiscal year ending September 30, 2018, loan payments were made totaling \$405,248 which includes principal payments of \$261,578 and \$143,670 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

At September 30, 2018, 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:

Year	Governmental Activities		Business-Type Activities		City-Wide		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	\$ 46,081	\$ 21,336	\$ 227,091	\$ 105,147	\$ 273,172	\$ 126,483	\$ 399,655
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	82,518	897	99,262	1,079	100,341
Total	<u>\$ 513,060</u>	<u>\$ 111,657</u>	<u>\$ 2,528,396</u>	<u>\$ 550,252</u>	<u>\$ 3,041,456</u>	<u>\$ 661,909</u>	<u>\$ 3,703,365</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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: inflow and infiltration program, 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, 2018, loan payments were made totaling \$103,556 which includes principal payments of \$72,998 and \$30,558 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Debt Service
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	101,968	1,951	103,919
Total	\$ 968,017	\$ 175,102	\$ 1,143,119

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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 the purchase of property for CRA use, improvements to infrastructure and buildings within the CRA District and 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, 2018, loan payments were made totaling \$281,628 which includes principal payments of \$239,402 and \$42,226 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
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	200,098	6,867	206,965
Total	\$ 1,738,348	\$ 362,588	\$ 2,100,936

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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 70 - 72. The fair value and changes in fair value of the interest rate swap contracts are as follows:

	Changes in Fair Value	Fair Value at September 30, 2018	Notional Value at September 30, 2018
Governmental activities			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ (9,254)	\$ (11,896)	\$ 224,722
2005 Loan	(27,476)	(48,003)	610,209
2007 Loan	(26,729)	(70,211)	513,060
Total Governmental activities	<u>(63,459)</u>	<u>(130,110)</u>	<u>1,347,991</u>
Business-type activities			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	(32,890)	(24,157)	798,726
2005 Loan	(110,605)	(97,482)	2,456,443
2007 Loan	(131,728)	(142,576)	2,528,396
Total Business-type activities	<u>(275,223)</u>	<u>(264,215)</u>	<u>5,783,565</u>
Total interest rate swaps	<u>\$ (338,682)</u>	<u>\$ (394,325)</u>	<u>\$ 7,131,556</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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, 2018 is assumed to be constant over the life of the note.

Year	Principal	Variable Interest	Swap Interest	Net Cash Flows
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	912,544	16,944	104,254	1,033,742
2025	843,542	8,307	79,036	930,885
2026	422,807	4,382	29,880	457,069
2027	386,483	895	13,824	401,202
2028	99,262	--	1,079	100,341
Total	<u>\$ 7,131,556</u>	<u>\$ 259,694</u>	<u>\$ 1,172,429</u>	<u>\$ 8,563,679</u>

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$394,325 as of September 30, 2018. 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, 2018 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (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, 2018, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$14,464,728.

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, 2018, no amounts were earned that are required to be rebated to the U.S. Treasury for 2018.

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, 2014, the Bank permanently waived the restriction. For the governmental activities, compensated absences are generally liquidated by the General, CRA, and Road and Bridge Funds.

Details of the net pension liabilities are included in Note V, Sections C and D.

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term bank loans					
2004 Loan	\$ 259,385	\$ --	\$ 34,663	\$ 224,722	\$ 36,374
2005 Loan	681,922	--	71,713	610,209	74,912
2007 Loan	557,185	--	44,125	513,060	46,081
CRA Loan	1,977,750	--	239,402	1,738,348	219,750
Total Long-term bank loans	<u>3,476,242</u>	<u>--</u>	<u>389,903</u>	<u>3,086,339</u>	<u>377,117</u>
Interest rate swap contracts	193,569	--	63,459	130,110	--
Other post-employment benefits	221,431	25,341	3,133	243,639	--
Net pension liability	3,389,120	--	654,469	2,734,651	--
Capital leases	678,635	503,900	400,927	781,608	335,391
Compensated absences	650,642	362,734	348,447	664,929	166,232
Governmental activities long-term liabilities	<u>\$ 8,609,639</u>	<u>\$ 891,975</u>	<u>\$ 1,860,338</u>	<u>\$ 7,641,276</u>	<u>\$ 878,740</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Long-term bank loans:					
2004 Loan	\$ 921,927	\$ --	\$ 123,201	\$ 798,726	\$ 129,283
2005 Loan	2,745,127	--	288,684	2,456,443	301,566
2007 Loan	2,745,849	--	217,453	2,528,396	227,091
2014 Loan	1,041,015	--	72,998	968,017	75,250
Total long-term bank loans	<u>7,453,918</u>	<u>--</u>	<u>702,336</u>	<u>6,751,582</u>	<u>733,190</u>
State revolving loans					
Stormwater	699,964	--	167,178	532,786	172,282
Reuse	25,699	--	4,347	21,352	4,486
Water	--	368,749	--	368,749	18,325
Total state revolving loans	<u>725,663</u>	<u>368,749</u>	<u>171,525</u>	<u>922,887</u>	<u>195,093</u>
Total loans payable	<u>8,179,581</u>	<u>368,749</u>	<u>873,861</u>	<u>7,674,469</u>	<u>928,283</u>
Interest rate swap contracts	539,438	--	275,223	264,215	--
Other post-employment benefits	40,568	4,845	597	44,816	--
Net pension liability	668,539	4,697	392,786	280,450	--
Capital leases	1,096,954	146,100	301,306	941,748	265,011
Compensated absences	54,513	54,031	42,008	66,536	16,634
Total business-type activities long-term liabilities	<u>\$ 10,579,593</u>	<u>\$ 578,422</u>	<u>\$ 1,885,781</u>	<u>\$ 9,272,234</u>	<u>\$ 1,209,928</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. 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

Nonspendable	<u>\$ 263,417</u>
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- **Restricted** - The following fund balances are restricted for:

General Fund

Building Department - used to fund operations	\$ 979,924
Infrastructure half-cent sales tax - voter approved to be used for capital improvements	1,619,586
Impact fees - used to fund growth in general government, law enforcement and parks and recreation	398,383
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the City's cemetery.	3,685
Special law enforcement reserve	<u>50,693</u>
General Fund subtotal	<u>\$ 3,052,271</u>

Community Redevelopment Agency Fund

Used to alleviate slum and blight in the City per Florida Statute 163	<u>\$ 3,883,488</u>
Community Redevelopment Agency Fund subtotal	<u>\$ 3,883,488</u>

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	\$ 290,000
Impact fees - for the growth in transportation	356,142
Bocage legal settlement	6,501
General operating expenses	<u>1,284,083</u>
Road and Bridge Fund subtotal	<u>\$ 1,936,726</u>

Total Restricted Fund Balances	<u><u>\$ 8,872,485</u></u>
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CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balances (Continued)

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

General Fund

Trailer Park Trust - City Commission approval required	\$ <u>2,020,887</u>
General Fund subtotal	\$ <u>2,020,887</u>

Capital Projects Fund

Capital Projects	\$ <u>707,814</u>
Capital Projects Fund subtotal	<u>707,814</u>
Total Committed Fund Balances	\$ <u><u>2,728,701</u></u>

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

General Fund

Funding for Capital Improvements Program	\$ 95,462
Tree reserve - used to replant trees in the City	24,776
One-time operating expenses	<u>196,118</u>
Total Assigned Fund Balance	\$ <u><u>316,356</u></u>

- **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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE V - DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Encumbered Commitments

The following table lists the outstanding encumbrances at September 30, 2018. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

	Governmental Activities				Total
	General Fund	CRA Fund	Road and Bridge Fund	Capital Projects Fund	
Operating Encumbrances	\$ 42,440	\$ 426,591	\$ 412,763	\$ --	\$ 881,794
Operating Capital Projects	--	30,185	--	--	30,185
Capital Improvement Projects (CIP)	99,978	--	--	26,314	126,292
Total Encumbrances Outstanding	\$ 142,418	\$ 456,776	\$ 412,763	\$ 26,314	\$ 1,038,271

	Business-Type Activities				Total
	Solid Waste Fund	Water and Sewer Fund	Stormwater Fund	Reuse Fund	
Operating Encumbrances	\$ --	\$ 30,797	\$ 9,906	\$ 5,856	\$ 46,559
Capital Improvement Projects (CIP)	--	111,585	18,325	80,557	210,467
Total Encumbrances Outstanding	\$ --	\$ 142,382	\$ 28,231	\$ 86,413	\$ 257,026
Total Outstanding Encumbrances					\$ 1,295,297

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.

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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

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 Pension Plans

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.

In 2015, the City implemented GASB Statement No. 68 for the Palmetto Police Pension Plan and the Palmetto General Employees' Pension Plan. 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan

Plan Administration

The City of Palmetto General Employees' Pension Plan (PGEPP), 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

	As of September 30, 2017	As of September 30, 2018
Retirees, beneficiaries, and DROP participants benefits	58	57
Terminated employees entitled to, but not yet receiving benefits	8	8
Active plan members	73	75
Total	139	140

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 55 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. This benefit is payable as of the date the Board determines such entitlement.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (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 2018 was 24.47%.

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, 2018, one employee is participating in the DROP program with a balance of \$139,899.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2018. 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, 2018, were as follows:

Total pension liability	\$ 16,159,419
Plan fiduciary net position	<u>(14,961,271)</u>
City's net pension liability	<u><u>1,198,148</u></u>
Plan fiduciary net position as a percentage of the total pension liability	92.59 %

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (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, 2017, updated to September 30, 2018 using the following actuarial assumptions:

Inflation	2.30%
Salary increases	Service based
Discount rate	7.00%
Investment rate of return	7.00%

Mortality rates were based on the RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments for males of 50% Annuitant White Collar, 50% Annuitant Blue Collar, and 100% Annuitant White Collar for females. The mortality rates for disabled lives are based on the RP2000 without projection and adjustments for males of 100% disabled male with four year setback and 100% disabled female with two year set forward for females.

Changes in actuarial assumptions

There were no changes in actuarial assumptions for the year ended September 30, 2018

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. For 2018 the inflation rate assumption of the investment advisor was 2.30%. 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic equity	50.00 %	6.94 %
International equity	10.00 %	6.40 %
Fixed income	15.00 %	2.47 %
Global fixed income	5.00 %	2.21 %
Hedge funds	7.50 %	2.99 %
Real estate	12.50 %	3.32 %
Total	<u>100.00 %</u>	

Concentrations

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

Rate of Return

For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.07%. 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 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (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, 2017	\$ 15,913,324	\$ 13,784,575	\$ 2,128,749
Changes for a Year:			
Service cost	356,601	--	356,601
Interest	1,100,191	--	1,100,191
Differences between expected and actual experience	(104,875)	--	(104,875)
Changes of assumptions	--	--	--
Changes of benefit terms	--	--	--
Contributions - Employer	--	773,083	(773,083)
Contributions - Employee	--	157,785	(157,785)
Net investment income	--	1,379,409	(1,379,409)
Benefit payments, including refunds of employee contributions	(1,105,822)	(1,105,822)	--
Administrative expense	--	(27,759)	27,759
Net changes	<u>246,095</u>	<u>1,176,696</u>	<u>(930,601)</u>
Reporting period ending September 30, 2018	<u>\$ 16,159,419</u>	<u>\$ 14,961,271</u>	<u>\$ 1,198,148</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 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.00%) or 1.0% higher (8.00%) than the current rate:

	1.0% Decrease 6.00%	Current Discount Rate 7.00%	1.0% Increase 8.00%
City's net pension liability	\$ 3,001,996	\$ 1,198,148	\$ (313,223)

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

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

For the year ended September 30, 2018, the City recognized of pension expense of \$55,489. On September 30, 2018, 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 expected and actual expense	\$ --	\$ 273,970
Changes of assumptions	--	34,446
Net difference between projected and actual earnings on pension plan investments	--	582,792
Total	\$ --	\$ 891,208

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. There were no subsequent contributions for the year ended September 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2019	\$ (315,629)
2020	\$ (264,544)
2021	\$ (226,718)
2022	\$ (84,317)

D. Palmetto Police Pension Plan

Plan Administration:

The City of Palmetto Police Pension Plan (PPPP), 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:

	As of September 30, 2017	As of September 30, 2018
Retirees, beneficiaries, and DROP participants receiving benefits	30	32
Terminated employees entitled to, but not yet receiving benefits	7	10
Active plan members	32	31
Total	69	73

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

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.

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.

Termination of Employment

If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. If an employee separates service from the City after achieving ten or more years, the employee may choose 1) refund of contributions without interest, 2) vested accrued benefit payable at Normal (unreduced) Retirement Date, or 3) vested accrued benefit payable at Early (reduced) Retirement Date.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

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. 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 25.48% for fiscal year 2018.

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, 2018, no officers are participating in the DROP program.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2018. 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, 2018, and reported for fiscal year 2018, were as follows:

Total pension liability	\$ 15,320,520
Plan fiduciary net position	<u>(13,503,567)</u>
City's net pension liability	<u>1,816,953</u>
Plan fiduciary net position as a percentage of the total pension liability	88.14 %

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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2017, updated to September 30, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.00%
Investment rate of return	7.00%

Mortality rates were based on the RP2000 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.

Changes in actuarial assumptions

For the actuarial valuation performed as of October 1, 2017, the investment return assumption was lowered from 7.10% to 7.00%.

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. For 2018, the inflation rate assumption of the investment advisor was 2.50%.

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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	45.00 %	7.50 %
International equity	15.00 %	8.50 %
Broad market fixed income	20.00 %	2.50 %
Global fixed income	5.00 %	3.50 %
Real estate	10.00 %	4.50 %
Alternative	5.00 %	6.00 %
Total	100.00 %	

Concentrations

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

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 9.46%. 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 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate 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 THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

CHANGES IN NET PENSION LIABILITY

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Reporting Period Ending September 30, 2017	\$ 14,333,545	\$ 12,404,635	\$ 1,928,910
Changes for a Year:			
Service cost	341,648	--	341,648
Interest	1,016,788	--	1,016,788
Differences between expected and actual experience	173,880	--	173,880
Changes of assumptions	163,140	--	163,140
Changes of benefits terms	--	--	--
Contributions - Employer	--	452,774	(452,774)
Contributions - State	--	130,363	(130,363)
Contributions - Employee	--	85,229	(85,229)
Net investment income	--	1,169,844	(1,169,844)
Benefit payments, including refunds of employee contributions	(708,481)	(708,481)	--
Administrative expense	--	(30,797)	30,797
Net changes	<u>986,975</u>	<u>1,098,932</u>	<u>(111,957)</u>
Reporting period ending September 30, 2018	<u>\$ 15,320,520</u>	<u>\$ 13,503,567</u>	<u>\$ 1,816,953</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 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.00%) or 1.0% higher (8.00%) than the current rate:

	1.0% Decrease 6.00%	Current Discount Rate 7.00%	1.0% Increase 8.00%
City's net pension liability	\$ 3,629,830	\$ 1,816,953	\$ 306,046

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

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

For the year ended September 30, 2018, the City recognizes pension expense of \$597,330 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
Differences between expected and actual experience	\$ 171,310	\$ 182,927
Changes of assumptions	462,454	--
Net difference between projected and actual earnings on pension plan investments	--	465,131
	\$ 633,764	\$ 648,058

The outcome of the deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date is recognized as a reduction of the pension expense in the applicable year. There were no subsequent contributions for the year ended September 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2019	\$ 171,540
2020	\$ (55,321)
2021	\$ (72,187)
2022	\$ (58,326)

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

E. Aggregate Information for City Pension Plans

The aggregate balances of the City pension plans are as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows	Pension Expense
Palmetto General Employees' Pension Plan	\$ --	\$ (1,198,148)	\$ 891,208	\$ 55,489
Palmetto Police Pension Plan	633,764	(1,816,953)	648,058	597,330
	<u>\$ 633,764</u>	<u>\$ (3,015,101)</u>	<u>\$ 1,539,266</u>	<u>\$ 652,819</u>

F. Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position

The combining statement of fiduciary net position and combining statement of changes in fiduciary net position for the defined benefit pension plans are as follows:

	Palmetto Police Officers' Pension Plan	Palmetto General Employees Pension Plan	Total Fiduciary Funds
Assets			
Cash and cash equivalents	\$ 319	\$ 300	\$ 619
Interest and dividends receivable	10,235	30,742	40,977
Prepaid benefits	--	71,756	71,756
Investments			
Money market funds	224,927	445,728	670,655
U. S. government securities	705,489	1,081,428	1,786,917
Corporate bonds	733,606	782,797	1,516,403
Corporate stocks	1,033,023	8,672,113	9,705,136
Mutual funds	9,363,892	2,320,812	11,684,704
Alternative investments	1,431,877	1,555,895	2,987,772
Total Investments	<u>13,492,814</u>	<u>14,858,773</u>	<u>28,351,587</u>
Total Assets	<u>13,503,368</u>	<u>14,961,571</u>	<u>28,464,939</u>
Liabilities			
Accounts payable and accrued liabilities	64,687	--	64,687
Total liabilities	<u>64,687</u>	<u>--</u>	<u>64,687</u>
Net Position			
Restricted for pension benefits	<u>\$ 13,438,681</u>	<u>\$ 14,961,571</u>	<u>\$ 28,400,252</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

F. Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position (Continued)

	Palmetto Police Officers' Pension Plan	Palmetto General Employees Pension Plan	Total Fiduciary Funds
Additions			
Contributions			
Employer	\$ 452,774	\$ 773,090	\$ 1,225,864
Plan members	87,713	157,785	245,498
State (from the General Fund)	130,363	--	130,363
Miscellaneous	331	300	631
Total contributions	<u>671,181</u>	<u>931,175</u>	<u>1,602,356</u>
Investment earnings			
Interest	48,191	38,394	86,585
Dividends	292,431	190,266	482,697
Net increase in the fair value of investments	867,214	1,239,424	2,106,638
Total investment earnings	<u>1,207,836</u>	<u>1,468,084</u>	<u>2,675,920</u>
Investment expense	<u>(40,408)</u>	<u>(88,674)</u>	<u>(129,082)</u>
Net investment earnings	<u>1,167,428</u>	<u>1,379,410</u>	<u>2,546,838</u>
Total additions	<u>1,838,609</u>	<u>2,310,585</u>	<u>4,149,194</u>
Deductions			
Benefits	773,165	1,039,019	1,812,184
Refunds of contributions	--	66,804	66,804
Administrative expenses	30,797	27,759	58,556
Total deductions	<u>803,962</u>	<u>1,133,582</u>	<u>1,937,544</u>
Change in net position	1,034,647	1,177,003	2,211,650
Net position, beginning of year	<u>12,404,034</u>	<u>13,784,568</u>	<u>26,188,602</u>
Net position, end of year	<u>\$ 13,438,681</u>	<u>\$ 14,961,571</u>	<u>\$ 28,400,252</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits

Plan Administration

The City's Retiree Health Care Plan (Plan) is a single employer defined benefit postemployment health care plan that covers eligible retired employees of the City of Palmetto. The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under the City's retirement plans to purchase health insurance at the City's group rate as mandated by Florida Statutes 112.0801. For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Plan does not meet the requirement for an other post-employment benefit plan (OPEB) administered through a trust. The plan does not issue a stand-alone financial report.

Employees covered by benefit terms: At October 1, 2017 the date of the actuarial valuation, the following employees were covered by the benefit terms:

	Measurement period As of September 30, 2018
Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	107
	111

Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage including premiums for covered spouse or eligible dependents. Retiree coverage ceases upon coverage under another group policy (i.e. Medicare eligibility). Therefore, there is not liability to the City for these benefits.

Total OPEB Liability

The City's total OPEB liability, as of September 30, 2017, was measured using a discount rate of 3.64%. The Total OPEB Liability was "rolled back" from September 30, 2018 at 3.64%, thus producing no experience gain or loss for the period from September 30, 2017 to September 30, 2018.

Actuarial assumptions. The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50%
Salary increase rate	Varies by Service
Discount rate	4.18%
Initial healthcare cost trend rate	8.50%
Ultimate trend rate	4.00%
Years to ultimate	55

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits (Continued)

Mortality rates for non-disabled participants were based on the RP-2000 mortality tables, projected generationally with Improvement Scale BB.

Mortality rates for disabled participants were based on the RP-2000 mortality tables with no projections.

Discount rate

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

Changes in the Total OPEB Liability

	Increase (Decrease)
Beginning balances	\$ 292,186
Changes for the year:	
Service cost	15,911
Interest	10,898
Changes of assumptions	(12,960)
Benefit payments	(17,580)
Net changes	(3,731)
Ending balance	\$ 288,455

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

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (3.18%) or one percentage-point higher (5.18%) than the current discount rate:

	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB liability (asset)	\$ 327,813	\$ 288,455	\$ 275,799

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits (Continued)

it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
	(3.00%- 7.50%)	(4.00%- 8.50%)	(5.00%- 9.50%)
Net OPEB liability (asset)	\$ 260,003	\$ 288,455	\$ 321,996

For the year ended September 30, 2018, the City recognized OPEB expense of \$29,458. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ --	\$ 11,109

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are recognized in OPEB expenses as follows:

Year ended: September 30,		
2019	\$	(1,851)
2020	\$	(1,851)
2021	\$	(1,851)
2022	\$	(1,851)
2023	\$	(1,851)
Thereafter	\$	(1,854)

H. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally 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.

I. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

NOTE VI - OTHER INFORMATION (CONTINUED)

I. Deferred Compensation Plan (Continued)

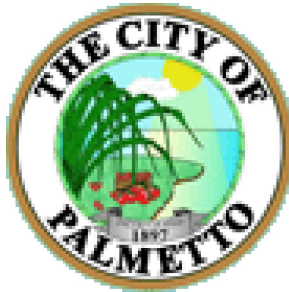
Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation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

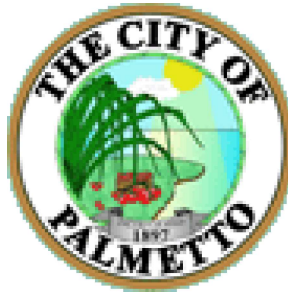
J. Subsequent Events

As of September 30, 2018, Manatee County and the City/CRA were negotiating the development of a hotel to combine with the existing convention center located in the City limits and the CRA District. The establishment of a major hotel continues to be a priority to the City with the negotiations continuing in fiscal year 2019 with the prospective developer.

The City has obtained a \$4.5 million loan from the State Revolving Loan fund for the construction of an Equalization Basin at the Wastewater Treatment Plant and the expansion of the City's reclaimed water utility. The design and engineering phase is ongoing as of September 30, 2018 however, construction and debt payments are not anticipated to begin until fiscal year 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

PAGE

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.

Budget (GAAP Basis) and Actual

Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund	102
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Community Redevelopment Agency	103
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Road and Bridge Fund	104

In accordance with the Governmental Accounting Standards Board Statement Numbers 67 *Financial Reporting for Pension Plans*, implemented in fiscal year 2014, and 68 *Accounting and Financial Reporting for Pensions - An Amendment of GASB No. 27*, implemented in fiscal year 2015, the following is the historical trend information of the City's Pension Trust Funds.

Pension Trust Funds

Palmetto General Employees' Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios	105
Schedule of Contributions	106
Schedule of Investment Returns	108

Palmetto Police Officers' Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios	109
Schedule of Contributions	110
Schedule of Investment Returns	112

In accordance with the Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, implemented in fiscal year 2018, the following is the historical trend information of the City's other post employment benefit.

Schedule of Changes in the City's OPEB Liability and Related Ratios	113
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CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property	\$ 4,655,217	\$ 4,671,351	\$ 4,671,351	\$ --
Sales	1,016,362	2,030,235	2,030,235	--
Utility	1,087,867	1,187,993	1,187,993	--
Motor fuel	11,000	11,818	11,818	--
Other	819,996	852,892	858,059	5,167
Permits, fees, and special assessments	1,235,900	1,678,070	1,678,070	--
Intergovernmental revenues	--	18,726	6,000	(12,726)
Fines and forfeitures	32,800	63,538	96,605	33,067
Charges for services	769,207	735,857	735,875	18
Interest earnings	57,600	51,941	104,271	52,330
Miscellaneous	159,079	183,261	179,940	(3,321)
Impact Fees	--	186,062	186,062	--
Total revenues	<u>9,845,028</u>	<u>11,671,744</u>	<u>11,746,279</u>	<u>74,535</u>
EXPENDITURES				
Current				
General government				
Commission	264,294	264,294	242,033	22,261
City Clerk	2,207,857	2,210,531	2,151,678	58,853
City Attorney	284,490	284,490	267,385	17,105
Finance	678,371	678,915	653,468	25,447
Human resources	200,101	203,768	177,577	26,191
Total general government	<u>3,635,113</u>	<u>3,641,998</u>	<u>3,492,141</u>	<u>149,857</u>
Public Safety				
Police	4,238,485	4,324,389	4,139,632	184,757
Code enforcement	192,757	158,379	182,219	(23,840)
Planning and zoning	215,671	223,811	199,050	24,761
Building department	264,796	271,510	265,407	6,103
Total public safety	<u>4,911,709</u>	<u>4,978,089</u>	<u>4,786,308</u>	<u>191,781</u>
Recreation				
Parks and recreation	599,593	605,169	520,471	84,698
Events and facilities	161,431	172,414	157,784	14,630
Total recreation	<u>761,024</u>	<u>777,583</u>	<u>678,255</u>	<u>99,328</u>
Intergovernmental services				
Information technology	454,553	485,546	481,642	3,904
Public works administration	658,372	647,812	518,256	129,556
Fleet management	243,472	240,245	210,456	29,789
Total intergovernmental services	<u>1,356,397</u>	<u>1,373,603</u>	<u>1,210,354</u>	<u>163,249</u>
Capital outlay	223,520	1,840,560	1,707,498	133,062
Debt service principal and interest	304,484	304,484	327,354	(22,870)
Total expenditures	<u>11,192,247</u>	<u>12,916,317</u>	<u>12,201,910</u>	<u>714,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,347,219)</u>	<u>(1,244,573)</u>	<u>(455,631)</u>	<u>788,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	947,707	947,707	917,707	(30,000)
Transfers out	--	(60,000)	(60,000)	--
Capital leases	129,345	129,345	128,200	(1,145)
Total other financing sources (uses)	<u>1,077,052</u>	<u>1,017,052</u>	<u>985,907</u>	<u>(31,145)</u>
Net change in fund sources (uses)	<u>(270,167)</u>	<u>(227,521)</u>	<u>530,276</u>	<u>757,797</u>
Fund balances - beginning	<u>9,369,302</u>	<u>9,369,302</u>	<u>9,369,302</u>	<u>--</u>
Fund balances - ending	<u>\$ 9,099,135</u>	<u>\$ 9,141,781</u>	<u>\$ 9,899,578</u>	<u>\$ 757,797</u>

CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY (CRA) FUND
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
Property	\$ 3,605,399	\$ 3,605,399	\$ 3,605,932	\$ 533
Intergovernmental revenues	--	200,000	--	(200,000)
Interest earnings	20,000	20,000	69,344	49,344
Miscellaneous	3,000	3,000	11,636	8,636
Total revenues	<u>3,628,399</u>	<u>3,828,399</u>	<u>3,686,912</u>	<u>(141,487)</u>
EXPENDITURES				
Intergovernmental services	1,988,144	2,630,837	1,716,737	914,100
Capital outlay				
Streets	80,000	177,604	92,600	85,004
Other	580,000	3,288,871	268,140	3,020,731
Debt service principal and interest	1,119,752	289,084	281,628	7,456
Total expenditures	<u>3,767,896</u>	<u>6,386,396</u>	<u>2,359,105</u>	<u>4,027,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(139,497)</u>	<u>(2,557,997)</u>	<u>1,327,807</u>	<u>3,885,804</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	142,249	142,249	--
Transfers out	(39,317)	(39,317)	(39,317)	--
Total other financing sources (uses)	<u>(39,317)</u>	<u>102,932</u>	<u>102,932</u>	<u>--</u>
Net change in fund sources (uses)	(178,814)	(2,455,065)	1,430,739	3,885,804
Fund balances - beginning	2,452,749	2,452,749	2,452,749	--
Fund balances - ending	<u>\$ 2,273,935</u>	<u>\$ (2,316)</u>	<u>\$ 3,883,488</u>	<u>\$ 3,885,804</u>

CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Motor fuel	\$ 1,536,383	\$ 1,578,560	\$ 1,578,558	\$ (2)
Charges for services	121,285	123,538	123,590	52
Interest earnings	12,500	13,593	25,645	12,052
Miscellaneous	467	1,217	1,134	(83)
Impact fees	--	79,947	79,947	--
Total revenues	<u>1,670,635</u>	<u>1,796,855</u>	<u>1,808,874</u>	<u>12,019</u>
EXPENDITURES				
Highways and streets	1,151,937	1,544,710	990,841	553,869
Capital outlay				
Streets	386,000	399,000	375,966	23,034
Debt service principal and interest	<u>299,122</u>	<u>299,122</u>	<u>305,131</u>	<u>(6,009)</u>
Total expenditures	<u>1,837,059</u>	<u>2,242,832</u>	<u>1,671,938</u>	<u>570,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(166,424)</u>	<u>(445,977)</u>	<u>136,936</u>	<u>582,913</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(214,576)	(399,576)	(399,576)	--
Capital leases	<u>381,000</u>	<u>381,000</u>	<u>375,700</u>	<u>(5,300)</u>
Total other financing sources (uses)	<u>166,424</u>	<u>(18,576)</u>	<u>(23,876)</u>	<u>(5,300)</u>
Net change in fund sources (uses)	--	(464,553)	113,060	577,613
Fund balances - beginning	<u>1,823,666</u>	<u>1,823,666</u>	<u>1,823,666</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,823,666</u>	<u>\$ 1,359,113</u>	<u>\$ 1,936,726</u>	<u>\$ 577,613</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 388,341	\$ 406,052	\$ 432,504	\$ 340,367	\$ 356,601
Interest	1,098,660	1,125,493	1,167,342	1,077,822	1,100,191
Differences between expected and actual experience	--	(473,204)	(598,066)	(91,591)	(104,875)
Changes of assumptions	--	481,905	(137,785)	--	--
Benefit payments, including refunds of employee contributions	<u>(1,213,674)</u>	<u>(1,080,222)</u>	<u>(937,187)</u>	<u>(940,734)</u>	<u>(1,105,822)</u>
Net change in total pension liability	273,327	460,024	(73,192)	385,864	246,095
Total pension liability - beginning	<u>14,867,301</u>	<u>15,140,628</u>	<u>15,600,652</u>	<u>15,527,460</u>	<u>15,913,324</u>
Total pension liability - ending (a)	<u>\$ 15,140,628</u>	<u>15,600,652</u>	<u>15,527,460</u>	<u>15,913,324</u>	<u>16,159,419</u>
Plan fiduciary net position					
Contributions - employer	\$ 837,688	859,333	836,906	854,277	773,083
Contributions - employee	133,816	140,131	144,902	148,466	157,785
Net investment income	923,158	179,086	928,197	1,443,970	1,379,409
Benefit payments, including refunds of employee contributions	(1,213,674)	(1,080,222)	(937,187)	(940,734)	(1,105,822)
Administrative expense	<u>(20,097)</u>	<u>(27,272)</u>	<u>(25,909)</u>	<u>(39,707)</u>	<u>(27,759)</u>
Net change in plan fiduciary net position	660,891	71,056	946,909	1,466,272	1,176,696
Plan fiduciary net position - beginning	<u>10,639,447</u>	<u>11,300,338</u>	<u>11,371,394</u>	<u>12,318,303</u>	<u>13,784,575</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,300,338</u>	<u>11,371,394</u>	<u>12,318,303</u>	<u>13,784,575</u>	<u>14,961,271</u>
City's net pension liability - ending (a - b)	<u>\$ 3,840,290</u>	<u>4,229,258</u>	<u>3,209,157</u>	<u>2,128,749</u>	<u>1,198,148</u>
Plan fiduciary net position as a percentage of the total pension liability	74.64 %	72.89 %	79.33 %	86.62 %	92.59 %
Covered employee payroll (2)	\$ 2,676,320	2,938,908	2,898,036	2,969,332	3,155,700
City's net pension liability as a percentage of covered employee payroll	143.49 %	143.91 %	110.74 %	71.69 %	37.97 %

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.

(2) The covered employee payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

Changes of assumptions made August 26, 2016: Salary increases, Normal and Early Retirement Rates, Withdrawal Rates, Investment Return

Additionally, the inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

Changes of assumptions made in the October 1, 2017 valuation included a change in the mortality assumption to reflect changes from the rates utilized by the Florida Retirement System in the July 1, 2015 valuation to those utilized in the July 1, 2016 valuation for other than special risk employees.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 837,688	\$ 859,281	\$ 836,083	\$ 854,277	\$ 772,200
Contributions in relation to the actuarially determined contributions	<u>837,688</u>	<u>859,333</u>	<u>836,906</u>	<u>854,277</u>	<u>773,083</u>
Contribution deficiency (excess)	<u>—</u>	<u>(52)</u>	<u>(823)</u>	<u>—</u>	<u>(883)</u>
Covered employee payroll (2)	2,676,320	2,938,908	2,898,036	2,969,332	3,155,700
Contributions as a percentage of covered employee payroll	31.30 %	29.24 %	28.88 %	28.77 %	24.50 %

Notes to the Schedule:

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.

Valuation date	October 1, 2016
Funding method	Entry age normal actuarial cost method (level percent of pay).
Amortization method	Level dollar, closed
Remaining amortization period	20 years (as of 10/1/2015)
Mortality	Mortality Rate Healthy Inactive Lives: Female: RP 2000 Generational, 100% Annuitant White Collar, Scale BB.Male: RP 2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.Mortality Rate Healthy Active Lives:Female: RP2000 Generational, 100% Combined Healthy (previously Annuitant) White Collar, Scale BB.Male: RP2000 Generational, 50% Combined Healthy (previously Annuitant) White Collar / 50% Combined Healthy Blue Collar, Scale BB.
Interest rate	7% per year compounded annually, net of investment related expenses.
Inflation	2.30% 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 (3):

<u>Years of Servicet</u>	<u>Age</u>	<u>Probability of Retirement</u>
10-29 years	60-63	80%
10-29 years	64-69	25%
10-29 years	70+	100%
30	All	33%
31	All	33%
32 + years	All	100%

Early Retirement Age:

A 10% probability of early retirement is assumed for each year of early retirement eligibility between the ages of 55 and 59. This assumption was approved by the Board as the result of an Experience Study for the period October 1, 2009 through September 30, 2015.

Salary increases:

<u>Years of Service</u>	<u>Rates</u>
0-2 years	6.00%

Years of Service	Rates
3-9 years	4.50%
10 or more years	4.00%

Disability Rates:

Age	Probability of Disability
25	0.09%
30	0.12%
35	0.14%
40	0.25%
45	0.35%
50	0.55%
55	0.74%
60	0.97%
65 and older	1.19%

Termination rates:

Sample Age	Years of service	% of Active Members Separating Within Next Year
All	0-3 years	15%
	4 - 9 years	8.5%
	10 - 14 years	7.5%
	15 - 19 years	5%
	20 or more years	0%

Terminal leave pay:

Credited Service as of 10/1/2012	Liability Loan
10 or more years	4.5%
At least 5, less than 10 years	3.0%
Less than 5 years	0.0%

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

(2) The covered employee payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

(3) The rates above were previously adopted by the Board as their result of an Experience Study for the period of October 1, 2000 through September 30, 2007

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

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018
Annual money-weighted rate of return net of investment expense	8.77 %	1.61 %	8.18 %	11.78 %	10.07 %

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total pension liability					
Service cost	\$ 393,530	\$ 375,644	\$ 392,233	\$ 332,469	\$ 341,648
Interest	883,658	933,499	975,789	984,780	1,016,788
Differences between expected and actual experience	--	(498,919)	(332,570)	81,800	173,880
Changes of assumptions	--	541,965	485,432	220,697	163,140
Benefit payments, including refunds of employee contributions	<u>(585,282)</u>	<u>(621,699)</u>	<u>(703,105)</u>	<u>(1,073,813)</u>	<u>(708,481)</u>
Net change in total pension liability	691,906	730,490	817,779	545,933	986,975
Total pension liability - beginning	<u>11,547,437</u>	<u>12,239,343</u>	<u>12,969,833</u>	<u>13,787,612</u>	<u>14,333,545</u>
Total pension liability - ending (a)	<u>\$ 12,239,343</u>	<u>\$ 12,969,833</u>	<u>13,787,612</u>	<u>14,333,545</u>	<u>15,320,520</u>
Plan fiduciary net position					
Contributions - employer	\$ 426,776	\$ 437,216	442,836	525,731	452,774
Contributions - state	97,971	103,281	114,200	121,071	130,363
Contributions - employee	74,568	77,319	82,118	86,729	85,229
Net investment income	1,032,897	(94,890)	1,076,748	1,308,549	1,169,844
Benefit payments, including refunds of employee contributions	(585,282)	(621,699)	(703,105)	(1,073,813)	(708,481)
Administrative expense	<u>(16,881)</u>	<u>(24,018)</u>	<u>(31,438)</u>	<u>(32,154)</u>	<u>(30,797)</u>
Net change in plan fiduciary net position	1,030,049	(122,791)	981,359	936,113	1,098,932
Plan fiduciary net position - beginning	<u>9,579,905</u>	<u>10,609,954</u>	<u>10,487,163</u>	<u>11,468,522</u>	<u>12,404,635</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,609,954</u>	<u>\$ 10,487,163</u>	<u>11,468,522</u>	<u>12,404,635</u>	<u>13,503,567</u>
City's net pension liability - ending (a - b)	<u>\$ 1,629,389</u>	<u>\$ 2,482,670</u>	<u>2,319,090</u>	<u>1,928,910</u>	<u>1,816,953</u>
Plan fiduciary net position as a percentage of the total pension liability	86.69 %	80.86 %	83.18 %	86.54 %	88.14 %
Covered employee payroll (2)	\$ 1,491,360	\$ 1,663,139	1,642,361	1,734,587	1,704,571
City's net pension liability as a percentage of covered employee payroll	109.26 %	149.28 %	141.20 %	111.20 %	106.59 %

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.

(2) The covered employee payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

For measurement date 9/30/2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 Florida Retirement System (FRS) valuation report to those used in the July 1, 2016 FRS valuation report.

For measurement date 9/30/2016, amounts reported as changes of assumptions was a result of the Experience Study dated 8/26/2016, the Board approved the following changes of assumptions: Salary increases and Withdrawal Rates

The investment return assumption will be lowered from the current 7.50% rate by the following schedule: 10/1/2016 - 7.25%; 10/1/2017 - 7.10%; 10/1/2018 - 7.00%

Inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

	2014	2015	2016	2017	2018
Actuarially determined contribution	\$ 524,660	\$ 536,596	\$ 551,341	\$ 640,930	\$ 557,736
Contributions in relation to the actuarially determined contributions	<u>524,747</u>	<u>540,497</u>	<u>557,036</u>	<u>646,802</u>	<u>583,137</u>
Contribution deficiency (excess)	<u>(87)</u>	<u>(3,901)</u>	<u>(5,695)</u>	<u>(5,872)</u>	<u>(25,401)</u>
Covered employee payroll (2)	1,491,360	1,663,139	1,642,361	1,734,587	1,704,571
Contributions as a percentage of covered employee payroll	35.19 %	32.50 %	33.92 %	37.29 %	34.21 %

Notes to the Schedule:

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.

Valuation date	October 1, 2016
Funding method	Entry age normal actuarial cost method (level percent of pay).
Amortization method	Level dollar
Remaining amortization period	25 years (as of 10/1/2014)
Mortality	Mortality Rate Healthy Inactive Lives: Female: RP 2000 Generational, 100% Annuitant White Collar, Scale BB.Male: RP 2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.Mortality Rate Healthy Active Lives:Female: RP2000 Generational, 100% Combined Healthy (previously Annuitant) White Collar, Scale BB.Male: RP2000 Generational, 10% Combined Healthy (previously Annuitant) White Collar / 90% Combined Healthy Blue Collar, Scale BB.Mortality Rates Disabled Lives:Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale. Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.
Interest rate	7.25% per year compounded annually, net of investment related expenses.
Inflation	2.50% 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
0 years	80%
1-4 years	40%
5 years	100%

Early Retirement Age: 5% for each eligible year

Salary increases:

Years of Service	Rates
Less than 1	8.0%
1-4	5.5%
5 or more	5.0%

Disability Rates:

Age	Probability of Disability
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

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

Termination rates:

Years of Service	% of Active Members Separating within Next Year
0-5	8.0%
7-14	6.0%
15 or more	-%

Terminal leave pay:

Credited Service as of 10/1/2011	Liability Loan
10 or more years	4.5%
1 - 10 years	3.5%
Less than 1 year	0.0%

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

(2) The covered payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

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

	September 30, 2014	September 30, 2015	September 30, 2016	September 30, 2017	September 30, 2018
Annual money-weighted rate of return net of investment expense	10.85 %	(0.90)%	10.33 %	11.46 %	9.46 %

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (1)

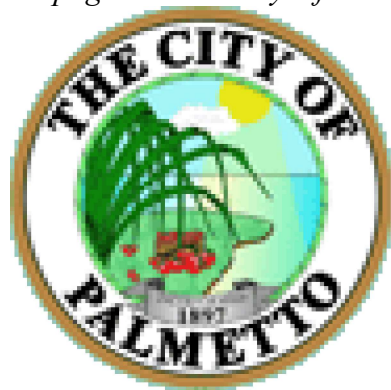
	2018
Total OPEB liability	
Service cost	\$ 15,911
Interest	10,898
Changes of assumptions	(12,960)
Benefit payment	(17,580)
Net change in total OPEB liability	(3,731)
Total OPEB liability - beginning	292,186
Total OPEB liability - ending	\$ 288,455
 Covered employee payroll	\$ 5,312,728
 Total OPEB Liability as a percentage of covered payroll	5.43 %

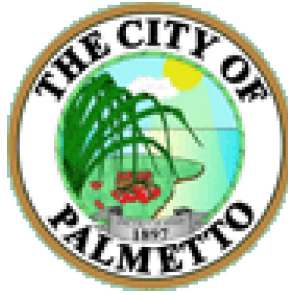
Changes in benefit terms. There were no changes in benefit terms during the year ended September 30, 2018 .

Changes in assumptions: There was a change in the discount rate from the reporting period ending September 30, 2017 which was 3.64% to 4.18% for the report period ending September 30, 2018.

(1) In accordance with Governmental Accounting Standards Board Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, implemented in Fiscal Year 2018, the City's other postemployment benefit plan historical schedule is presented to illustrate the requirement to show information for 10 years. Information necessary for this table will accumulate until 10 years of data is available.

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COMBINING FUND STATEMENTS AND SCHEDULES

These financial statements provide a more detailed view of the "Basic Financial Statements" presented in the preceding section.

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 capital project fund budgetary comparisons.

PAGE

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CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ --	\$ 731,685	\$ 103,597	\$ (628,088)
Total revenues	<u>--</u>	<u>731,685</u>	<u>103,597</u>	<u>(628,088)</u>
EXPENDITURES				
Capital outlay				
Streets	--	1,399,468	326,766	1,072,702
Other	--	253,841	152,422	101,419
Total expenditures	<u>--</u>	<u>1,653,309</u>	<u>479,188</u>	<u>1,174,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(921,624)</u>	<u>(375,591)</u>	<u>546,033</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	225,000	225,000	--
Transfers out	--	(142,249)	(142,249)	--
Total other financing sources (uses)	<u>--</u>	<u>82,751</u>	<u>82,751</u>	<u>--</u>
Net change in fund sources (uses)	<u>--</u>	<u>(838,873)</u>	<u>(292,840)</u>	<u>546,033</u>
Fund balances - beginning	<u>1,000,654</u>	<u>1,000,654</u>	<u>1,000,654</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,000,654</u>	<u>\$ 161,781</u>	<u>\$ 707,814</u>	<u>\$ 546,033</u>

CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2018

	Palmetto Police Officers' Pension Plan	Palmetto General Employees' Pension Plan	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 319	\$ 300	\$ 619
Interest and dividends receivable	10,235	30,742	40,977
Prepaid benefits	--	71,756	71,756
Investments			
Money market funds	224,927	445,728	670,655
U. S. government securities	705,489	1,081,428	1,786,917
Corporate bonds	733,606	782,797	1,516,403
Corporate stocks	1,033,023	8,672,113	9,705,136
Mutual funds	9,363,892	2,320,812	11,684,704
Alternative investments	1,431,877	1,555,895	2,987,772
Total investments	<u>13,492,814</u>	<u>14,858,773</u>	<u>28,351,587</u>
Total assets	<u>13,503,368</u>	<u>14,961,571</u>	<u>28,464,939</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>64,687</u>	<u>--</u>	<u>64,687</u>
Total liabilities	<u>64,687</u>	<u>--</u>	<u>64,687</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 13,438,681</u>	<u>\$ 14,961,571</u>	<u>\$ 28,400,252</u>

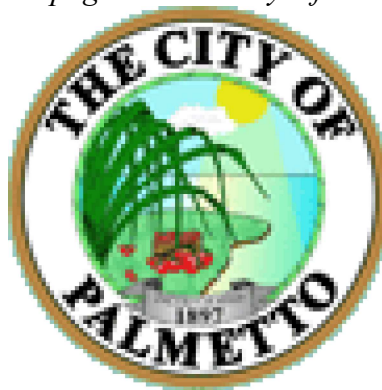
CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2018

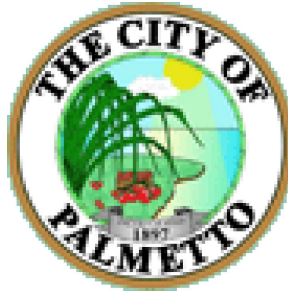
	Palmetto Police Officers' Pension Plan	Palmetto General Employees' Pension Plan	Total Fiduciary Funds
ADDITIONS			
Contributions:			
Employer	\$ 452,774	\$ 773,090	\$ 1,225,864
Plan members	87,713	157,785	245,498
State (from the General Fund)	130,363	--	130,363
Miscellaneous	331	300	631
Total contributions:	<u>671,181</u>	<u>931,175</u>	<u>1,602,356</u>
Investment earnings			
Interest	48,191	38,394	86,585
Dividends	292,431	190,266	482,697
Net increase in the fair value of investments	867,214	1,239,424	2,106,638
Total investment earnings	1,207,836	1,468,084	2,675,920
Less investment expense	(40,408)	(88,674)	(129,082)
Net investment earnings	<u>1,167,428</u>	<u>1,379,410</u>	<u>2,546,838</u>
Total additions	<u>1,838,609</u>	<u>2,310,585</u>	<u>4,149,194</u>
DEDUCTIONS			
Benefits	773,165	1,039,019	1,812,184
Refunds of contributions	--	66,804	66,804
Administrative expenses	30,797	27,759	58,556
Total deductions	<u>803,962</u>	<u>1,133,582</u>	<u>1,937,544</u>
Change in net position	1,034,647	1,177,003	2,211,650
Net position, beginning of year	<u>12,404,034</u>	<u>13,784,568</u>	<u>26,188,602</u>
Net position, end of year	<u>\$ 13,438,681</u>	<u>\$ 14,961,571</u>	<u>\$ 28,400,252</u>

CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - AGENCY FUND
For the Year Ended September 30, 2018

	Agency Fund			September 30, 2018
	October 1, 2017	Additions	Deletions	
ASSETS				
Cash and cash equivalents	\$ --	\$ 2,895,360	\$ (2,895,360)	\$ --
Prepaid benefits	794	1,678	(794)	1,678
Total assets	<u>794</u>	<u>2,897,038</u>	<u>(2,896,154)</u>	<u>1,678</u>
LIABILITIES				
Accounts payable and accrued liabilities	--	2,996,026	(2,996,026)	--
Advances from other funds	794	1,678	(794)	1,678
Total liabilities	<u>\$ 794</u>	<u>\$ 2,997,704</u>	<u>\$ (2,996,820)</u>	<u>\$ 1,678</u>

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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:

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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			
	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 26,180,322	\$ 25,413,841	\$ 27,139,012	\$ 30,654,831
Restricted	2,303,732	3,836,360	8,923,098	5,078,638
Unrestricted	10,297,510	10,257,039	5,196,210	7,684,475
Governmental Activities net position	<u>\$ 38,781,564</u>	<u>\$ 39,507,240</u>	<u>\$ 41,258,320</u>	<u>\$ 43,417,944</u>
Business-type Activities				
Net investment in capital assets	15,824,203	16,716,784	17,638,823	18,570,910
Restricted	311,137	2,033,805	469,719	530,506
Unrestricted	1,058,757	1,215,155	2,548,267	2,392,528
Total business-type activities net position	<u>\$ 17,194,097</u>	<u>\$ 19,965,744</u>	<u>\$ 20,656,809</u>	<u>\$ 21,493,944</u>
Primary Government				
Net investment in capital assets	\$ 42,004,525	\$ 42,130,625	\$ 44,777,835	\$ 49,225,741
Restricted	2,614,869	5,870,165	9,392,817	5,609,144
Unrestricted	11,356,267	11,472,194	7,744,477	10,077,003
Total primary government net position	<u>\$ 55,975,661</u>	<u>\$ 59,472,984</u>	<u>\$ 61,915,129</u>	<u>\$ 64,911,888</u>

(1) 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.

(2) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this net pension liability and associated deferred inflows and outflows of pension resources were not recorded.

Fiscal Year					
2013	2014	2015	2016	2017	2018
(1)		(2)			
\$ 31,673,980	\$ 32,241,516	\$ 33,319,038	\$ 33,506,241	\$ 34,364,152	\$ 35,933,864
4,217,646	3,193,316	3,567,422	4,378,810	5,751,126	8,872,485
7,257,727	6,679,783	3,030,809	3,140,557	4,160,584	3,620,287
<u>\$ 43,149,353</u>	<u>\$ 42,114,615</u>	<u>\$ 39,917,269</u>	<u>\$ 41,025,608</u>	<u>\$ 44,275,862</u>	<u>\$ 48,426,636</u>
19,190,117	21,989,061	21,533,620	22,947,006	24,414,011	24,524,166
488,908	245,743	906,723	1,012,806	1,120,585	1,121,064
2,564,049	2,929,840	3,731,428	3,937,734	4,927,292	7,184,686
<u>\$ 22,243,074</u>	<u>\$ 25,164,644</u>	<u>\$ 26,171,771</u>	<u>\$ 27,897,546</u>	<u>\$ 30,461,888</u>	<u>\$ 32,829,916</u>
\$ 50,864,097	\$ 54,230,577	\$ 54,852,658	\$ 56,453,247	\$ 58,778,163	\$ 60,458,030
4,706,554	3,439,059	4,474,145	5,391,616	6,871,711	9,993,549
9,821,776	9,609,623	6,762,237	7,078,291	9,087,876	10,804,973
<u>\$ 65,392,427</u>	<u>\$ 67,279,259</u>	<u>\$ 66,089,040</u>	<u>\$ 68,923,154</u>	<u>\$ 74,737,750</u>	<u>\$ 81,256,552</u>

CITY OF PALMETTO, FLORIDA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(continued on subsequent pages)

	Fiscal Year			
	2009	2010	2011 (1)	2012
Expenses				
Governmental activities:				
General government (net of indirect allocation)	\$ 4,495,082	\$ 4,036,111	\$ 2,270,420	\$ 2,667,131
Public safety	4,776,464	4,648,615	4,256,660	4,432,536
Highways and streets	895,995	870,116	960,680	827,562
Recreation	1,180,146	892,002	787,011	823,114
Intergovernmental (net of indirect allocation)	3,440,725	3,151,831	3,068,007	2,504,506
Interest on long-term debt	229,944	188,221	171,188	160,217
Total governmental activities expenses	<u>15,018,356</u>	<u>13,786,896</u>	<u>11,513,966</u>	<u>11,415,066</u>
Business-type activities:				
Solid waste	2,041,362	2,008,625	1,974,313	1,990,565
Water and sewer	4,489,574	3,794,901	4,193,367	4,258,959
Stormwater	675,366	686,325	688,710	668,659
Reuse	85,519	89,366	91,761	86,689
Total business-type activities expenses	<u>7,291,821</u>	<u>6,579,217</u>	<u>6,948,151</u>	<u>7,004,872</u>
Total primary government expenses	<u>\$ 22,310,177</u>	<u>\$ 20,366,113</u>	<u>\$ 18,462,117</u>	<u>\$ 18,419,938</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	1,667,917	1,646,668	330,820	243,076
Public safety	412,943	414,139	277,205	340,888
Highways and streets	247,958	137,268	85,349	92,720
Recreation	496,629	87,333	2,242	--
Operating grants and contributions	48,000	3,000	209,731	--
Capital grants and contributions	54,347	654,471	304,488	1,700,739
Total governmental activities program revenues	<u>2,927,794</u>	<u>2,942,879</u>	<u>1,209,835</u>	<u>2,377,423</u>
Business-type activities:				
Charges for services				
Solid waste	2,120,933	2,155,751	2,124,827	2,088,560
Water and sewer	4,689,607	4,653,542	4,805,767	4,815,175
Stormwater	824,822	804,251	788,920	788,563
Reuse	188,115	184,702	187,480	188,069
Operating grants and contributions	223,712	--	--	--
Capital grants and contributions	44,906	132,575	912,043	211,618
Total business-type activities program revenues	<u>8,092,095</u>	<u>7,930,821</u>	<u>8,819,037</u>	<u>8,091,985</u>
Total primary government program revenues	<u>11,019,889</u>	<u>10,873,700</u>	<u>10,028,872</u>	<u>10,469,408</u>
Net (Expense)/Revenue				
Government activities	\$ (12,090,562)	\$ (10,844,017)	\$ (10,304,131)	\$ (9,037,643)
Business-type activities	<u>800,274</u>	<u>1,351,604</u>	<u>1,870,886</u>	<u>1,087,113</u>
Total primary government net expense	<u>(11,290,288)</u>	<u>(9,492,413)</u>	<u>(8,433,245)</u>	<u>(7,950,530)</u>

							Fiscal Year															
							2013			2014			2015			2016			2017			2018
							(2)					(3)										
\$	3,382,557	\$	3,434,529	\$	2,761,333	\$	3,063,567	\$	3,202,580	\$	3,389,085											
	4,353,495		4,489,409		4,447,435		4,773,190		4,712,040		4,922,734											
	894,480		1,332,919		1,030,938		1,163,107		1,004,315		1,455,875											
	729,485		636,947		648,017		632,666		650,416		691,519											
	2,582,701		2,634,057		2,713,354		2,699,069		2,993,731		3,087,537											
	151,233		129,675		120,874		116,363		112,689		123,283											
	12,093,951		12,657,536		11,721,951		12,447,962		12,675,771		13,670,033											
	2,075,468		2,200,590		2,180,098		2,001,620		2,001,143		2,324,223											
	4,524,200		4,744,118		4,919,816		5,255,761		5,136,548		5,272,179											
	656,269		612,953		574,894		593,910		559,892		497,092											
	88,650		113,245		130,437		158,216		143,347		165,525											
	7,344,587		7,670,906		7,805,245		8,009,507		7,840,930		8,259,019											
\$	19,438,538	\$	20,328,442	\$	19,527,196	\$	20,457,469	\$	20,516,701	\$	21,929,052											
	312,316		163,793		480,864		521,631		429,653		881,869											
	270,709		375,222		146,175		188,432		197,235		244,484											
	109,443		139,397		113,236		88,597		248,239		203,537											
	--		600		35,139		33,706		40,285		143,064											
	--		--		29,693		5,470		1,952		6,000											
	144,407		334,025		554,283		220,296		224,402		506,276											
	836,875		1,013,037		1,359,390		1,058,132		1,141,766		1,985,230											
	2,136,874		2,177,967		2,272,215		2,170,087		2,151,687		2,166,408											
	4,897,027		5,615,854		6,638,840		6,935,577		7,213,578		7,595,756											
	785,132		785,144		781,649		786,912		778,978		798,498											
	189,698		282,522		389,078		397,958		409,888		436,377											
	--		--		--		--		--		--											
	513,359		960,091		67,137		41,303		394,126		134,437											
	8,522,090		9,821,578		10,148,919		10,331,837		10,948,257		11,131,476											
	9,358,965		10,834,615		11,508,309		11,389,969		12,090,023		13,116,706											
\$	(11,257,076)	\$	(11,644,499)	\$	(10,362,561)	\$	(11,389,830)	\$	(11,534,005)	\$	(11,684,803)											
	1,177,503		2,150,672		2,343,674		2,322,330		3,107,327		2,872,457											
	(10,079,573)		(9,493,827)		(8,018,887)		(9,067,500)		(8,426,678)		(8,812,346)											

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

	Fiscal Year			
	2009	2010	2011 (1)	2012
Net (Expense)/Revenue				
Government activities	\$ (12,090,562)	\$ (10,844,017)	\$ (10,304,131)	\$ (9,037,643)
Business-type activities	800,274	1,351,604	1,870,886	1,087,113
Total primary government net expense	<u>(11,290,288)</u>	<u>(9,492,413)</u>	<u>(8,433,245)</u>	<u>(7,950,530)</u>
General Revenues and Other Changes in Net Position				
Government activities:				
Taxes				
Property taxes	9,951,558	8,191,906	6,315,246	6,107,019
Sales taxes	807,927	809,534	861,772	793,591
Utility taxes	841,254	903,826	909,987	910,783
Motor fuel taxes	1,205,131	1,219,376	1,227,138	1,202,520
Other taxes	333,337	316,025	917,678	886,666
Franchise fees	1,410,284	1,265,842	818,570	840,158
Interest and investment earnings	338,298	253,740	196,277	178,264
Other general revenues	--	--	--	--
Transfers	262,209	(1,390,556)	808,543	278,266
Total government activities	<u>15,149,998</u>	<u>11,569,693</u>	<u>12,055,211</u>	<u>11,197,267</u>
Business-type activities:				
Investment earnings	22,231	29,487	29,989	28,288
Transfers	(262,209)	1,390,556	(808,543)	(278,266)
Total business-type activities	<u>(239,978)</u>	<u>1,420,043</u>	<u>(778,554)</u>	<u>(249,978)</u>
Total primary government	<u>14,910,020</u>	<u>12,989,736</u>	<u>11,276,657</u>	<u>10,947,289</u>
Change in Net Position				
Government activities	3,059,436	725,676	1,751,080	2,159,624
Business-type activities	560,296	2,771,647	1,092,332	837,135
Total primary government	<u>\$ 3,619,732</u>	<u>\$ 3,497,323</u>	<u>\$ 2,843,412</u>	<u>\$ 2,996,759</u>

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

(2) 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.

(3) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this net pension liability and associated deferred inflows and outflows of pension resources were not recorded.

Fiscal Year					
2013 (2)	2014	2015 (3)	2016	2017	2018
\$ (11,257,076)	\$ (11,644,499)	\$ (10,362,561)	\$ (11,389,830)	\$ (11,534,005)	\$ (11,684,803)
1,177,503	2,150,672	2,343,674	2,322,330	3,107,327	2,872,457
(10,079,573)	(9,493,827)	(8,018,887)	(9,067,500)	(8,426,678)	(8,812,346)
5,802,343	6,252,171	6,557,041	7,261,107	7,744,097	8,277,283
848,863	912,455	950,806	987,991	1,648,177	2,030,235
986,029	1,088,481	1,096,095	1,107,225	1,143,031	1,187,993
1,194,620	1,298,344	1,428,522	1,528,050	1,591,988	1,590,376
864,389	853,806	781,298	813,066	844,339	858,059
811,682	856,531	904,809	848,579	882,834	906,516
26,515	107,545	111,708	123,720	138,093	199,260
--	--	244,338	192,608	179,765	167,382
454,044	(759,572)	406,595	458,963	611,935	643,814
10,988,485	10,609,761	12,481,212	13,321,309	14,784,259	15,860,918
25,671	11,326	23,362	36,754	68,950	144,230
(454,044)	759,572	(406,595)	(458,963)	(611,935)	(643,814)
(428,373)	770,898	(383,233)	(422,209)	(542,985)	(499,584)
10,560,112	11,380,659	12,097,979	12,899,100	14,241,274	15,361,334
(268,591)	(1,034,738)	2,118,651	1,931,479	3,250,254	4,176,115
749,130	2,921,570	1,960,441	1,900,121	2,564,342	2,372,873
\$ 480,539	\$ 1,886,832	\$ 4,079,092	\$ 3,831,600	\$ 5,814,596	\$ 6,548,988

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

	Fiscal Year			
	2009	2010	2011 (1)	2012
General fund				
Reserved	\$ 1,473,190	\$ 1,474,449	\$ --	\$ --
Unreserved	5,381,549	6,078,712	--	--
Nonspendable	--	--	459,956	345,962
Restricted	--	--	1,041,681	797,181
Committed	--	--	2,008,234	1,964,498
Assigned	--	--	123,674	461,271
Unassigned	--	--	4,022,971	4,047,702
Total general fund	<u>\$ 6,854,739</u>	<u>\$ 7,553,161</u>	<u>\$ 7,656,516</u>	<u>\$ 7,616,614</u>
All other governmental funds				
Reserved	3,954,371	3,096,331	--	--
Unreserved, reported in:				
Special revenue funds	3,877,606	3,666,272	--	--
Capital projects funds	519	670,772	--	--
Nonspendable	--	--	2,654	--
Restricted	--	--	7,881,417	5,256,670
Committed	--	--	876,753	941,849
Total all other governmental funds	<u>\$ 7,832,496</u>	<u>\$ 7,433,375</u>	<u>\$ 8,760,824</u>	<u>\$ 6,198,519</u>

(1) During fiscal year 2011, the City implemented the new fund balance classifications under GASB No. 54.

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
277,823	319,834	318,269	275,926	278,290	263,417
654,934	477,674	615,227	844,837	1,563,003	3,052,271
1,964,498	1,983,593	2,003,079	2,039,206	2,075,406	2,020,887
804,869	343,795	199,142	393,991	350,837	316,356
3,867,975	4,077,272	4,586,884	4,652,720	5,101,766	4,246,647
<u>\$ 7,570,099</u>	<u>\$ 7,202,168</u>	<u>\$ 7,722,601</u>	<u>\$ 8,206,680</u>	<u>\$ 9,369,302</u>	<u>\$ 9,899,578</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
4,509,519	3,320,385	3,556,542	3,670,011	4,301,268	5,820,214
583,906	281,583	262,856	846,341	975,801	707,814
<u>\$ 5,093,425</u>	<u>\$ 3,601,968</u>	<u>\$ 3,819,398</u>	<u>\$ 4,516,352</u>	<u>\$ 5,277,069</u>	<u>\$ 6,528,028</u>

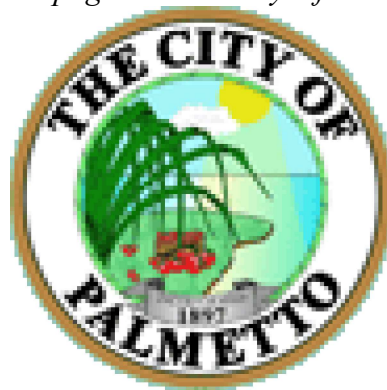
CITY OF PALMETTO, FLORIDA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2009	2010 (1)	2011	2012
Revenues				
Taxes	\$ 14,549,491	\$ 12,706,509	\$ 10,231,821	\$ 9,900,579
Permits, fees, and special assessments	299,253	215,939	1,015,445	1,023,579
Intergovernmental revenues	102,347	657,471	514,219	1,700,739
Charges for services	1,738,264	1,485,145	1,405,022	907,925
Fines and forfeitures	113,690	161,769	29,843	101,317
Interest earnings	338,298	253,740	196,277	178,264
Impact fees (1)	177,611	245,878	4,045	12,611
Miscellaneous	2,524,862	168,566	245,295	228,740
Total revenues	<u>\$ 19,843,816</u>	<u>\$ 15,895,017</u>	<u>\$ 13,641,967</u>	<u>\$ 14,053,754</u>
Expenditures				
General government	3,518,269	3,125,314	2,728,179	2,723,534
Public safety	4,571,897	4,313,113	4,196,600	4,215,246
Highways and streets	683,448	637,443	768,765	590,527
Economic and physical environment	3,395,195	2,865,768	2,958,752	2,359,788
Recreation	1,098,184	763,796	742,296	754,781
Capital outlay	533,100	1,770,178	869,311	6,044,196
Debt service				
Principal retirement	229,943	188,221	171,189	160,217
Interest	697,993	625,867	543,020	466,938
Total expenditures	<u>14,728,029</u>	<u>14,289,700</u>	<u>12,978,112</u>	<u>17,315,227</u>
Excess of revenues over (under) expenditures	5,115,787	1,605,317	663,855	(3,261,473)
Other financing sources (uses)				
Transfers in	1,702,110	597,074	1,402,298	1,602,970
Transfers out	(1,815,901)	(1,987,630)	(574,387)	(1,324,704)
Capital leases	--	84,000	165,482	381,000
Reallocation of loan	--	--	--	--
Total other financing sources (uses)	<u>(113,791)</u>	<u>(1,306,556)</u>	<u>993,393</u>	<u>659,266</u>
Net change in fund balances	<u>5,001,996</u>	<u>298,761</u>	<u>1,657,248</u>	<u>(2,602,207)</u>
Debt service as a percentage of non-capital expenditures	6.54 %	6.50 %	5.90 %	5.56 %

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

Fiscal Year					
2013	2014	2015	2016	2017	2018
\$ 9,696,244	\$ 10,405,257	\$ 10,813,762	\$ 11,697,439	\$ 12,971,632	\$ 13,943,946
964,238	1,135,631	1,312,655	1,314,226	1,293,917	1,678,070
102,941	334,025	511,887	229,447	226,354	109,597
846,821	783,332	874,483	716,463	894,464	859,465
61,545	58,255	53,414	47,122	38,955	96,605
26,515	107,545	111,708	123,720	138,093	199,260
21,292	65,417	34,422	64,528	108,684	266,009
168,543	255,752	279,535	215,230	200,756	192,710
<u>\$ 11,888,139</u>	<u>\$ 13,145,214</u>	<u>\$ 13,991,866</u>	<u>\$ 14,408,175</u>	<u>\$ 15,872,855</u>	<u>\$ 17,345,662</u>
3,378,574	2,767,181	2,896,947	3,111,603	3,299,997	3,492,141
4,159,702	4,264,229	4,337,159	4,456,172	4,653,229	4,786,308
609,082	757,656	635,317	740,798	664,664	990,841
2,421,266	2,483,372	2,587,428	2,522,372	2,807,943	2,927,091
672,960	598,012	637,539	617,505	650,987	678,255
1,679,365	2,636,068	2,323,322	1,724,190	2,008,448	2,923,392
151,233	339,802	629,785	663,096	681,294	790,830
526,340	347,493	120,954	116,369	112,689	123,283
<u>13,598,522</u>	<u>14,193,813</u>	<u>14,168,451</u>	<u>13,952,105</u>	<u>14,879,251</u>	<u>16,712,141</u>
(1,710,383)	(1,048,599)	(176,585)	456,070	993,604	633,521
2,081,969	1,358,442	1,146,055	3,207,657	1,379,591	1,284,956
(1,627,925)	(2,118,014)	(739,460)	(2,748,694)	(767,656)	(641,142)
104,730	291,500	507,853	266,000	317,800	503,900
--	(342,717)	--	--	--	--
<u>558,774</u>	<u>(810,789)</u>	<u>914,448</u>	<u>724,963</u>	<u>929,735</u>	<u>1,147,714</u>
<u>(1,151,609)</u>	<u>(1,859,388)</u>	<u>737,863</u>	<u>1,181,033</u>	<u>1,923,339</u>	<u>1,781,235</u>
5.68 %	5.95 %	6.34 %	6.37 %	6.17 %	6.63 %

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

<u>Fiscal year</u>	<u>Tax Year</u>	<u>Property Tax</u>	<u>Franchise Fees (2)</u>	<u>Sales Tax (3)</u>	<u>Utility Tax</u>	<u>Motor Fuel Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2009	2008	\$ 9,951,558	\$ 1,410,284	\$ 807,927	\$ 841,254	\$ 1,205,131	\$ 333,337	\$ 14,549,491
2010	2009	8,191,906	1,265,842	809,534	903,826	1,219,376	316,025	12,706,509
2011 (1)	2010	6,315,246	--	861,772	909,987	1,227,138	917,678	10,231,821
2012	2011	6,107,019	--	793,591	910,783	1,202,520	886,666	9,900,579
2013	2012	5,802,343	--	848,863	986,029	1,194,620	864,389	9,696,244
2014	2013	6,252,171	--	912,455	1,088,481	1,298,344	853,806	10,405,257
2015	2014	6,557,041	--	950,806	1,096,095	1,428,522	781,298	10,813,762
2016	2015	7,261,107	--	987,991	1,107,225	1,528,050	813,066	11,697,439
2017	2016	7,744,097	--	1,648,177	1,143,031	1,591,988	844,339	12,971,632
2018	2017	8,277,283	--	2,030,235	1,187,993	1,590,376	858,059	13,943,946

Change:

2009 - 2018	(16.82)%	(100.00)%	151.29 %	41.22 %	31.97 %	157.41 %	(4.16)%
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(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.

(3) During fiscal year 2017, Manatee County citizens approved an additional half-cent sales tax for the improvement of public infrastructure. The amount for 2017 reflects 12 months of Sales Tax and 8 months of Infrastructure Sales Tax. Subsequent years reflect 12 months of both taxes.

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

Fiscal year	Tax Year	Real Property (1)				Personal Property (2)
		Residential Property	Commercial Property (2)	Other Property		
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	
2017	2016	604,560,649	204,843,261	153,101,726	51,876,829	
2018	2017	649,526,269	209,755,805	154,950,980	53,628,021	
2019	2018	694,988,610	217,548,089	157,583,187	53,995,762	

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, equipment, 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).

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate (3)	Estimated Actual Taxable Value (4)	Assessed Value as a Percent of Actual Value
\$ 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 %
249,085,938	765,296,527	5.9671	765,296,527	100.0 %
258,248,553	809,612,522	5.9671	809,612,522	100.0 %
272,163,608	851,952,040	5.9671	851,952,040	100.0 %

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

Fiscal year	Tax Year	City Direct Rates		Overlapping Rates	
		General Fund (1)	School District (2)	County (2)	Total
2009	2008	4.6662	7.5410	7.0961	19.3033
2010	2009	4.6662	7.5910	7.1135	19.3707
2011	2010	4.6662	7.9600	6.9900	19.6162
2012	2011	5.1185	7.5900	6.9900	19.6985
2013	2012	5.2171	7.5700	6.9800	19.7671
2014	2013	5.7171	7.3800	6.3100	19.4071
2015	2014	5.7171	7.2700	6.9400	19.9271
2016	2015	5.9671	6.9200	6.9400	19.8271
2017	2016	5.9671	6.6100	6.9100	19.4871
2018	2017	5.9671	7.3310	6.9275	20.2256

Sources:

(1) Office of the City Clerk

(2) Manatee County Tax Collector's Office

<http://www.taxcollector.com/docs/tax/MillageRates.pdf>

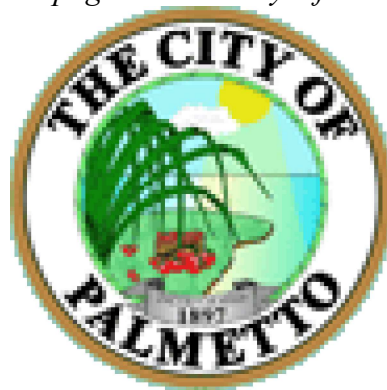
**CITY OF PALMETTO, FLORIDA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2018			2009		
	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	\$ 12,684,314	1	1 %	\$ 17,959,235	3	2 %
Florida Power & Light Co	11,749,710	2	1 %	6,144,402	10	1 %
Palm Bay MHC Holdings LLC	10,873,823	3	1 %			
Colonial Manor MHC Holdings LLC	10,140,271	4	1 %			
SS Palmetto LLC	7,724,592	5	1 %			
Palmetto, City of	7,344,713	6	1 %			
Palmetto Mobile Home Club Inc.	7,120,089	7	1 %			
Pacific Tomato Growers LTD	6,356,891	8	1 %	7,666,183	8	1 %
SPT Dolphin Palmetto Trace LLC	6,037,511	9	1 %			
Riverside Investment Property LLC	5,700,772	10	1 %			
Riviera Dunes Development Partners				31,646,695	1	3 %
Real Property Holding Palmetto FL LLC				18,204,808	2	2 %
TBR II Development LLC				16,227,994	4	2 %
R D Marina LLC				11,616,637	5	1 %
Sanctuary Residential Partners LLC				11,327,146	6	1 %
Waterford Palms at Riviera Dunes LLC				10,808,970	7	1 %
Bright House Networks Loc				7,108,024	9	1 %
	<u>\$ 85,732,686</u>		<u>10 %</u>	<u>\$ 138,710,094</u>		<u>15 %</u>
Note						
Total taxable assessed value	\$851,952,040			\$ 929,295,191		

Source: Manatee Countee Property Top 100 Tax Payers/2018/Palmetto

Website: <https://www.manateepao.com/dnn/Downloads/Additional-Downloads>

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

Fiscal year ended September 30,	Tax Year	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
2009	2008	\$ 5,052,558	\$ 4,966,769	98.3 %	\$ 19,995	\$ 4,986,764	99 %
2010	2009	4,336,277	4,203,070	96.9 %	22,957	4,226,027	97 %
2011	2010	3,524,841	3,411,075	96.8 %	9,223	3,420,298	97 %
2012	2011	3,422,787	3,386,486	98.9 %	2,925	3,389,411	99 %
2013	2012	3,415,249	3,292,442	96.4 %	8,815	3,301,257	97 %
2014	2013	3,752,330	3,623,920	96.6 %	5,942	3,629,862	97 %
2015	2014	3,889,099	3,755,416	96.6 %	7,798	3,763,214	97 %
2016	2015	4,278,064	4,134,271	96.6 %	3,435	4,137,706	97 %
2017	2016	4,557,792	4,383,765	96.2 %	-	4,383,765	96 %
2018	2017	4,842,830	4,668,081	96.4 %	-	4,668,081	96 %

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

<u>Fiscal year</u>	<u>Governmental Activities</u>		<u>Business-type activities</u>			<u>Total Primary Government (1)</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>Bank Qualified Loans</u>	<u>Capital Leases</u>	<u>Bank Qualified Loans</u>	<u>State Revolving Loan Funds</u>	<u>Capital Leases</u>			
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
2016	3,839,607	678,764	8,125,454	892,106	1,161,853	14,697,784	2.24 %	1,124
2017	3,476,242	678,635	7,453,918	725,667	1,096,954	13,431,416	1.97 %	1,021
2018	3,086,339	781,608	6,751,582	922,887	941,748	12,484,164	1.57 %	850

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

Fiscal year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt (3)	Percentage of Actual Taxable Value of Property (3)	Per Capita (3)
2009	14,447	\$ 929,295,191	\$ --	\$ --	0 %	\$ --
2010	14,447	763,433,066	-	-	0 %	-
2011	12,606	686,685,657	-	-	0 %	-
2012	12,755	652,758,340	-	-	0 %	-
2013	12,755	656,334,570	-	-	0 %	-
2014	12,799	679,376,060	-	-	0 %	-
2015	13,082	716,945,209	-	-	0 %	-
2016	13,082	765,296,527	-	-	0 %	-
2017	13,156	809,612,522	-	-	0 %	-
2018	13,259	851,952,040	-	-	0 %	-

Source:

(1) University of Florida, Bureau of Economic and Business Research. Table 1 Population Pg 11

(2) Manatee County Property Appraiser's Office

(3) Office of the City Clerk

CITY OF PALMETTO, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2018

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Direct:			
City of Palmetto	\$ 3,867,947	100.00 %	\$ 3,867,947
Subtotal direct debt			<u>3,867,947</u>
Overlapping (2):			
Manatee County	122,544,000	3.60 %	4,405,884
Manatee County School Board	174,491,573	3.60 %	<u>6,273,581</u>
Subtotal overlapping debt			<u>10,679,465</u>
Total direct and overlapping debt			<u>\$ 14,547,412</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 assessed value.

(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

<u>Fiscal year</u>	<u>City Population</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 (2)</u>
2009	14,447	\$ 582,980	\$ 40,353	37	42,075	11.30%
2010	14,447	582,980	40,353	45	42,700	12.60%
2011	12,606	499,828	39,650	46	43,516	10.90%
2012	12,755	537,049	42,105	46	45,050	9.00%
2013	12,755	549,447	43,077	46	45,800	7.50%
2014	12,799	638,197	49,863	46	46,800	6.10%
2015	13,082	626,903	47,921	46	47,700	5.10%
2016	13,082	655,918	50,139	46	48,600	4.70%
2017	13,156	683,204	51,931	46	48,284	3.50%
2018	13,259	716,357	54,028	48	48,454	2.90%

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 - 2017

(3) Personal income is a calculated amount based on population and per capita person income utilizing North Port - Sarasota Brandenton Metropolitan Statistical Area

(4) 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. FY2017-2018 Manatee County School Board CAFR page 167.

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

	Full-time Equivalent Employees as of September 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Function										
General government	17.5	17.5	17.8	17.8	21.0	20.0	19.0	19.0	19.5	19.0
Intergovernmental	12.5	13.5	12.0	13.3	13.3	13.5	12.5	12.0	12.0	12.0
Public safety										
Police										
Officers	35.0	35.0	35.0	35.8	35.8	36.0	35.5	35.0	35.0	35.0
Civilians	19.8	20.8	19.0	20.8	20.8	22.0	22.0	22.0	22.0	22.0
Highways and streets										
Engineering	3.0	3.0	-	-	-	-	-	-	-	-
Maintenance	4.0	3.0	3.0	5.0	5.0	5.0	10.0	10.0	10.0	10.0
Sanitation	1.0	2.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	2.0
Culture and recreation	13.0	10.0	10.0	9.0	9.0	8.0	8.0	8.0	9.0	8.0
Water	13.0	13.0	14.0	12.0	11.0	11.0	6.0	6.0	6.0	6.0
Sewer	6.0	6.0	4.0	7.0	7.0	6.0	7.0	7.0	7.0	7.0
Total	125	124	116	122	125	124	122	121	124	121

Source: Payroll Reports: Cost Center Analysis

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

Function	Fiscal Year			
	2009	2010	2011	2012
Police (1)				
Total calls/incidents (2)	-	25,862	27,848	23,471
Adult arrests	567	478	473	470
Juvenile arrests	112	93	100	99
Traffic violations	2,450	1,993	1,419	2,120
Traffic crash reports (2)	-	463	389	408
Water				
New connections (3)	17	62	10	19
Average daily consumption (4) (million of gallons)	1	1	1	1
Average daily capacity (4) (million of gallons)	2	2	2	2
Wastewater				
New connections (3)	28	58	11	13
Average daily sewage treatment (4) (million of gallons)	1	1	1	1
Average daily capacity (4) (million of gallons)	2	2	2	2
Reuse				
New connections (3)	42	-	20	39
Average daily consumption (4) (million of gallons)	1	1	1	1
Average daily capacity (4) (million of gallons)	4	4	4	3

N/A Information is not available

Source: (1) Palmetto PD

(2) Data available from FY2010

(3) Palmetto Customer Service

(4) Palmetto Public Works

Fiscal Year					
2013	2014	2015	2016	2017	2018
20,911	19,819	17,930	15,092	18,713	18,948
547	986	884	732	709	961
74	149	193	156	132	125
1,882	1,950	1,754	1,414	1,424	1,891
448	551	651	687	678	689
32	11	14	14	20	51
1	1	1	1	1	1
2	2	2	2	2	2
15	11	11	9	12	47
1	1	1	1	1	1
2	2	2	2	2	2
315	-	25	30	38	149
1	1	1	1	1	1
3	3	3	3	3	3

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

Function	Fiscal Year			
	2009	2010	2011	2012
Public Safety (1)				
Police				
Stations	1	1	1	1
Patrol units	48	49	44	45
K-9 units	2	2	2	2
Highway and Streets (2)				
Streets (miles)	42	42	42	42
Traffic signals	11	12	12	12
Streetlights	864	864	864	864
Culture and Recreation (3)				
Parks acreage	65	95	95	95
Parks	12	12	12	12
Tennis courts	1	1	1	1
Utility Infrastructure				
Water mains (miles)	67	67	67	67
Sewer (miles)	49	49	49	49
Storm sewers (miles)	12	12	12	12
Reclaimed water (miles)	23	23	23	23

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

Fiscal Year						
2013	2014	2015	2016	2017	2018	
1	1	1	1	1	1	1
41	44	46	45	44	48	48
3	3	3	-	-	-	-
42	42	42	42	42	42	42
12	12	12	12	12	12	12
1,111	1,111	928	928	928	706	706
95	95	101	101	101	91	91
12	12	13	13	13	13	13
1	1	1	1	1	1	1
67	67	74	74	74	74	74
49	49	68	68	69	57	57
12	12	27	27	64	64	64
23	24	33	33	33	32	32

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 22, 2019
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, 2018, and have issued our report thereon dated March 22, 2019.

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 Reporting Requirements

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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 22, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.566(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that the City was not in a state of financial emergency as it 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 for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

Additional Matters

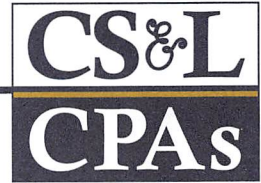
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants 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 22, 2019
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, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds for the year ended September 30, 2018.

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 22, 2019
Bradenton, Florida