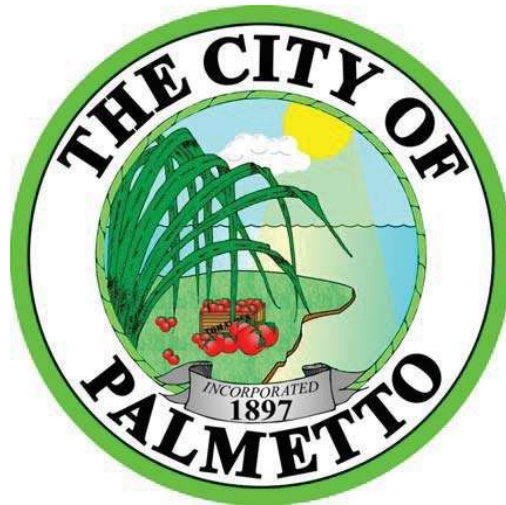


The City of Palmetto, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2017

*Comprehensive Annual
Financial Report*

City of Palmetto, Florida

For the Fiscal Year Ended
September 30, 2017



Prepared By
The Finance Department

Karen L. Simpson, CGFO
Finance Director



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City of Palmetto, Florida

For the Year Ended September 30, 2017



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

February 20, 2018

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, 2017.

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, the management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse, and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. The City of Palmetto has designed internal controls to provide reasonable, 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, 2017, 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, 2017 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 during fiscal year 2017 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, 2017 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 four 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 4.9 percent at the end of 2016 to 3.6 percent as of November 2017. Unemployment in the North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) also showed a slight improvement during the year and was projected to be 3.5 percent as of December 2017, compared to 4.3 percent in December 2016.

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.

Although the economy has certainly improved over the last four 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. In recent years, additional homeowner exemptions coupled with reductions in state revenue dollars have made it difficult for cities across the state. Increasing property values during the last four years have helped offset declines in other areas, but tax revenues are still well below their peak of 2009. However, in November of 2018, Florida residents will vote on an additional homestead exemption which will further erode the tax base for our City. Since 2014, the final assessed taxable value has increased by 19.17 percent. This equates to an average annual increase of 5.4% over the period from 2014 to 2017.

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 2018, the City expects to revisit our current 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 2017 and coming in fiscal year 2018 include:

- New Equalization Tank at our Wastewater Treatment Plant to alleviate flooding
- 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

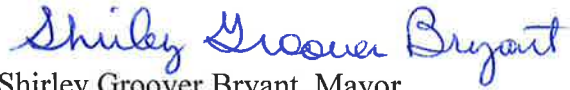
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmetto for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the twelfth consecutive 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, 2017, the same period covered by this Comprehensive Annual Financial Report. This was the eighth 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



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, 2016

Christopher P. Morill

Executive Director/CEO



**City of Palmetto, Florida
Fiscal Year Ended September 30, 2017
List of Principal Officials**

Elected Officials

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

Office of the City Clerk

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

Public Works

Allen Tusing	Director
Open Position	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

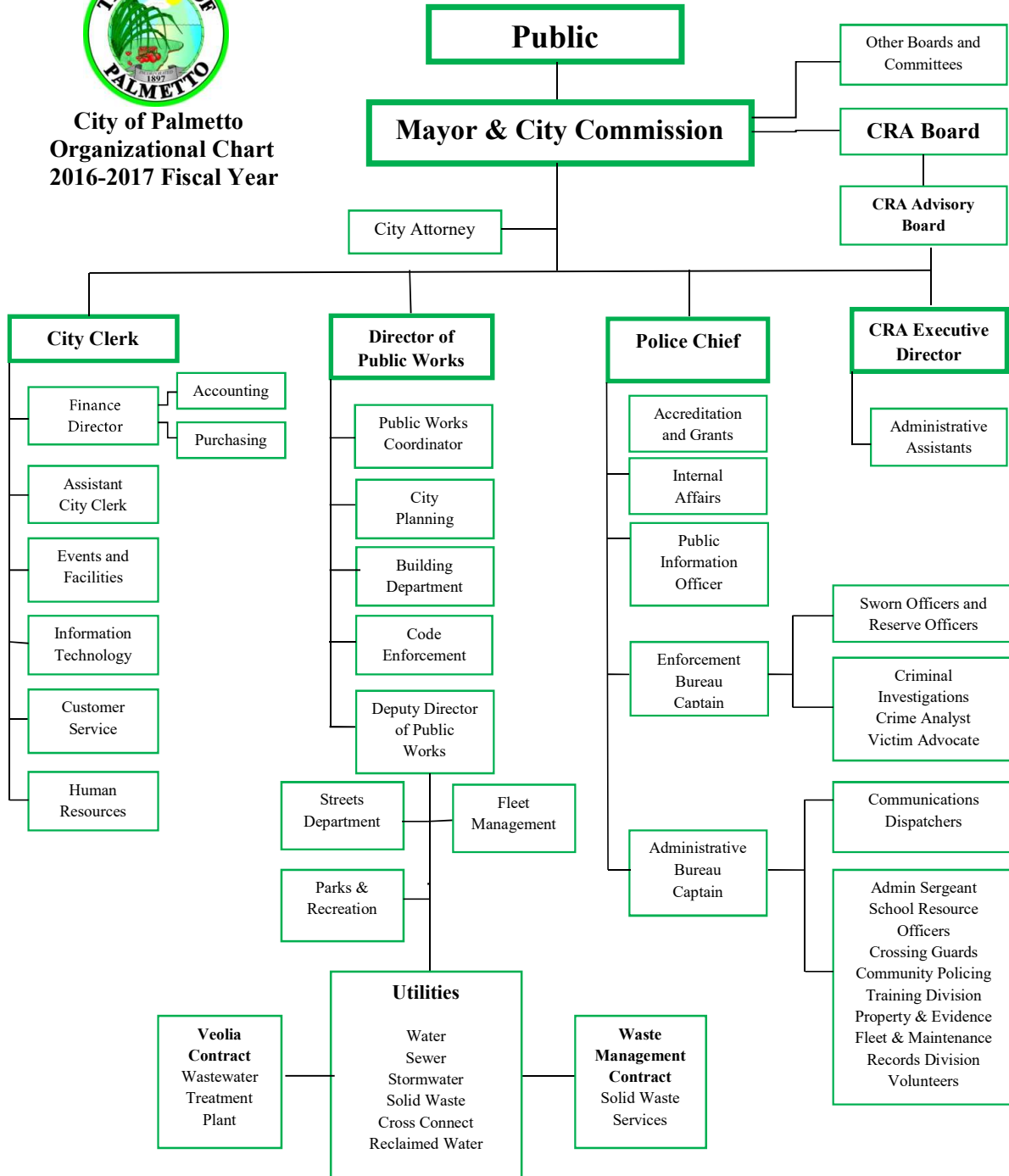
Jeff Burton	Director
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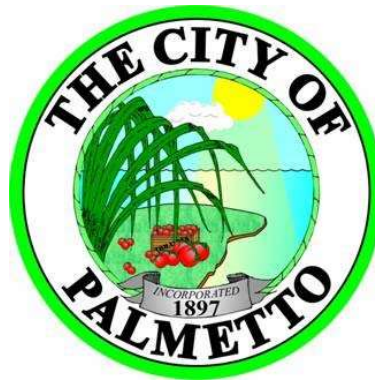
City Attorney

Mark Barnebey	City Attorney
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**City of Palmetto
Organizational Chart
2016-2017 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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 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 February 20, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,
Bristow & Stanell, P.A.*

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

February 20, 2018
Bradenton, Florida

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017
(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, 2017. 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 27.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year ending September 30, 2017:

- The assets of the City exceeded its liabilities by \$74,737,750 (*net position*). Of this amount, \$9,087,876 (*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 \$5,814,596 compared to \$2,834,114 in fiscal year 2016 after the decrease of \$997,486 associated with a change in accounting principle. Increased revenues outpaced nearly stable expenses resulting in a healthier net position at the end of fiscal year 2017. The City's total net position increased by \$5,814,596, or 8.44%, in comparison to the prior year, which included a change in accounting principle due to the implementation of GASB 68.
- Total revenues increased \$2,042,228 or 8.41% in comparison to the prior year. Property taxes and half-cent sales taxes, increased \$482,990 and \$660,186 respectively. The increase of property taxes was due to a 6.6% increase in property values and the sales tax increase was a result of the January, 2017 implementation of the new voter approved half-cent sales tax for infrastructure. Other increases include utility rate increases for water, sewer and reuse.
- Total expenses increased \$59,232 or 0.29% in comparison to prior year. City staff can be credited with holding expenses down while continuing to effectively provide quality service levels. General government, recreation, and economic and physical environment activities were the areas that realized increased expenses totaling \$451,425. All other areas experienced fewer expenses netting against the increase to stabilize the City's expenses.
- The City's governmental funds reported combined ending fund balances of \$14,646,371, an increase of \$1,923,339 in comparison with the prior year ending balance. Approximately 34.83% of this total amount, \$5,101,766 (*unassigned fund balance*), is available for spending at the City's discretion and is 48.88% of the total general fund expenditures. Restricted fund balance of \$5,864,271 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 \$3,051,207 includes \$2,075,406 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, 2017
(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 27 through 29 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, 2017 was the Capital Projects fund.

The City's governmental fund financial statements are presented beginning on page 30.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017
(Unaudited)

Proprietary funds

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, storm water utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2017.

The proprietary fund financial statements can be found beginning on page 33 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 37 and 38 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 40 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 100 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 100 through 102.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, begin on page 113.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2017
(Unaudited)

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 \$74,737,750 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net position found on page 27 of this report:

City of Palmetto's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 12,826,232	\$ 11,056,702	\$ 4,982,982	\$ 4,037,801	\$ 17,809,214	\$ 15,094,503
Restricted assets	2,441,348	2,251,002	3,715,077	3,258,886	6,156,425	5,509,888
Capital assets, net of depreciation	38,403,790	37,888,569	32,936,691	32,793,401	71,340,481	70,681,970
Total assets	53,671,370	51,196,273	41,634,750	40,090,088	95,306,120	91,286,361
Deferred outflows of resources	936,896	1,674,455	602,961	990,918	1,539,857	2,665,373
Liabilities						
Current and other liabilities	579,097	490,271	966,703	959,058	1,545,800	1,449,329
Non-current liabilities	8,609,639	10,244,948	10,579,593	11,997,033	19,189,232	22,241,981
Total liabilities	9,188,736	10,735,219	11,546,296	12,956,091	20,735,032	23,691,310
Deferred inflows of pension earnings	1,143,668	1,109,901	229,527	227,369	1,373,195	1,337,270
Net Position						
Net investment in capital assets	34,364,152	33,506,241	24,414,011	22,947,006	58,778,163	56,453,247
Restricted	5,751,126	4,378,810	1,120,585	1,012,806	6,871,711	5,391,616
Unrestricted	4,160,584	3,140,557	4,927,292	3,937,734	9,087,876	7,078,291
Total net position	\$ 44,275,862	\$ 41,025,608	\$ 30,461,888	\$ 27,897,546	\$ 74,737,750	\$ 68,923,154

The overall net position of the City increased in 2017 as a result of increases in revenues and stable 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 2016 by \$5,814,596 or 8.44%. The net position of governmental activities increased by \$3,250,254, or 7.92% due to the increase of approximately \$483,000 in property taxes, \$660,000 in half-cent sales taxes and smaller increases in nearly every other revenue type. Net position of business-type activities increased by \$2,564,342, or 9.19% primarily as a result of an approved increase in user fees for water, sewer and reuse utilities and a capital grant for the ASR well. The overall net operating income of the business-type activities is \$3,087,839.

A significant portion of the City's net position, \$58,778,163 or 78.65% 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, \$6,871,711 or 9.19% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,087,876 or 12.16% 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 \$2,075,406, 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 28 and 29 of this report:

City of Palmetto's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Charges for services	\$ 915,412	\$ 832,366	\$ 10,554,131	\$ 10,290,534	\$ 11,469,543	\$ 11,122,900
Operating grants and contributions	1,952	5,470	--	--	1,952	5,470
Capital grants and contributions	224,402	220,296	394,126	41,303	618,528	261,599
General revenue						
Property taxes	7,744,097	7,261,107	--	--	7,744,097	7,261,107
Other taxes	5,227,535	4,436,332	--	--	5,227,535	4,436,332
Other	1,200,692	1,164,907	68,950	36,754	1,269,642	1,201,661
Total revenues	15,314,090	13,920,478	11,017,207	10,368,591	26,331,297	24,289,069
Expenses						
Governmental Activities:						
General government	3,202,580	3,063,567	--	--	3,202,580	3,063,567
Public safety	4,712,040	4,773,190	--	--	4,712,040	4,773,190
Highways and streets	1,004,315	1,163,107	--	--	1,004,315	1,163,107
Recreation	650,416	632,666	--	--	650,416	632,666
Economic and physical environment	2,993,731	2,699,069	--	--	2,993,731	2,699,069
Interest on long-term debt	112,689	116,363	--	--	112,689	116,363
Business-type Activities:						
Solid Waste	--	--	2,001,143	2,001,620	2,001,143	2,001,620
Water and Sewer	--	--	5,136,548	5,255,761	5,136,548	5,255,761
Stormwater	--	--	559,892	593,910	559,892	593,910
Reuse	--	--	143,347	158,216	143,347	158,216
Total expenses	12,675,771	12,447,962	7,840,930	8,009,507	20,516,701	20,457,469
Increase (decrease) in net position before transfers	2,638,319	1,472,516	3,176,277	2,359,084	5,814,596	3,831,600
Transfers	611,935	458,963	(611,935)	(458,963)	--	--
Change in net position	3,250,254	1,931,479	2,564,342	1,900,121	5,814,596	3,831,600
Net position - beginning	41,025,608	39,917,269	27,897,546	26,171,771	68,923,154	66,089,040
Change in accounting principle	--	(823,140)	--	(174,346)	--	(997,486)
Net position - beginning, as restated	41,025,608	39,094,129	27,897,546	25,997,425	68,923,154	65,091,554
Net position - ending	\$ 44,275,862	\$ 41,025,608	\$ 30,461,888	\$ 27,897,546	\$ 74,737,750	\$ 68,923,154

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Governmental activities

Total revenues for governmental activities increased by \$1,393,612 or 10.01% when compared to the prior year. The net increase in revenues for the current year is the result of the following:

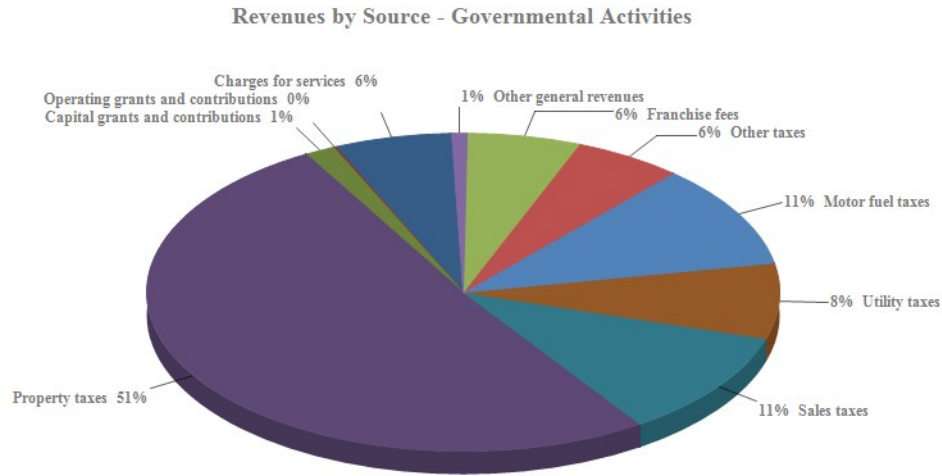
- City property tax revenues increased by \$482,990 or 6.65% due to an increase in property values. These increases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County. This was the fourth year property values have increased, and it appears the trend will continue in the future.
- Capital grants applicable to governmental activities increased by \$4,106 or 1.86% due to grants received from Southwest Florida Water Management District (SWFWMD) for the Aquifer Storage Recovery (ASR) well.
- Other taxes increased by \$791,203 or 17.83% compared to the prior year due to the new half-cent sales tax, small increases in receipts of sales tax and utility tax revenue.
- Charges for services increased by \$83,046 or 9.98%. This increase in revenue is attributed to zoning fees associated with new development, transportation service reimbursement and other fee revenues.

Total expenses for governmental activities increased by \$227,809 or 1.83% in comparison to the prior year. The increase in the current year expenses is attributed to:

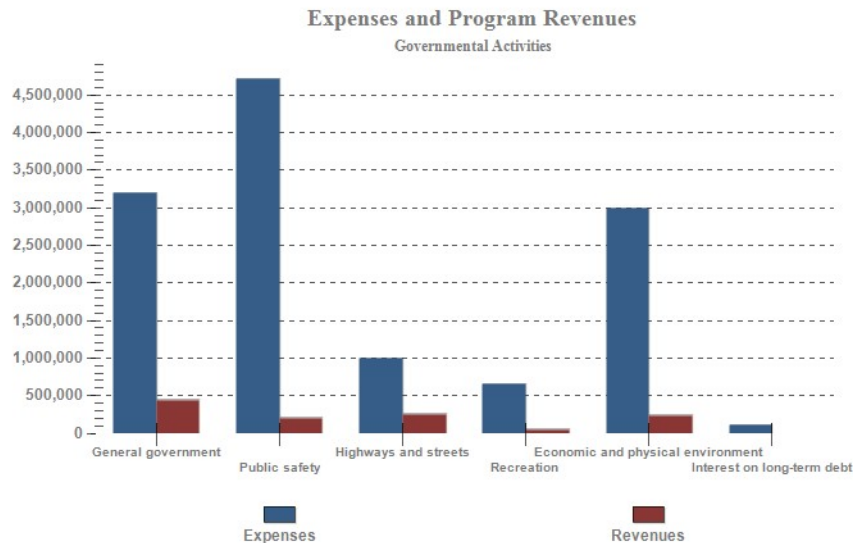
- Increases in general government accounted for \$139,013 (4.54%) and accounts for 61.02% of the overall increase in governmental expenses. This increase includes an additional \$47,638 in personnel costs for the wage increases and \$108,930 in increased tax increment funds to CRA for increased property values.
- Decreases in highways and streets of \$158,792 (13.65%) offset the increase to governmental expenses and can be attributed to a reduction of personnel costs of \$76,700 due to high levels of attrition and entry level wages compared to former, higher paid employees. Also, pension liability expenses reduced by \$114,056. These increases were offset by higher electric costs and infrastructure repairs.
- Increases in economic and physical environmental services accounted for \$294,662 (10.92%), and was offset by increases in other expense categories. This increase includes \$41,191 in increased personnel costs and \$171,612 in operating costs. Additional operating costs include a \$130,000 project with USF students to provide the City with research on services, infrastructure and parks and recreation and \$50,000 in attorney fees for work done on bringing a hotel to the City.
- Other 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:



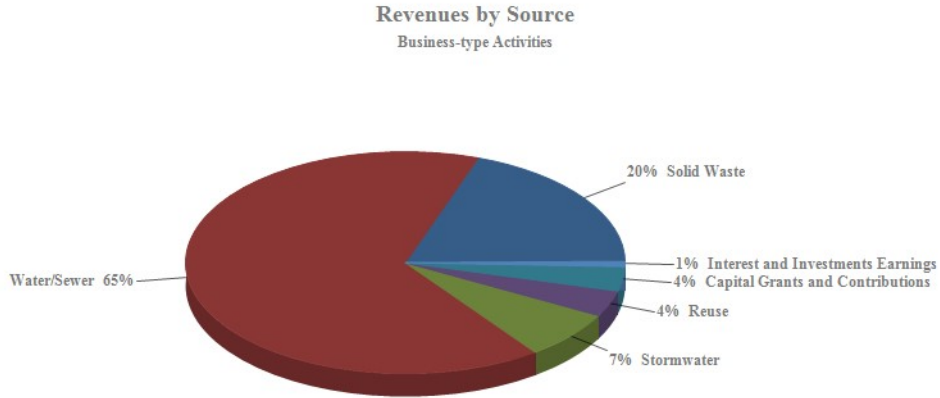
Business-type Activities

Total revenues increased by \$648,616 or 6.26% for the current year. This revenue increase was largely associated with increases in charges for services of \$263,597 and an increase in capital grants totaling \$352,823. 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 fourth 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. A small increase occurred in the solid waste rates and no changes were made to the stormwater rates. The increase in capital grants resulted in the completion of the grant awarded from Southwest Florida Water Management District (SWFWMD) for the City's Aquifer Storage Recovery (ASR) well project that was completed early in fiscal year 2017.

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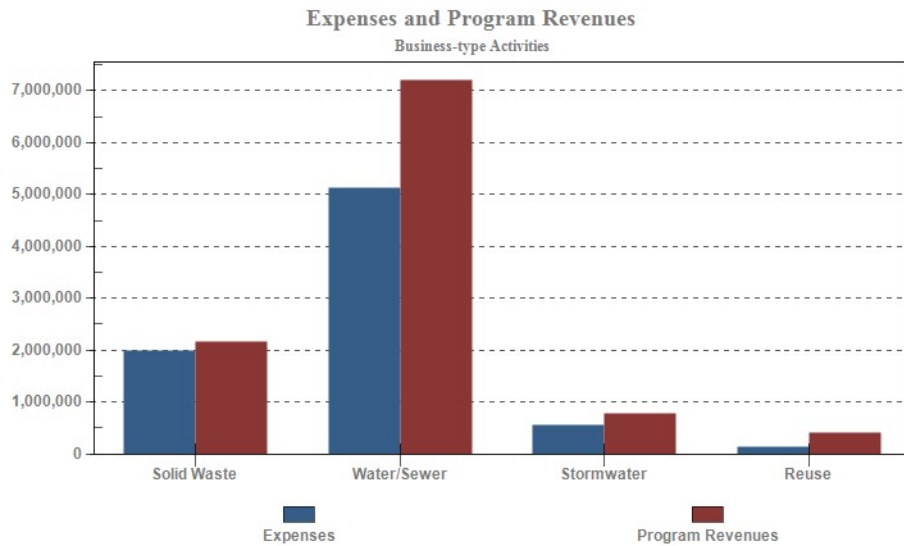
Total expenses decreased by \$168,577 or 2.10% when compared to the previous year with all four utilities showing slight decreases. Solid waste costs only decreased \$477, while water and sewer costs decreased \$119,213. Decreases in attrition expenses in cross connect and sewer of \$74,108 and decreases in pension liability expense of \$34,856 accounted for most of the reduction. Stormwater and reuse each had small reductions of \$34,018 and \$14,869 respectively and are explained in the Proprietary funds section in greater detail.

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



* Zero Data, Operating Grants and Contributions

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 30 and 31. 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 \$14,646,371 an increase of \$1,923,339 compared to the prior year. Approximately 34.83% of this amount, or \$5,101,766, 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 \$1,162,622, CRA \$1,401,961 and Road and Bridge \$405,140 offset by a decrease in the Capital Projects Fund of \$1,046,384.

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 \$9,369,302, as compared with \$8,206,680 in the previous year.

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

- Unassigned fund balance is \$5,101,766 as compared to \$4,652,720 the previous year. The \$449,046 increase was due, in part to an increase to general revenues such as property taxes offset by a much smaller increase in expenditures. The current unassigned fund balance is 5.39 months of budgeted 2018 expenditures.
- Assigned fund balance decreased by \$43,154 to \$350,837. This decrease was attributed to fewer carried forward encumbrances and a smaller portion of the available fund balance being assigned to fund 2018 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 \$2,075,406, all of which is associated with the Trailer Park Trust.
- Restricted fund balance is \$1,563,003 which includes \$586,053 for the Building department, \$635,328 for the infrastructure half-cent sales tax, \$205,220 for impact fees, \$88,291 in lease proceeds and the remaining amount for law enforcement and cemetery use. The Building department reserve was increased \$82,695 from operations. This is the third straight year reserves have increased due to a restructure of permit fees that was implemented in 2015 and the start of an upturn in construction.
- Nonspendable fund balance related to inventory is \$278,290.

Revenues for the General Fund increased by \$985,504 or 10.47%. The largest increases in revenue was mostly associated with taxes. The property taxes increased \$482,990 from higher property values and half-cent sales taxes increased \$660,186 due to the January, 2017 implementation of a new voter approved sales tax. Other small increases occurred in utility and other taxes, intergovernmental, charges for services and impact fees totaling \$130,482. Decreases in motor fuel taxes, permits, fines, interest and miscellaneous revenues totaling \$60,380 offset the increases.

Total General Fund expenditures increased by \$446,042 or 4.46%. This increase was largely driven by an increase in personnel costs of \$232,688 since the 2017 fiscal year brought a restructure of general employee salaries with the compensation study. Other increases include increased TIF funds to the CRA of \$108,930 and increased lease purchases and payments for a new capital lease of \$40,713. The total net change increased the fund balance by \$1,162,622 because revenue increases outpaced increases in expenditures. The majority of the increase was due to the additional half-cent sales tax.

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Revenues for the CRA, a blended component unit of the City, increased \$252,101 or 8.05% compared to the previous year. TIF dollars from the City and County accounted for \$227,774, or 90%, of this increase. Total expenditures increased by \$322,505 or 17.89%. Total expenditures increased \$322,505 due to a \$130,000 consulting project with USF and an additional \$50,000 in legal expenses for the hotel project. CRA awarded an increased number of grants to area businesses and residents through its commercial and community renovation programs that accounted for \$72,772 of the increased expenses. Increases in personnel and capital costs account for the remaining \$40,791.

Revenues in the Road and Bridge and Capital Projects Funds increased by \$210,010 or 12.85%, and \$17,065 or 7.62% respectively. Increased impact fees associated with new development, higher interest revenue associated with rising interest rates, and over \$100,000 in revenue from charges for services accounted for higher revenues in the Road and Bridge fund. Revenues in the Capital Projects funds were relatively stable from grants revenue received from SWFWMD for the Multi-modal Emphasis Corridor (MMEC) project. Expenditures increased in Capital Projects funds by \$509,813 due to the completion of the current phase of the MMEC project during the year. Expenditures decreased \$351,214 in the Road and Bridge fund. Capital expenditures in Road and Bridge decreased by \$252,854 alone due to the absence of a purchase of a new lightning loader from the previous fiscal year. Personnel expenditures also decreased \$76,700 due to high attrition in the department.

Proprietary funds

The fund financial statements for the City's proprietary funds, provided on pages 33 through 36, 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 \$30,461,888, an increase of \$2,564,342 in comparison with the prior year. Total operating revenues associated with the proprietary funds were \$10,554,131. Total operating revenues increased \$263,597 or 2.56% compared to the previous year. The reasons for the increased revenues is explained below.

The Solid Waste Fund had operating income of \$150,544 which is 10.64% lower than the previous year due to slightly lower revenue associated with lower rates. Net position increased \$83,416 and the total net position at the end of the current fiscal year, is \$657,251 of which, 99.67% is unrestricted.

The Water and Sewer Fund had operating income of \$2,298,803 for the year, and an increase in net position of \$1,536,232. This increase in net position is due to lower operating expenses associated with personnel vacancies and higher revenues from the rate increase. Revenues increased \$278,001 or 4.01% in accordance with the scheduled rate increases, while operating expenses decreased \$139,132 or 2.75% as a result of lower personnel costs of \$74,108 due to high attrition and lower liability insurance and pension expenses of \$65,878. The unrestricted net position at the end of current fiscal year is \$3,478,593 and total net position is \$18,628,956.

The Stormwater Fund had operating income of \$316,080 and an increase in net position of \$356,019. The stormwater user fee structure for residential and commercial customers remains unchanged from 2008 therefore revenues remain flat, while operating expenses decreased slightly by \$22,295 or 4.60%. The total net position is \$5,042,270 and a rate study is expected in fiscal year 2018 to determine if rates need to be adjusted.

The Reuse Fund had operating income of \$322,412 and an increase in net position of \$588,675. The fourth year of a five year rate study increased user fees 2% which increased total revenues from the previous year. The expenses decreased slightly \$9,550 or 9.84% because of the absence of \$14,641 for a 2016 refund of prior year revenue. At the end of the current fiscal year the unrestricted net position reflects a balance of \$747,232 and the total net position is \$6,133,411.

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GENERAL FUND BUDGET AND ACTUAL

Differences between the original budget and the final amended budget can be found on page 100. Revenues associated with the original and final amended budget were increased by \$819,870. Approximately \$760,000 of the revenue increase was associated with taxes. More specifically, \$635,000 in new half-cent sales tax and \$67,000 in utility taxes associated with electricity rate increases. Other taxes, charges for services, impact fees and miscellaneous revenues were also increased by smaller amounts and offset by decreases to permits and fees, and interest revenues. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$300,750 for use of fund balance to fund approved capital outlay and contingencies.

The General Fund total expense budget was increased by \$67,459 of which the largest adjustments totaling \$58,426 related to purchase orders carried forward from fiscal year 2016. Transfers out were increased by \$36,454 to fund capital projects. The final amended budget anticipated increasing the General Fund's fund balance by \$415,207 after transfers. This was largely due to the additional revenues added during the year that surpassed the additional increase in expenses. However, the final result of \$1,162,622 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 \$50,271. Actual revenues for investment earnings and sales and utility taxes were in excess of budget. However, these revenues were offset by unfavorable budget to actual receipts in several other revenue categories. Actual expenditures were less than budgetary estimates by \$727,145 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, 2017, amounts to \$71,340,481 (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 \$658,511 or 0.93%. Factors contributing to the increase in capital assets include improvements to Inflow and Infiltration (I&I) issues, the purchase of four new police vehicles, three vehicles for administration, radio equipment, forklift, front-end loader and the retrofit of a camera truck through a capital lease for a total of \$552,300.

The 2017 Capital Improvement Plan (CIP) was approved by the Commission on October 3, 2016 in the amount of \$8,848,373 for fiscal year 2017.

The CRA also budgeted approximately \$1,320,000 for other capital improvements within the CRA district.

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The following projects had 2017 expenditures greater than \$50,000:

City Capital Projects

- Wastewater Treatment Plant upgrades and R&R - \$163,379 for new equipment and facility improvements.
- I&I upgrades - \$377,859 in ongoing upgrades. The project continues through 2018.
- Lift Station Upgrades - \$90,924 for new lift stations and improvements to existing lift stations.
- 8th and 9th Street Reclaim Lines Project - \$191,881 for the installation of reclaim lines on 8th and 9th Streets. The project will be completed in fiscal year 2018.

CRA

- Multi-modal Emphasis Corridor (MMEC) project - \$1,175,644 for the first phase of the multi-modal trail at the riverfront area. This phase of the ongoing project will be completed in early 2018.
- Palmetto Historic Park Building Restoration - \$104,381 for the first phase of the restoration of the Carnegie Library. This project, funded in part with a Historic Resources grant, will be completed in fiscal year 2018.
- Property purchase - \$110,414 for the purchase of property to continue the redevelopment of 10th Avenue.
- Riverside Project - \$57,209 for the site assessment and interim source removal at the former Riverside Shell Station location.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,756,674	\$ 4,589,052	\$ 279,415	\$ 279,415	\$ 5,036,089	\$ 4,868,467
Buildings	212,364	167,677	296,857	313,068	509,221	480,745
Improvements other than buildings	--	--	24,338,642	24,587,557	24,338,642	24,587,557
Machinery and equipment	2,221,606	2,255,016	2,046,360	2,058,234	4,267,966	4,313,250
Infrastructure	27,597,847	28,385,832	--	--	27,597,847	28,385,832
Construction in progress	3,615,299	2,490,992	5,975,417	5,555,127	9,590,716	8,046,119
Total	<u>\$ 38,403,790</u>	<u>\$ 37,888,569</u>	<u>\$ 32,936,691</u>	<u>\$ 32,793,401</u>	<u>\$ 71,340,481</u>	<u>\$ 70,681,970</u>

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

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Long-term Liabilities

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$19,189,232. Long-term liabilities includes compensated absences of \$705,155 and OPEB of \$262,000 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 two State of Florida revolving fund loans. All loans were used to fund capital improvement projects throughout the City. An interest rate swap agreement exists with the loans obtained in fiscal years 2004, 2005 and 2007 which have a total liability of \$733,007 as of September 30, 2017 which is a decrease of \$358,159 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 \$1,775,589 in outstanding capital leases as of September 30, 2017.

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 \$1,977,750 as of September 30, 2017. 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	
	2017	2016	2017	2016	2017	2016
Bank Qualified Loans						
2004 Loan	\$ 259,385	\$ 292,367	\$ 921,927	\$ 1,039,157	\$ 1,181,312	\$ 1,331,524
2005 Loan	681,922	750,303	2,745,127	3,020,403	3,427,049	3,770,706
2007 Loan	557,185	599,437	2,745,849	2,954,068	3,303,034	3,553,505
2014 Loan	--	--	1,041,015	1,111,826	1,041,015	1,111,826
SRF Loans	--	--	725,663	892,106	725,663	892,106
CRA Loan	1,977,750	2,197,500	--	--	1,977,750	2,197,500
Total Loans	<u>3,476,242</u>	<u>3,839,607</u>	<u>8,179,581</u>	<u>9,017,560</u>	<u>11,655,823</u>	<u>12,857,167</u>
Capital Leases	<u>678,635</u>	<u>678,764</u>	<u>1,096,954</u>	<u>1,161,853</u>	<u>1,775,589</u>	<u>1,840,617</u>
Total Loans and Leases	<u>\$ 4,154,877</u>	<u>\$ 4,518,371</u>	<u>\$ 9,276,535</u>	<u>\$ 10,179,413</u>	<u>\$ 13,431,412</u>	<u>\$ 14,697,784</u>

See Note IV, G, and H on pages 66 through 77.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the North Port/Sarasota/Bradenton area for November 2017 was 3.5 percent, which is slightly lower than the State unemployment rate of 3.6 percent for the same time period. The national unemployment rate for the same time period is 4.1 percent (source: Bureau of Labor Statistics).

According to the 2010 Census, the City's population was 12,606. As of April 2016, the population is estimated at 13,156, a 4.7 percent increase since the 2010 census (source: Bureau of Economic and Business Research).

The 2017 taxable value of commercial and residential property increased from \$716,945,209 in fiscal year 2016 to \$765,296,527 for the current fiscal year. This represents a 6.7 percent increase in taxable value and is largely attributed to the increased property values that are being experienced statewide. This increase of 6.7 percent was more than the 5.5 percent increase realized a year ago. After several years of declining property values, fiscal year 2017 was the fourth 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 2009, values decreased by 36 percent until this recent upturn. The City has made adjustments along the way to meet the challenges of the economic downturn. We are well poised and encouraged by the direction of our economy here in Palmetto.

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The General Fund property tax millage of \$5.9671 for fiscal year 2017 remains the same as the previous year when the millage was increased .25 mills to its current rate. The millage was increased prior to 2016 by .50 mills in fiscal year 2014 to meet the demands of infrastructure improvements and lower property values.

The fiscal year 2017 pension contribution amounts as a percentage of each payroll dollar for the Police and General Employees Pension Plans was 30.04% and 28.77% respectively. This represented an increase of 3.3% for the Police Plan and a decrease of .08% for the General Employees' Pension Plan. The 3.3% increase for police was due to assumption changes related to the mortality table and the reduction of the investment return. Despite rising health care costs, the City managed to realize only a 2.69% overall increase in premiums for fiscal year 2017.

Funding for capital projects continues to present a challenge to the City. However, in fiscal year 2014 the implementation of a utility rate study has provided much needed funding. In addition, the City continues to seek grants whenever possible to leverage City dollars. 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 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 2018 which will add turn lanes on 10th Street and 2nd Avenue. In addition, engineering plans are well underway for the construction of a new equalization basin at our Wastewater Treatment plant. This project is being funded with a \$4 million dollar loan from the Florida State Revolving Fund.

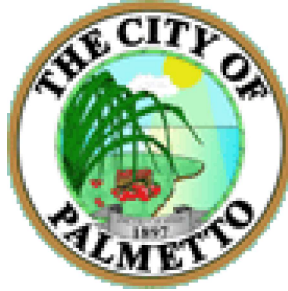
Unfortunately, the convention hotel project that was expected to bring a full service hotel to Palmetto did not materialize during fiscal year 2017. The County is seeking alternative bids with hopes of bringing a new hotel to the area.

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, 2017



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CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
As of September 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,901,746	\$ 3,879,675	\$ 12,781,421
Receivables, net of allowance for uncollectible	494,434	1,420,837	1,915,271
Due from other governments	303,161	--	303,161
Investments	2,531,071	--	2,531,071
Internal balances	317,530	(317,530)	--
Inventory	278,290	--	278,290
Restricted assets			
Cash and cash equivalents	2,441,348	3,715,077	6,156,425
Capital assets (net of accumulated depreciation)			
Land	4,756,674	279,415	5,036,089
Buildings	212,364	296,857	509,221
Improvements other than buildings	--	24,338,642	24,338,642
Machinery and equipment	2,221,606	2,046,360	4,267,966
Infrastructure	27,597,847	--	27,597,847
Construction in progress	3,615,299	5,975,417	9,590,716
Total assets	<u>53,671,370</u>	<u>41,634,750</u>	<u>95,306,120</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows of pension resources	743,327	63,523	806,850
Accumulated decrease in fair value of swap agreement	193,569	539,438	733,007
Total deferred outflow of resources	<u>936,896</u>	<u>602,961</u>	<u>1,539,857</u>
LIABILITIES			
Accounts payable and other accrued liabilities	277,085	286,173	563,258
Accrued interest	15,298	55,501	70,799
Unearned revenue	283,564	--	283,564
Customer deposits	3,150	625,029	628,179
Noncurrent liabilities			
Due within one year	843,162	1,160,947	2,004,109
Due in more than one year	7,766,477	9,418,646	17,185,123
Total liabilities	<u>9,188,736</u>	<u>11,546,296</u>	<u>20,735,032</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of pension earnings	1,143,668	229,527	1,373,195
NET POSITION			
Net investment in capital assets	34,364,152	24,414,011	58,778,163
Restricted for:			
Capital projects	832,607	753,855	1,586,462
Debt service	--	193,951	193,951
Building program	586,053	--	586,053
Law enforcement	44,426	--	44,426
Impact fees	476,742	172,779	649,521
Community redevelopment	2,452,751	--	2,452,751
Transportation	1,358,547	--	1,358,547
Unrestricted	4,160,584	4,927,292	9,087,876
Total net position	<u>\$ 44,275,862</u>	<u>\$ 30,461,888</u>	<u>\$ 74,737,750</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, 2017

Function/Programs	Expenses	Indirect Expenses Allocation
Primary Government:		
Governmental activities:		
General government	\$ 3,709,056	\$ (506,476)
Public safety	4,712,040	--
Highways and streets	1,004,315	--
Recreation	650,416	--
Economic and physical environment	2,487,255	506,476
Interest on long-term debt	112,689	--
Total governmental activities	<u>12,675,771</u>	<u>--</u>
Business-type activities:		
Solid Waste	2,001,143	--
Water and Sewer	5,136,548	--
Stormwater	559,892	--
Reuse	143,347	--
Total business-type activities	<u>7,840,930</u>	<u>--</u>
 Total primary government	 <u>\$ 20,516,701</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	
\$ 429,653	\$ --	\$ --	\$ (2,772,927)	\$ --	\$ (2,772,927)
197,235	1,952	--	(4,512,853)	--	(4,512,853)
248,239	--	--	(756,076)	--	(756,076)
40,285	--	--	(610,131)	--	(610,131)
--	--	224,402	(2,769,329)	--	(2,769,329)
--	--	--	(112,689)	--	(112,689)
<u>915,412</u>	<u>1,952</u>	<u>224,402</u>	<u>(11,534,005)</u>	<u>--</u>	<u>(11,534,005)</u>
2,151,687	--	--	--	150,544	150,544
7,213,578	--	50,025	--	2,127,055	2,127,055
778,978	--	--	--	219,086	219,086
409,888	--	344,101	--	610,642	610,642
<u>10,554,131</u>	<u>--</u>	<u>394,126</u>	<u>--</u>	<u>3,107,327</u>	<u>3,107,327</u>
<u>\$ 11,469,543</u>	<u>\$ 1,952</u>	<u>\$ 618,528</u>	<u>\$ (11,534,005)</u>	<u>\$ 3,107,327</u>	<u>\$ (8,426,678)</u>
General Revenues:					
Property taxes			\$ 7,744,097	\$ --	\$ 7,744,097
Sales taxes			1,648,177	--	1,648,177
Utility taxes			1,143,031	--	1,143,031
Motor fuel taxes			1,591,988	--	1,591,988
Other taxes			844,339	--	844,339
Franchise fees			882,834	--	882,834
Interest and investment earnings			138,093	68,950	207,043
Other general revenues			179,765	--	179,765
Transfers			611,935	(611,935)	--
Total general revenues and transfers			<u>14,784,259</u>	<u>(542,985)</u>	<u>14,241,274</u>
Change in net position			3,250,254	2,564,342	5,814,596
Net position - beginning			41,025,608	27,897,546	68,923,154
Net position - ending			<u>\$ 44,275,862</u>	<u>\$ 30,461,888</u>	<u>\$ 74,737,750</u>

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

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2017

	<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	\$ 4,790,455	\$ 2,486,324	\$ 1,266,692	\$ 358,275	\$ 8,901,746
Receivables (net of allowance for uncollectible)	410,640	8,663	22,147	52,190	493,640
Advances to other funds	318,324	--	--	--	318,324
Due from other governments	186,831	--	116,330	--	303,161
Investments	2,344,554	--	186,517	--	2,531,071
Inventory	278,290	--	--	--	278,290
Cash - Restricted	1,475,086	--	280,117	686,145	2,441,348
Total assets	<u>\$ 9,804,180</u>	<u>\$ 2,494,987</u>	<u>\$ 1,871,803</u>	<u>\$ 1,096,610</u>	<u>\$ 15,267,580</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 179,496	\$ 38,820	\$ 30,301	\$ 43,766	\$ 292,383
Unearned revenue	71,564	--	--	--	71,564
Customer deposits payable	3,150	--	--	--	3,150
Total liabilities	<u>254,210</u>	<u>38,820</u>	<u>30,301</u>	<u>43,766</u>	<u>367,097</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>180,668</u>	<u>3,418</u>	<u>17,836</u>	<u>52,190</u>	<u>254,112</u>
FUND BALANCES					
Nonspendable	278,290	--	--	--	278,290
Restricted	1,563,003	2,452,749	1,823,666	24,853	5,864,271
Committed	2,075,406	--	--	975,801	3,051,207
Assigned	350,837	--	--	--	350,837
Unassigned	5,101,766	--	--	--	5,101,766
Total fund balances	<u>9,369,302</u>	<u>2,452,749</u>	<u>1,823,666</u>	<u>1,000,654</u>	<u>14,646,371</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,804,180</u>	<u>\$ 2,494,987</u>	<u>\$ 1,871,803</u>	<u>\$ 1,096,610</u>	
Adjustments for primary government total net position					
General capital assets, net of accumulated depreciation					\$ 38,403,790
Unearned revenue					(212,000)
Unavailable revenue					254,112
Deferred outflows of pension resources					743,327
Deferred inflows of pension earnings					(1,143,668)
Long term debt for capital leases; compensated absences, net pension liabilities, OPEB and loans					<u>(8,416,070)</u>
Total net position for governmental activities (page 27)					<u>\$ 44,275,862</u>

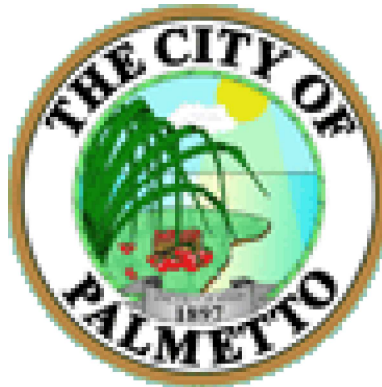
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2017

	<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	\$ 4,396,240	\$ 3,347,857	\$ --	\$ --	\$ 7,744,097
Sales	1,648,177	--	--	--	1,648,177
Utility	1,143,031	--	--	--	1,143,031
Motor fuel	11,445	--	1,580,543	--	1,591,988
Other	844,339	--	--	--	844,339
Permits, fees, and special assessments	1,293,917	--	--	--	1,293,917
Intergovernmental revenues	6,358	--	--	219,996	226,354
Fines and forfeitures	38,955	--	--	--	38,955
Charges for services	716,481	--	177,983	--	894,464
Interest earnings	75,346	26,917	14,784	21,046	138,093
Miscellaneous	189,222	10,896	638	--	200,756
Impact fees	38,428	--	70,256	--	108,684
Total revenues	<u>10,401,939</u>	<u>3,385,670</u>	<u>1,844,204</u>	<u>241,042</u>	<u>15,872,855</u>
EXPENDITURES					
Current					
General government	3,299,997	--	--	--	3,299,997
Public Safety	4,653,229	--	--	--	4,653,229
Highways and streets	--	--	664,664	--	664,664
Recreation	650,987	--	--	--	650,987
Economic and physical environment	1,125,674	1,682,269	--	--	2,807,943
Capital outlay					
Streets	--	13,410	39,394	1,199,311	1,252,115
Other	425,606	176,083	--	154,644	756,333
Debt service principal and interest	280,982	253,690	259,311	--	793,983
Total expenditures	<u>10,436,475</u>	<u>2,125,452</u>	<u>963,369</u>	<u>1,353,955</u>	<u>14,879,251</u>
Excess (deficiency) of revenues over expenditures	<u>(34,536)</u>	<u>1,260,218</u>	<u>880,835</u>	<u>(1,112,913)</u>	<u>993,604</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	953,312	179,875	--	246,404	1,379,591
Transfers out	(36,454)	(38,132)	(513,195)	(179,875)	(767,656)
Capital leases	280,300	--	37,500	--	317,800
Total other financing sources (uses)	<u>1,197,158</u>	<u>141,743</u>	<u>(475,695)</u>	<u>66,529</u>	<u>929,735</u>
Net change in fund balances	1,162,622	1,401,961	405,140	(1,046,384)	1,923,339
Fund balances, beginning	8,206,680	1,050,788	1,418,526	2,047,038	12,723,032
Fund balances, ending	<u>\$ 9,369,302</u>	<u>\$ 2,452,749</u>	<u>\$ 1,823,666</u>	<u>\$ 1,000,654</u>	<u>\$ 14,646,371</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, 2017

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

Net change in fund balances - total governmental funds	\$ 1,923,339
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.	515,221
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds and does not effect net assets. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	363,494
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.	500,489
Some revenues reported in the statement of activities do not increase current financial resources	<u>(52,289)</u>
Changes in net assets of governmental activities	<u><u>\$ 3,250,254</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, 2017

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 662,072	\$ 2,948,176	\$ 74,329	\$ 195,098	\$ 3,879,675
Receivables (net of allowance for uncollectible)	221,923	721,579	84,296	393,039	1,420,837
Total current assets	<u>883,995</u>	<u>3,669,755</u>	<u>158,625</u>	<u>588,137</u>	<u>5,300,512</u>
Noncurrent assets					
Cash - Restricted					
Cash - capital projects	--	1,355,530	130,000	483,933	1,969,463
Loan Proceeds	--	726,760	27,095	--	753,855
Loan covenant accounts	--	--	192,659	1,292	193,951
Impact fees	--	172,779	--	--	172,779
Customer deposits	--	625,029	--	--	625,029
Total cash - restricted	<u>--</u>	<u>2,880,098</u>	<u>349,754</u>	<u>485,225</u>	<u>3,715,077</u>
Capital Assets:					
Land	--	4,815	274,600	--	279,415
Buildings	--	652,267	--	--	652,267
Improvements other than buildings	--	29,574,991	9,677,947	2,911,174	42,164,112
Machinery and equipment	210,944	3,783,551	211,363	13,390	4,219,248
Construction in progress	--	1,764,437	--	4,210,980	5,975,417
Less: accumulated depreciation	<u>(208,783)</u>	<u>(16,397,952)</u>	<u>(3,021,430)</u>	<u>(725,603)</u>	<u>(20,353,768)</u>
Total capital assets (net of accumulated depreciation)	<u>2,161</u>	<u>19,382,109</u>	<u>7,142,480</u>	<u>6,409,941</u>	<u>32,936,691</u>
Total noncurrent assets	<u>2,161</u>	<u>22,262,207</u>	<u>7,492,234</u>	<u>6,895,166</u>	<u>36,651,768</u>
Total assets	<u>\$ 886,156</u>	<u>\$ 25,931,962</u>	<u>\$ 7,650,859</u>	<u>\$ 7,483,303</u>	<u>\$ 41,952,280</u>
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of swap agreement	\$ --	\$ 250,038	\$ 242,193	\$ 47,207	\$ 539,438
Deferred pension contributions	1,521	50,282	11,720	--	63,523
Total deferred outflows of resources	<u>\$ 1,521</u>	<u>\$ 300,320</u>	<u>\$ 253,913</u>	<u>\$ 47,207</u>	<u>\$ 602,961</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, 2017

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
LIABILITIES					
Total liabilities					
Accounts payable and accrued liabilities	\$ 137,561	\$ 141,636	\$ 6,495	\$ 481	\$ 286,173
Accrued interest payable	--	29,508	19,846	6,147	55,501
Advances from other funds	--	--	--	317,530	317,530
Compensated absences	2,198	6,575	4,855	--	13,628
Capital leases payable-current	--	237,468	35,992	--	273,460
Loans payable-current	--	439,759	344,592	89,508	873,859
Total current liabilities payable from unrestricted assets	<u>139,759</u>	<u>854,946</u>	<u>411,780</u>	<u>413,666</u>	<u>1,820,151</u>
Current liabilities payable from restricted assets:					
Customer deposits payable	--	625,029	--	--	625,029
Total current liabilities payable from restricted assets	<u>--</u>	<u>625,029</u>	<u>--</u>	<u>--</u>	<u>625,029</u>
Total current liabilities	<u>139,759</u>	<u>1,479,975</u>	<u>411,780</u>	<u>413,666</u>	<u>2,445,180</u>
Noncurrent liabilities					
Loans payable	--	4,426,850	1,943,326	935,546	7,305,722
Interest rate swap contracts	--	250,038	242,193	47,207	539,438
Other post-employment benefits	4,917	27,394	7,577	680	40,568
Net pension liability	53,032	487,990	127,517	--	668,539
Compensated absences	6,594	19,726	14,565	--	40,885
Capital leases payable	--	753,968	69,526	--	823,494
Total noncurrent liabilities	<u>64,543</u>	<u>5,965,966</u>	<u>2,404,704</u>	<u>983,433</u>	<u>9,418,646</u>
Total liabilities	<u>\$ 204,302</u>	<u>\$ 7,445,941</u>	<u>\$ 2,816,484</u>	<u>\$ 1,397,099</u>	<u>\$ 11,863,826</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of pension earnings	\$ 26,124	\$ 157,385	\$ 46,018	\$ --	\$ 229,527
Total deferred inflows of resources	<u>\$ 26,124</u>	<u>\$ 157,385</u>	<u>\$ 46,018</u>	<u>\$ --</u>	<u>\$ 229,527</u>
NET POSITION					
Net investment in capital assets	\$ 2,161	\$ 14,250,824	\$ 4,776,139	\$ 5,384,887	\$ 24,414,011
Restricted for:					
Capital improvements	--	726,760	27,095	--	753,855
Debt service	--	--	192,659	1,292	193,951
Impact fees	--	172,779	--	--	172,779
Unrestricted	<u>655,090</u>	<u>3,478,593</u>	<u>46,377</u>	<u>747,232</u>	<u>4,927,292</u>
Total net position	<u>\$ 657,251</u>	<u>\$ 18,628,956</u>	<u>\$ 5,042,270</u>	<u>\$ 6,133,411</u>	<u>\$ 30,461,888</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, 2017

	Business-type Activities - Enterprise Funds				
	Solid Waste	Water and Sewer	Stormwater	Reuse	Total
Operating Revenues:					
Charges for sales and services					
Garbage and trash pickup	\$ 2,094,396	\$ --	\$ --	\$ --	\$ 2,094,396
Water sales	--	3,787,582	--	--	3,787,582
Sewer charges	--	3,192,384	--	--	3,192,384
Stormwater fees	--	--	767,654	--	767,654
Reuse fees	--	--	--	401,462	401,462
Installation and connection fees	--	7,611	--	--	7,611
Penalties and check charges	27,148	109,355	10,986	8,426	155,915
Miscellaneous	30,143	116,646	338	--	147,127
Total operating revenues	<u>2,151,687</u>	<u>7,213,578</u>	<u>778,978</u>	<u>409,888</u>	<u>10,554,131</u>
Operating Expenses:					
Cost of sales and services	2,000,750	4,051,818	250,800	29,125	6,332,493
Depreciation	393	862,957	212,098	58,351	1,133,799
Total operating expenses	<u>2,001,143</u>	<u>4,914,775</u>	<u>462,898</u>	<u>87,476</u>	<u>7,466,292</u>
Operating income (loss)	<u>150,544</u>	<u>2,298,803</u>	<u>316,080</u>	<u>322,412</u>	<u>3,087,839</u>
Nonoperating Revenues (Expenses)					
Interest earnings	6,620	52,616	3,008	6,706	68,950
Interest expense	--	(221,773)	(96,994)	(55,871)	(374,638)
Total nonoperating revenues (expenses)	<u>6,620</u>	<u>(169,157)</u>	<u>(93,986)</u>	<u>(49,165)</u>	<u>(305,688)</u>
Income (loss) before capital contributions and transfers	157,164	2,129,646	222,094	273,247	2,782,151
Capital contributions-impact fees	--	50,025	--	--	50,025
Capital contributions-grants	--	--	--	344,101	344,101
Transfers in	--	--	262,333	--	262,333
Transfers out	(73,748)	(643,439)	(128,408)	(28,673)	(874,268)
Change in net position	83,416	1,536,232	356,019	588,675	2,564,342
Total net position - beginning	<u>573,835</u>	<u>17,092,724</u>	<u>4,686,251</u>	<u>5,544,736</u>	<u>27,897,546</u>
Total net position - ending	<u>\$ 657,251</u>	<u>\$ 18,628,956</u>	<u>\$ 5,042,270</u>	<u>\$ 6,133,411</u>	<u>\$ 30,461,888</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, 2017

	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,158,490	7,223,771	784,380	122,339	10,288,980
Payments to suppliers	(1,862,383)	(3,264,023)	(33,276)	(9,512)	(5,169,194)
Payments to employees	(147,082)	(873,752)	(243,372)	(19,992)	(1,284,198)
Net cash provided (used) by operating activities	<u>149,025</u>	<u>3,085,996</u>	<u>507,732</u>	<u>92,835</u>	<u>3,835,588</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances (to)/from other funds	--	--	--	(47,660)	(47,660)
Transfers from other funds	--	--	262,333	--	262,333
Transfers to other funds	(73,748)	(643,439)	(128,408)	(28,673)	(874,268)
Net cash provided (used) by noncapital and related financing activities	<u>(73,748)</u>	<u>(643,439)</u>	<u>133,925</u>	<u>(76,333)</u>	<u>(659,595)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	--	(747,266)	(4,159)	(291,164)	(1,042,589)
Impact fee capital contributions	--	50,025	--	--	50,025
Grant capital contributions	--	--	--	344,101	344,101
Payments on capital lease obligations	--	(268,223)	(31,176)	--	(299,399)
Principal paid on capital debt	--	(421,011)	(331,306)	(85,662)	(837,979)
Interest paid on capital debt	--	(223,935)	(100,448)	(56,253)	(380,636)
Net cash provided (used) by capital and related financing activities	<u>--</u>	<u>(1,610,410)</u>	<u>(467,089)</u>	<u>(88,978)</u>	<u>(2,166,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	6,620	52,616	3,008	6,706	68,950
Net cash provided (used) by investing activities	<u>6,620</u>	<u>52,616</u>	<u>3,008</u>	<u>6,706</u>	<u>68,950</u>
Net increase (decrease) in cash and cash equivalents	81,897	884,763	177,576	(65,770)	1,078,466
Cash and cash equivalents - October 1	580,175	4,943,511	246,507	746,093	6,516,286
Cash and cash equivalents - September 30	<u>\$ 662,072</u>	<u>5,828,274</u>	<u>424,083</u>	<u>680,323</u>	<u>7,594,752</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 150,544	2,298,803	316,080	322,412	3,087,839
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	393	862,957	212,098	58,351	1,133,799
Non-cash pension expense	(15,941)	(88,808)	(24,513)	--	(129,262)
(Increase) decrease in accounts receivable	6,803	98	5,402	(287,549)	(275,246)
Increase (decrease) in accounts payable and accrued liabilities	7,226	2,851	(1,335)	(379)	8,363
Increase (decrease) in customer deposits	--	10,095	--	--	10,095
Total adjustments	<u>(1,519)</u>	<u>787,193</u>	<u>191,652</u>	<u>(229,577)</u>	<u>747,749</u>
Net cash provided (used) by operating activities	<u>\$ 149,025</u>	<u>3,085,996</u>	<u>507,732</u>	<u>92,835</u>	<u>3,835,588</u>
Detail of cash and equivalents at September 30:					
Cash and equivalents	\$ 662,072	2,948,176	74,329	195,098	3,879,675
Restricted cash:					
Cash - Capital Projects	--	1,355,530	130,000	483,933	1,969,463
Loan proceeds	--	726,760	27,095	--	753,855
Loan covenant accounts	--	--	192,659	1,292	193,951
Impact fees	--	172,779	--	--	172,779
Customer deposits	--	625,029	--	--	625,029
Total	<u>\$ 662,072</u>	<u>5,828,274</u>	<u>424,083</u>	<u>680,323</u>	<u>7,594,752</u>
NONCASH CAPITAL ACTIVITIES					
Change in fair market value of interest rate swaps	\$ --	176,248	66,751	47,741	290,740
Borrowing under capital lease	--	172,000	62,500	--	234,500

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, 2017

	Pension Trust		Agency Fund
	Funds		Agency Fund
ASSETS			
Accounts receivable	\$ 319	\$	--
Interest and dividends receivable	74,843		--
Prepaid benefits	68,720		794
Investments, at fair value			
Money market funds	799,526		--
U. S. government securities	1,444,055		--
Corporate bonds	1,709,819		--
Corporate stocks	8,547,192		--
Mutual funds	11,108,924		--
Alternative investments	2,617,699		--
Total investments	<u>26,227,215</u>		<u>--</u>
Total assets	<u>\$ 26,371,097</u>	\$	<u>794</u>
LIABILITIES			
Accounts payable	\$ 182,495	\$	--
Advances from other funds	<u>--</u>		<u>794</u>
Total liabilities	<u>182,495</u>		<u>794</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 26,188,602</u>	\$	<u>--</u>

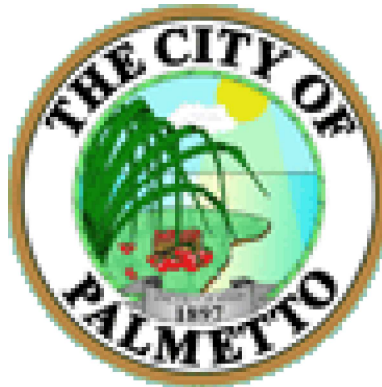
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2017

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$ 1,380,001
Plan members	235,195
State (from the General Fund)	121,071
Miscellaneous	2,608
Total contributions:	1,738,875
Investment Earnings	
Interest	124,192
Dividends	384,183
Net increase in the fair value of investments	2,395,827
Total investment earnings	2,904,202
Less investment expense	(154,895)
Net investment earnings	2,749,307
Total additions	4,488,182
DEDUCTIONS	
Benefits	1,896,101
Refunds of contributions	121,679
Administrative expenses	79,431
Total deductions	2,097,211
Change in net position	2,390,971
Net position, beginning	23,797,631
Net position, ending	\$ 26,188,602

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

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City of Palmetto, Florida

For the Year Ended September 30, 2017



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CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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 13,156. 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.

Accounting Standards Adopted in the Current Year:

GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and about tax abatement agreements entered into by other governments that reduce the reporting government's tax revenues. At this time, the City, nor any other applicable government which have a direct impact on the City, have issued tax abatement agreements.

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, 2017

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 statement by type (pension trust and agency funds) but are not included in the government-wide statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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

The government-wide financial statements are reported using the *economic resources measurement focus and the accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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, 2017

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, 2017

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 IV 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, 2017

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, 2017

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. 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		
Equipment and vehicles	7 years	\$ 2,000
Software	7 years	\$ 20,000
Infrastructure	50 years	\$ 20,000
Improvements other than buildings	50 years	\$ 20,000

Donated capital assets are recorded at estimated fair value at the date of donation. 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, 2017

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 statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the accumulated decrease in fair value of the SWAP agreement as a deferred outflow which is the offset of the fair market value of the City's derivatives (swap agreements). As the derivatives qualify as effective hedges – the change in fair market value occurs each year and the liability and deferred outflow are adjusted. Additionally, the City reports a deferred outflow 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 statement of revenues, expenditures and changes in fund balance will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to 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, the City has a deferred inflow of pension earnings 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 2017 was based on taxable assessed property values totaling \$765,296,527.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2017-2017 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, 2017

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 net other postemployment benefit obligations for the governmental funds.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures 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, 2017

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, 2017

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

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

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

1. *General government capital assets, net of accumulated depreciation*: Capital assets are not included as part of current assets in the fund statements and need to be reported as capital assets in the government-wide statement of net position. The details of this \$38,403,790 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 4,756,674
Buildings	212,364
Machinery and equipment	2,221,606
Infrastructure	27,597,847
Construction in progress	<u>3,615,299</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 38,403,790</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>\$ (212,000)</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 \$254,112 difference are as follows:

Unavailable revenue - Code Enforcement	\$ 142,792
Unearned revenue - Special Assessments	49,243
Unearned revenue for grants which were earned in the governmental activities but did not meet the 60 day requirement in the governmental funds	<u>62,077</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 254,112</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE II - 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 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. The details of these deferred resources are as follows:

Deferred outflows of pension resources	\$ 743,327
Deferred inflows of pension earnings	\$ (1,143,668)

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 \$8,416,070 difference are as follows:

2004 loan payable	\$ (259,385)
2005 loan payable	(681,922)
2007 loan payable - including reallocation of loan	(557,185)
CRA loan payable	(1,977,750)
Capital leases payable	(678,635)
Compensated absences	(650,642)
Other post-employment benefits	(221,431)
Net pension liability	<u>(3,389,120)</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (8,416,070)</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 \$515,221 difference are as follows:

Capital outlay	\$ 2,040,849
Depreciation expense	(1,487,205)
Capital assets sales	<u>(38,423)</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>\$ 515,221</u></u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE II - 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 \$363,494 difference are as follows:

Principal payments on long-term bank loans	\$ 363,365
Payments on capital leases	317,929
Capital lease additions	<u>(317,800)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 363,494</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 \$500,489 difference are as follows:

Changes in other post-employment benefits	\$ (9,208)
Change in net pension liability, deferred inflows and deferred outflows	538,043
Changes in compensated absences	<u>(28,346)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 500,489</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 \$52,289 difference are as follows:

Change in unavailable revenue	<u>\$ (52,289)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (52,289)</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE III - 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, 2017, 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, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At September 30, 2017, the carrying amount of the City's primary government deposits was \$21,468,917. This amount includes interest bearing time deposits, consisting of collateralized certificates of deposit, FDIC insured certificates of deposit, and term series valued at \$10,270,772, two money market accounts valued at \$4,600,427, lease proceeds from the 2016 and 2017 capital leases of \$218,673, the SBA investment of \$1,334,171, the FMIT investment of \$186,517, \$193,951 in loan covenant accounts, and \$2,344,554 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating accounts was \$2,317,852. 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, 2017, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 11.46% for the Police Pension Plan and 11.78% 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, 2017

NOTE IV - 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, 2016 through September 30, 2017, no such disclosure has been made.

As of September 30, 2017, 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, 2017

NOTE IV - 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, 2017, the City had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Cash and Short Term Investments	\$ 10,809,328	\$ 7,571,140	\$ 3,238,188	\$ --	\$ --
Investment Pools	8,928,045	8,928,045	--	--	--
US Agencies	3,975,125	2,608,752	743,171	318,335	304,868
Corporate Bonds	1,709,819	100,775	819,877	789,168	--
Common Stock	8,547,192	8,547,192	--	--	--
Mutual Funds - Fixed Income	3,318,195	3,318,195	--	--	--
Mutual Funds - Equity	7,790,729	7,790,729	--	--	--
Alternative Investments - Hedge Fund	168,792	168,792	--	--	--
Alternative Investments - Real Estate	2,448,907	2,448,907	--	--	--
Total cash and investments	\$ 47,696,132	\$ 41,482,527	\$ 4,801,236	\$ 1,107,503	\$ 304,868

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, 2017

NOTE IV - 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, 2017. These funds include \$1,334,171 in the SBA and \$4,593,874 in Florida Safe. The City also has \$10,270,772 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, 2017. The City has investments in these bond funds of \$186,517 and \$2,344,554, 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	\$ 520,919		3.82 %
U.S. Government Securities	769,200	Aaa	5.63 %
	231,308	Not Rated	1.69 %
Corporate Bonds			
	101,301	Aa3	0.74 %
	91,544	A1	0.67 %
	223,738	A2	1.64 %
	50,432	Baa1	0.37 %
	206,418	Not rated	1.51 %
Corporate Stock	7,679,514		56.25 %
Mutual Funds - Fixed Income	1,351,851		9.90 %
Mutual Funds - Equity	752,423		5.51 %
Alternative Investments - Hedge Fund	168,792		1.24 %
Alternative Investments - Real Estate	1,503,925		11.02 %
Total cash and investments	\$ 13,651,365		100.00 %

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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	\$ 278,607		2.22 %
U.S. Governmental Securities			
	158,665	Aaa	1.26 %
	284,882	Not Rated	2.27 %
Corporate Bonds			
	29,778	Aa1	0.24 %
	10,113	Aa2	0.08 %
	155,567	A1	1.24 %
	266,278	A2	2.12 %
	322,043	A3	2.56 %
	176,880	Baa1	1.41 %
	55,970	Baa2	0.45 %
	19,757	Baa3	0.16 %
Corporate Stock	867,678		6.90 %
Mutual Funds - Fixed Income	1,966,344		15.64 %
Mutual Funds - Equity	7,038,306		55.97 %
Alternative Investments - Real Estate	944,982		7.51 %
Total cash and investments	<u>\$ 12,575,850</u>		<u>100.00 %</u>

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, 2017

NOTE IV - 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, 2017	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	\$ 8,547,192	\$ 8,547,192	\$ --	\$ --
Mutual Funds	11,108,924	11,108,924	--	--
Money Market Funds	799,526	799,526	--	--
Debt Securities:				
U.S. Treasury Notes	930,529	--	930,529	--
U.S. Government Agencies	3,044,596	--	3,044,596	--
Corporate Bonds	1,709,819	--	1,709,819	--
Total investments by fair value level	<u>26,140,586</u>	<u>20,455,642</u>	<u>5,684,944</u>	<u>--</u>
Instruments measured at the net asset value (NAV):				
Hedge/Alternative Investments	168,792			
Real Estate:				
UBS Trumbull Property Fund	1,503,925			
Principal U.S. Property Account	944,982			
Total investments measured at NAV	<u>2,617,699</u>			
Total investments	<u>\$ 28,758,285</u>	<u>\$ 20,455,642</u>	<u>\$ 5,684,944</u>	<u>\$ --</u>
Investment derivative instruments:				
Interest rate swaps for loans	\$ 733,007	\$ --	\$ 733,007	\$ --
Total Derivatives	<u>\$ 733,007</u>	<u>\$ --</u>	<u>\$ 733,007</u>	<u>\$ --</u>

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, 2017

NOTE IV - 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:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Hedge/Alternative Investments	\$ 168,792	\$ --	*	N/A
Real Estate:				
UBS Trumbull Property Fund	1,503,925	--	Quarterly	60 Days Prior to Quarter End Daily, but Subject to Deferment
Principal U.S. Property Account	<u>944,982</u>	--	Monthly	Deferment
Total investments measured at NAV	<u>\$ 2,617,699</u>			

* Hedge/Alternative Investment is winding down per the following schedule:

6-30-2016	43%
12-31-2016	67%
6-30-2017	83%
12-31-2017	89%
12-31-2018	96%
After 12-31-2018	100%

1. *Hedge/Alternative Investments*. This type focuses on short and intermediate duration strategies that consist of long/short equity and opportunistic credit. The administrators of this particular hedge fund have opted to close the fund, and incrementally disburse the funds and phase it out by the end of 2018.

2. *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.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2017 totals \$1,989,639 for the City at the fund level as shown below:

	Governmental Funds					Pension Trust
	General	CRA	Road & Bridge	Capital Projects	Total	
Accounts receivable	\$ 178,820	\$ 3,418	\$ 481	\$ --	\$ 182,719	\$ 319
Special assessments	31,407	--	17,837	--	49,244	--
Intergovernmental	186,533	--	--	--	186,533	--
Interest and dividends	13,880	5,245	3,829	--	22,954	74,843
Grants	--	--	--	52,190	52,190	--
Gross Receivables	410,640	8,663	22,147	52,190	493,640	75,162
Less: Allowances for Uncollectible	--	--	--	--	--	--
Net Total Receivables	\$ 410,640	\$ 8,663	\$ 22,147	\$ 52,190	\$ 493,640	\$ 75,162

	Enterprise Funds				
	Solid Waste Fund	Water and Sewer Fund	Stormwater Fund	Reuse Fund	Total
Accounts receivable	\$ 342,388	\$ 1,059,392	\$ 129,571	\$ 72,326	\$ 1,603,677
Special assessments	--	647	--	--	647
Interest and dividends receivable	1,477	12,711	505	1,565	16,258
Grants	--	--	--	344,101	344,101
Gross Receivables	343,865	1,072,750	130,076	417,992	1,964,683
Less: Allowances for Uncollectible	(121,942)	(351,171)	(45,780)	(24,953)	(543,846)
Net Total Receivables	\$ 221,923	\$ 721,579	\$ 84,296	\$ 393,039	\$ 1,420,837

D. Inter-fund Receivables, Payables and Transfers test

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, 2017, the General Fund advanced funds of \$794 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, 2017 is \$317,530 and is reported with the General Fund in the financial statements.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

Receivable fund	Payable fund	Amount
General Fund/Trailer Park Trust	Reuse	\$ 317,530
General Fund/Trailer Park Trust	Payroll Liability Fund	794
Total		\$ 318,324

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, 2017, 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	\$ --	\$ --	\$ 36,454	\$ --	\$ 36,454
CRA Fund	38,132	--	--	--	38,132
Road and Bridge Fund	154,912	--	209,950	148,333	513,195
Road and Bridge Fund	--	179,875	--	--	179,875
Solid Waste Fund	73,748	--	--	--	73,748
Water and Sewer Fund	529,439	--	--	114,000	643,439
Stormwater Fund	128,408	--	--	--	128,408
Reuse Fund	28,673	--	--	--	28,673
Total	\$ 953,312	\$ 179,875	\$ 246,404	\$ 262,333	\$ 1,641,924

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Funds			Total
	General	Road and Bridge	Capital Projects	
Building Department Reserve	\$ 586,053	\$ --	\$ --	\$ 586,053
Capital Improvement Loan Proceeds	--	--	24,853	24,853
Capital Improvement Lease Proceeds	88,291	2,094	--	90,385
Law Enforcement	44,426	--	--	44,426
Impact fees	205,220	271,522	--	476,742
Contributions - Capital Improvements	551,096	6,501	661,292	1,218,889
Total Governmental Restricted Assets	<u>\$ 1,475,086</u>	<u>\$ 280,117</u>	<u>\$ 686,145</u>	<u>\$ 2,441,348</u>

	Proprietary Funds			Total
	Water and Sewer	Stormwater	Reuse	
Cash - capital projects	\$ 1,355,530	\$ 130,000	\$ 483,933	\$ 1,969,463
Loan Proceeds	726,760	27,095	--	753,855
Loan covenant accounts	--	192,659	1,292	193,951
Impact fees	172,779	--	--	172,779
Customer deposits	625,029	--	--	625,029
Total Proprietary Restricted Assets	<u>\$ 2,880,098</u>	<u>\$ 349,754</u>	<u>\$ 485,225</u>	<u>\$ 3,715,077</u>
Total Restricted Assets				<u>\$ 6,156,425</u>

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 2017 and total \$108,721.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital Assets (Continued)

Capital asset activity, for the year ended September 30, 2017, was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 4,589,052	\$ 167,622	\$ --	\$ 4,756,674
Construction in progress	2,490,992	1,221,182	(96,875)	3,615,299
Total capital assets, not being depreciated:	<u>7,080,044</u>	<u>1,388,804</u>	<u>(96,875)</u>	<u>8,371,973</u>
Capital assets, being depreciated:				
Buildings	2,207,867	111,307	--	2,319,174
Machinery and equipment	7,439,740	547,530	(132,276)	7,854,994
Infrastructure	41,157,224	90,083	(3,643)	41,243,664
Total capital assets, being depreciated:	<u>50,804,831</u>	<u>748,920</u>	<u>(135,919)</u>	<u>51,417,832</u>
Less accumulated depreciation for:				
Buildings	(2,040,190)	(66,620)	--	(2,106,810)
Machinery and equipment	(5,184,724)	(544,660)	95,996	(5,633,388)
Infrastructure	(12,771,392)	(875,925)	1,500	(13,645,817)
Total accumulated depreciation	<u>(19,996,306)</u>	<u>(1,487,205)</u>	<u>97,496</u>	<u>(21,386,015)</u>
Total capital assets, being depreciated, net	<u>30,808,525</u>	<u>(738,285)</u>	<u>(38,423)</u>	<u>30,031,817</u>
Governmental activities capital assets, net	<u>\$ 37,888,569</u>	<u>\$ 650,519</u>	<u>\$ (135,298)</u>	<u>\$ 38,403,790</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 279,415	\$ --	\$ --	\$ 279,415
Construction in progress	5,555,127	764,653	(344,363)	5,975,417
Total capital assets, not being depreciated:	<u>5,834,542</u>	<u>764,653</u>	<u>(344,363)</u>	<u>6,254,832</u>
Capital assets being depreciated:				
Buildings	647,321	4,946	--	652,267
Improvements other than buildings	41,658,089	506,321	(298)	42,164,112
Machinery and equipment	3,873,418	347,921	(2,091)	4,219,248
Total capital assets, being depreciated:	<u>46,178,828</u>	<u>859,188</u>	<u>(2,389)</u>	<u>47,035,627</u>
Less accumulated depreciation for:				
Buildings	(334,253)	(21,157)	--	(355,410)
Improvements other than buildings	(17,070,532)	(754,938)	--	(17,825,470)
Machinery and equipment	(1,815,184)	(357,704)	--	(2,172,888)
Total accumulated depreciation	<u>(19,219,969)</u>	<u>(1,133,799)</u>	<u>--</u>	<u>(20,353,768)</u>
Total capital assets being, depreciated, net	<u>26,958,859</u>	<u>(274,611)</u>	<u>(2,389)</u>	<u>26,681,859</u>
Business-type activities capital assets, net	<u>\$ 32,793,401</u>	<u>\$ 490,042</u>	<u>\$ (346,752)</u>	<u>\$ 32,936,691</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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	\$ 506,281
Public safety	255,189
Streets and roads	452,032
Intergovernmental services	231,066
Recreation	42,637
Total depreciation for governmental activities	<u>\$ 1,487,205</u>
Business-type activities:	
Solid waste	\$ 393
Water and sewer	862,957
Stormwater	212,098
Reuse	58,351
Total depreciation expense for business-type activities	<u>\$ 1,133,799</u>

Construction Commitments

The City has various active construction projects. At September 30, 2017, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

Capital Projects	Spent-to- Date	Remaining Commitment
Aquifer Storage Recovery Project	\$ 3,935,984	\$ 41,270
Inflow and Infiltration	1,427,675	--
8th & 9th Street Reclaim Lines	229,743	53,126
Fire Protection Upgrades	145,298	48,602
Lift Station Upgrades	156,043	12,859
Other projects	121,305	235,183
Total capital projects	<u>\$ 6,016,048</u>	<u>\$ 391,040</u>
CRA Projects	Spent-to- Date	Remaining Commitment
Sutton/Lamb Park Improvements	\$ 1,243,688	\$ 8,686
Seawall Replacement	405,611	--
Living Seawall Installation	340,426	70,000
Multimodal Emphasis Corridor	1,348,769	45,832
Other projects	236,174	94,975
Total CRA projects	<u>\$ 3,574,668</u>	<u>\$ 219,493</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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, 2017, are as follows:

	Year Ended September 30, 2017		
	Governmental Activities	Business-type Activities	Total
Asset:			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 780,857	\$ --	\$ 780,857
Light Duty & Equipment	161,052	1,592,156	1,753,208
Heavy Duty & Equipment	309,434	645,610	955,044
Office Systems	10,404	--	10,404
Total Leased Assets	1,261,747	2,237,766	3,499,513
Less Accumulated Depreciation	(165,022)	(297,099)	(462,121)
Total Leases	\$ 1,096,725	\$ 1,940,667	\$ 3,037,392

During the fiscal year ending September 30, 2017, lease payments were made totaling \$648,254 which includes principal payments of \$617,328 and \$30,926 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

	Year Ending September 30	Governmental Activities	Business-type Activities	Total
2018	\$ 319,768	\$ 292,756	\$ 612,524	
2019	217,046	242,191	459,237	
2020	117,292	222,130	339,422	
2021	41,444	173,211	214,655	
2022	--	142,603	142,603	
2023	--	71,302	71,302	
Total minimum lease payments	695,550	1,144,193	1,839,743	
Less: amount representing interest	(16,915)	(47,240)	(64,155)	
Present value of minimum lease payments	\$ 678,635	\$ 1,096,953	\$ 1,775,588	

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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, 2017, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$25,699. 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, 2017, loan payments were made totaling \$5,096 which includes principal payments of \$4,217 and \$879 in interest. Annual installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 4,347	\$ 783	\$ 5,130
2019	4,486	644	5,130
2020	4,630	500	5,130
2021	4,779	351	5,130
2022	4,932	198	5,130
2023	2,525	39	2,564
Total	\$ 25,699	\$ 2,515	\$ 28,214

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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, 2017, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$699,964. 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, 2017, loan payments were made totaling \$184,868 which includes principal payments of \$162,226 and \$22,642 in interest. Annual installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2018	\$ 167,178	\$ 19,952	\$ 187,130
2019	172,282	14,848	187,130
2020	177,542	9,588	187,130
2021	182,962	4,168	187,130
Total	\$ 699,964	\$ 48,556	\$ 748,520

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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.

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

During the fiscal year ending September 30, 2017, loan payments were made totaling \$204,751 which includes principal payments of \$150,212 and \$54,539 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, 2017 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
2018	\$ 34,663	\$ 10,073	\$ 123,200	\$ 35,803	\$ 157,863	\$ 45,876	\$ 203,739
2019	36,374	8,560	129,282	30,422	165,656	38,982	204,638
2020	38,328	6,969	136,228	24,769	174,556	31,738	206,294
2021	40,233	5,295	142,998	18,821	183,231	24,116	207,347
2022	42,284	3,538	150,289	12,573	192,573	16,111	208,684
2023	44,438	1,690	157,946	6,006	202,384	7,696	210,080
2024	23,065	124	81,984	442	105,049	566	105,615
Total	<u>\$ 259,385</u>	<u>\$ 36,249</u>	<u>\$ 921,927</u>	<u>\$ 128,836</u>	<u>\$ 1,181,312</u>	<u>\$ 165,085</u>	<u>\$ 1,346,397</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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.

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

During the fiscal year ending September 30, 2017, loan payments were made totaling \$500,367 which includes principal payments of \$343,657 and \$156,710 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, 2017, 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	
2018	\$ 71,713	\$ 30,781	\$ 288,685	\$ 123,913	\$ 360,398	\$ 154,694	\$ 515,092
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	42,236	2,691	52,730	3,359	56,089
Total	\$ 681,922	\$ 160,319	\$ 2,745,127	\$ 645,380	\$ 3,427,049	\$ 805,699	\$ 4,232,748

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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.

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

During the fiscal year ending September 30, 2017, loan payments were made totaling \$394,450 which includes principal payments of \$250,471 and \$143,979 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

At September 30, 2017, 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		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 44,125	\$ 23,266	\$ 217,451	\$ 114,655	\$ 261,576	\$ 137,921	\$ 399,497
2019	46,081	21,336	227,092	105,147	273,173	126,483	399,656
2020	48,071	19,322	236,896	95,218	284,967	114,540	399,507
2021	50,256	17,219	247,663	84,856	297,919	102,075	399,994
2022	52,484	15,021	258,644	74,026	311,128	89,047	400,175
2023	54,811	12,726	270,112	62,714	324,923	75,440	400,363
2024	57,213	10,328	281,948	50,895	339,161	61,223	400,384
2025	59,777	7,827	294,588	38,573	354,365	46,400	400,765
2026	62,428	5,213	307,648	25,690	370,076	30,903	400,979
2027	65,195	2,483	321,288	12,236	386,483	14,719	401,202
2028	16,744	182	82,519	897	99,263	1,079	100,342
Total	\$ 557,185	\$ 134,923	\$ 2,745,849	\$ 664,907	\$ 3,303,034	\$ 799,830	\$ 4,102,864

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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: I&I, fire protection, and a new chloramine system for the Waste Water Treatment Plant. The loan is payable from and secured by a pledge and lien upon the pledge to budget and appropriate legally available non-ad valorem revenues.

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

During the fiscal year ending September 30, 2017, loan payments were made totaling \$103,565 which includes principal payments of \$70,811 and \$32,754 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Debt Service
2018	\$ 72,998	\$ 30,922	\$ 103,920
2019	75,250	28,670	103,920
2020	77,572	26,348	103,920
2021	79,965	23,955	103,920
2022	82,432	21,488	103,920
2023	84,975	18,945	103,920
2024	87,597	16,323	103,920
2025	90,299	13,621	103,920
2026	93,085	10,835	103,920
2027	95,957	7,963	103,920
2028	98,917	5,003	103,920
2029	101,968	1,951	103,919
Total	\$ 1,041,015	\$ 206,024	\$ 1,247,039

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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, 2017, loan payments were made totaling \$253,690 which includes principal payments of \$219,750 and \$33,940 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2018	\$ 219,750	\$ 94,767	\$ 314,517
2019	219,750	83,780	303,530
2020	219,750	72,792	292,542
2021	219,750	61,805	281,555
2022	219,750	50,817	270,567
2023	219,750	39,830	259,580
2024	219,750	28,842	248,592
2025	219,750	17,855	237,605
2026	219,750	6,867	226,617
Total	\$ 1,977,750	\$ 457,355	\$ 2,435,105

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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 69 - 71. The fair value and changes in fair value of the interest rate swap contracts are as follows:

	<u>Changes in Fair Value</u>	<u>Fair Value at September 30, 2017</u>	<u>Notional Value at September 30, 2017</u>
Governmental activities			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ (10,246)	\$ (20,649)	\$ 259,385
2005 Loan	(29,460)	(74,883)	681,922
2007 Loan	(27,713)	(98,037)	557,185
Total Governmental activities	<u>(67,419)</u>	<u>(193,569)</u>	<u>1,498,492</u>
Business-type activities			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	(36,327)	(57,545)	921,927
2005 Loan	(117,841)	(208,684)	2,745,127
2007 Loan	(136,572)	(273,209)	2,745,849
Total Business-type activities	<u>(290,740)</u>	<u>(539,438)</u>	<u>6,412,903</u>
Total interest rate swaps	<u>\$ (358,159)</u>	<u>\$ (733,007)</u>	<u>\$ 7,911,395</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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, 2017 is assumed to be constant over the life of the note.

Year	Principal	Variable Interest	Swap Interest	Net Cash Flows
2018	\$ 779,837	\$ 72,924	\$ 265,567	\$ 1,118,328
2019	815,307	64,431	241,522	1,121,260
2020	852,188	55,552	216,350	1,124,090
2021	891,699	46,261	190,086	1,128,046
2022	932,607	36,542	162,590	1,131,739
2023	975,117	26,380	133,808	1,135,305
2024	912,546	16,944	104,254	1,033,744
2025	843,542	8,307	79,036	930,885
2026	422,806	4,382	29,880	457,068
2027	386,483	895	13,824	401,202
2028	99,263	--	1,079	100,342
Total	\$ 7,911,395	\$ 332,618	\$ 1,437,996	\$ 9,682,009

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$733,007 as of September 30, 2017. 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, 2017 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, 2017

NOTE IV - 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, 2017, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$13,499,209.

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, 2017, no amounts were earned that are required to be rebated to the U.S. Treasury for 2017.

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, 2017

NOTE IV - 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, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Long-term bank loans					
2004 Loan	\$ 292,367	\$ --	\$ 32,982	\$ 259,385	\$ 34,663
2005 Loan	750,303	--	68,381	681,922	71,713
2007 Loan	599,437	--	42,252	557,185	44,125
CRA Loan	2,197,500	--	219,750	1,977,750	219,750
Total Long-term bank loans	3,839,607	--	363,365	3,476,242	370,251
Interest rate swap contracts	260,988	--	67,419	193,569	--
Other post-employment benefits	212,223	9,208	--	221,431	--
Net pension liability	4,631,070	4,616,817	5,858,767	3,389,120	--
Capital leases	678,764	317,800	317,929	678,635	310,251
Compensated absences	622,296	362,533	334,187	650,642	162,660
Governmental activities long-term liabilities	<u>\$ 10,244,948</u>	<u>\$ 5,306,358</u>	<u>\$ 6,941,667</u>	<u>\$ 8,609,639</u>	<u>\$ 843,162</u>
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Long-term bank loans:					
2004 Loan	\$ 1,039,157	\$ --	\$ 117,230	\$ 921,927	\$ 123,200
2005 Loan	3,020,403	--	275,276	2,745,127	288,685
2007 Loan	2,954,068	--	208,219	2,745,849	217,451
2014 Loan	1,111,826	--	70,811	1,041,015	72,998
Total long-term bank loans	8,125,454	--	671,536	7,453,918	702,334
State revolving loans					
Stormwater	862,190	--	162,226	699,964	167,178
Reuse	29,916	--	4,217	25,699	4,347
Total state revolving loans	892,106	--	166,443	725,663	171,525
Total loans payable	9,017,560	--	837,979	8,179,581	873,859
Interest rate swap contracts	830,178	--	290,740	539,438	--
Other post-employment benefits	41,194	1,118	1,744	40,568	--
Net pension liability	897,176	507,527	736,164	668,539	--
Capital leases	1,161,853	234,500	299,399	1,096,954	273,460
Compensated absences	49,072	46,564	41,123	54,513	13,628
Total business-type activities long-term liabilities	<u>\$ 11,997,033</u>	<u>\$ 789,709</u>	<u>\$ 2,207,149</u>	<u>\$ 10,579,593</u>	<u>\$ 1,160,947</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - 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>278,290</u>
--------------	-------------------

- **Restricted** - The following fund balances are restricted for:

General Fund

Building Department - used to fund operations	\$ 586,053
Infrastructure half-cent sales tax - voter approved to be used for capital improvements	635,328
Impact fees - used to fund growth in General government, Law enforcement and Parks and Recreation	205,220
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the City's cemetery.	3,685
Special law enforcement reserve	44,426
Lease proceeds - for capital assets	<u>88,291</u>
General Fund subtotal	\$ <u>1,563,003</u>

Community Redevelopment Agency Fund

Used to alleviate slum and blight in the City per Florida Statute 163	\$ <u>2,452,749</u>
Community Redevelopment Agency Fund subtotal	\$ <u>2,452,749</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	\$ 185,000
Impact fees - for the growth in transportation	271,522
Bocage legal settlement	6,501
Lease proceeds - for capital assets	2,094
General operating expenses	<u>1,358,549</u>
Road and Bridge Fund subtotal	\$ <u>1,823,666</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balances (Continued)

Capital Projects Fund

Loan proceeds - for capital improvements		\$ 24,853
	Capital Projects Fund subtotal	<u>24,853</u>
	Total Restricted Fund Balances	<u>\$ 5,864,271</u>

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

General Fund

Trailer Park Trust - City Commission approval required		\$ 2,075,406
	General Fund subtotal	<u>\$ 2,075,406</u>

Capital Projects Fund

Capital Projects		\$ 975,801
	Capital Projects Fund subtotal	<u>975,801</u>
	Total Committed Fund Balances	<u>\$ 3,051,207</u>

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

General Fund

Funding for Capital Improvements Program		\$ 154,175
Tree reserve - used to replant trees in the City		22,786
One-time operating expenses		<u>173,876</u>
	Total Assigned Fund Balance	<u>\$ 350,837</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, 2017

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Encumbered Commitments

The following table lists the outstanding encumbrances at September 30, 2017. 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	\$ 64,575	\$ 274,198	\$ 405,773	\$ --	\$ 744,546
Operating Capital Projects	--	162,805	--	--	162,805
Capital Improvement Projects (CIP)	--	--	--	352,396	352,396
Total Encumbrances Outstanding	\$ 64,575	\$ 437,003	\$ 405,773	\$ 352,396	\$ 1,259,747

	Business-Type Activities				Total
	Solid Waste Fund	Water and Sewer Fund	Stormwater Fund	Reuse Fund	
Operating Encumbrances	\$ 6,358	\$ 86,661	\$ 1,843	\$ --	\$ 94,862
Capital Improvement Projects (CIP)	--	118,856	--	106,076	224,932
Total Encumbrances Outstanding	\$ 6,358	\$ 205,517	\$ 1,843	\$ 106,076	\$ 319,794
Total Outstanding Encumbrances					\$ 1,579,541

NOTE V - 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, 2017

NOTE V - 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 Retirement Systems and Pension Plan: Description, Policies and Contributions

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, 2017

NOTE V - 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, 2017
Retirees, beneficiaries, and DROP participants benefits	61	58
Terminated employees entitled to, but not yet receiving benefits	6	8
Active plan members	70	73
Total	137	139

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, 2017

NOTE V - 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 2017 was 28.77%.

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, 2017, two employees are participating in the DROP program with a balance of \$265,784.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2017. 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, 2017, were as follows:

Total pension liability	\$ 15,913,324
Plan fiduciary net position	<u>(13,784,575)</u>
City's net pension liability	<u>2,128,749</u>
Plan fiduciary net position as a percentage of the total pension liability	86.62 %

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - 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 using the following actuarial assumptions:

Inflation	2.30%
Salary increases	service base
Discount rate	7%
Investment rate of return	7%

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

The actuarial valuation performed with a measurement date of September 30, 2017 had made changes of assumptions pursuant to the provisions of Chapter 2015-157, Laws of Florida. the mortality assumption reflects a change 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.

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 2017 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, 2017

NOTE V - 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, 2017 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 %	6.34 %
International equity	10.00 %	5.90 %
Fixed income	15.00 %	2.17 %
Global fixed income	5.00 %	1.81 %
Hedge funds	7.50 %	2.59 %
Real estate	12.50 %	3.04 %
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, 2017 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.78%. 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, 2017

NOTE V - 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, 2016	\$ 15,527,460	\$ 12,318,303	\$ 3,209,157
Changes for a Year:			
Service cost	340,367	--	340,367
Interest	1,077,822	--	1,077,822
Differences between expected and actual experience	(91,591)	--	(91,591)
Changes of assumptions	--	--	--
Changes of benefit terms	--	--	--
Contributions - Employer	--	854,277	(854,277)
Contributions - Employee	--	148,466	(148,466)
Net investment income	--	1,443,970	(1,443,970)
Benefit payments, including refunds of employee contributions	(940,734)	(940,734)	--
Administrative expense	--	(39,707)	39,707
Net changes	<u>385,864</u>	<u>1,466,272</u>	<u>(1,080,408)</u>
Reporting period ending September 30, 2017	<u>\$ 15,913,324</u>	<u>\$ 13,784,575</u>	<u>\$ 2,128,749</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	\$ 3,899,342	\$ 2,128,749	\$ 645,795

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - 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, 2017, the City recognized a reduction of pension expense of \$243,454. On September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ --	\$ 486,029
Changes of assumptions	120,476	68,892
Net difference between projected and actual earnings on pension plan investments	--	243,756
Total	\$ 120,476	\$ 798,677

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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:		
2018	\$	(202,918)
2019		(205,093)
2020		(154,008)
2021		(116,182)

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, 2017
Retirees, beneficiaries, and DROP participants receiving benefits	30	30
Terminated employees entitled to, but not yet receiving benefits	5	7
Active plan members	33	32
Total	68	69

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - 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, 2017

NOTE V - 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 30.04% for fiscal year 2017 .

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, 2017, 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, 2017. 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, 2017, and reported for fiscal year 2017, were as follows:

Total pension liability	\$ 14,333,545
Plan fiduciary net position	<u>(12,404,635)</u>
City's net pension liability	<u>1,928,910</u>
Plan fiduciary net position as a percentage of the total pension liability	86.54 %

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, 2017

NOTE V - 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 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	Service based
Discount rate	7.10%
Investment rate of return	7.10%

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

The actuarial valuation performed with a measurement date of September 30, 2017 had made changes of assumptions pursuant to the provisions of Chapter 2015-157, Laws of Florida. The mortality assumption reflects a change 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. Also, the investment return assumption was lowered from 7.25% to 7.10% per year, net of investment related expenses. Please note this will be lowered from 7.10% to 7.00% per year in conjunction with the October 1, 2018 actuarial valuation.

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 2017, 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, 2017

NOTE V - 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, 2017 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	30.00 %	2.50 %
Global fixed income	5.00 %	3.50 %
Real estate	5.00 %	4.50 %
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, 2017, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 11.46%. 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 7.10%. 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, 2017

NOTE V - 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, 2016	\$ 13,787,612	\$ 11,468,522	\$ 2,319,090
Changes for a Year:			
Service cost	332,469	--	332,469
Interest	984,780	--	984,780
Differences between expected and actual experience	81,800	--	81,800
Changes of assumptions	220,697	--	220,697
Changes of benefits terms	--	--	--
Contributions - Employer	--	525,731	(525,731)
Contributions - State	--	121,071	(121,071)
Contributions - Employee	--	86,729	(86,729)
Net investment income	--	1,308,549	(1,308,549)
Benefit payments, including refunds of employee contributions	(1,073,813)	(1,073,813)	--
Administrative expense	--	(32,154)	32,154
Net changes	<u>545,933</u>	<u>936,113</u>	<u>(390,180)</u>
Reporting period ending September 30, 2017	<u>\$ 14,333,545</u>	<u>\$ 12,404,635</u>	<u>\$ 1,928,910</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 7.10%, 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 (6.10%) or 1.0% higher (8.10%) than the current rate:

	1.0% Decrease 6.10%	Current Discount Rate 7.10%	1.0% Increase 8.10%
City's net pension liability	\$ 3,650,063	\$ 1,928,910	\$ 494,794

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - 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, 2017, the City recognizes a pension expense of \$590,319 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	\$ 61,350	\$ 365,854
Changes of assumptions	625,024	--
Net difference between projected and actual earnings on pension plan investments	--	208,664
	\$ 686,374	\$ 574,518

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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ 145,611
2019	145,611
2020	(81,250)
2021	(98,116)

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

E. Combining statement of fiduciary net position and statement of changes in fiduciary net position

Combining statement of fiduciary net position and 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			
Accounts receivable	\$ 319	\$ --	\$ 319
Interest and dividends receivable	10,360	64,483	74,843
Prepaid benefits	--	68,720	68,720
Investments			
Money market funds	278,607	520,919	799,526
U. S. government securities	443,547	1,000,508	1,444,055
Corporate bonds	1,036,386	673,433	1,709,819
Corporate stocks	867,678	7,679,514	8,547,192
Mutual funds	9,004,650	2,104,274	11,108,924
Alternative investments	944,982	1,672,717	2,617,699
Total Investments	<u>12,575,850</u>	<u>13,651,365</u>	<u>26,227,215</u>
Total Assets	<u>12,586,529</u>	<u>13,784,568</u>	<u>26,371,097</u>
Liabilities			
Accounts payable and accrued liabilities	<u>182,495</u>	<u>--</u>	<u>182,495</u>
Total liabilities	<u>182,495</u>	<u>--</u>	<u>182,495</u>
Net Position			
Restricted for pension benefits	<u>\$ 12,404,034</u>	<u>\$ 13,784,568</u>	<u>\$ 26,188,602</u>

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

E. Combining statement of fiduciary net position and statement of changes in fiduciary net position (Continued)

	Palmetto Police Officers' Pension Plan	Palmetto General Employees Pension Plan	Total Fiduciary Funds
Additions			
Contributions			
Employer	\$ 525,731	\$ 854,270	\$ 1,380,001
Plan members	86,729	148,466	235,195
State (from the General Fund)	121,071	--	121,071
Miscellaneous	2,217	391	2,608
Total contributions	<u>735,748</u>	<u>1,003,127</u>	<u>1,738,875</u>
Investment earnings			
Interest	88,758	35,434	124,192
Dividends	194,027	190,156	384,183
Net increase in the fair value of investments	1,093,512	1,302,315	2,395,827
Total investment earnings	<u>1,376,297</u>	<u>1,527,905</u>	<u>2,904,202</u>
Investment expense	<u>(59,876)</u>	<u>(95,019)</u>	<u>(154,895)</u>
Net investment earnings	<u>1,316,421</u>	<u>1,432,886</u>	<u>2,749,307</u>
Total additions	<u>2,052,169</u>	<u>2,436,013</u>	<u>4,488,182</u>
Deductions			
Benefits	1,061,862	834,239	1,896,101
Refunds of contributions	11,952	109,727	121,679
Administrative expenses	39,724	39,707	79,431
Total deductions	<u>1,113,538</u>	<u>983,673</u>	<u>2,097,211</u>
Change in net position	938,631	1,452,340	2,390,971
Net position - beginning	<u>11,465,403</u>	<u>12,332,228</u>	<u>23,797,631</u>
Net position - ending	<u>\$ 12,404,034</u>	<u>\$ 13,784,568</u>	<u>\$ 26,188,602</u>

F. Other Post-Employment Benefits (OPEB)

1. Plan Description

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) (Continued)

2. Funding Policy and Annual OPEB Cost

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

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

	As of September 30, 2017	As of September 30, 2016
Required contribution rates:		
Employer	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution (ARC)	\$ 31,000	\$ 30,000
Interest on the Net OPEB Obligation	10,000	10,000
Adjustment to the ARC	(22,000)	(21,000)
Annual OPEB Cost	19,000	19,000
Employer contributions *	(10,000)	(9,000)
Increase in the Net OPEB	\$ 9,000	\$ 10,000
Net OPEB obligation (beginning of year)	253,000	243,000
Net OPEB obligation (end of year)	\$ 262,000	\$ 253,000

* reflects a contribution credit for the implied subsidy

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) (Continued)

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

Fiscal year ended	Percentage of OPEB		Net OPEB Obligation
	Annual OPEB Cost	Cost Contributed	
September 30, 2012	\$ 47,000	45 %	\$ 219,000
September 30, 2013	23,000	65 %	227,000
September 30, 2014	22,000	68 %	234,000
September 30, 2015	23,000	61 %	243,000
September 30, 2017	19,000	47 %	253,000
September 30, 2017	19,000	53 %	262,000

3. Funded Status and Funding Progress

The funded status of the plan based on the actuarial valuation as of July 1, 2016.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As % of Covered Payroll
July 1, 2011	\$ --	\$ 338,000	\$ 338,000	0.0 %	\$ 4,380,000	7.7 %
July 1, 2013	--	210,000	210,000	0.0 %	4,225,000	5.0 %
July 1, 2016	--	171,000	171,000	0.0 %	4,864,000	3.5 %

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

4. Actuarial Methods and Assumptions

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE V - OTHER INFORMATION (CONTINUED)

F. Other Post-Employment Benefits (OPEB) (Continued)

Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	15-year open period level-dollar payment
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	4.00% per annum: includes inflation at 2.75% per annum
Healthcare cost trend rate	
Select rates	7.50% for 2016/17 graded to 5.50% for 202/21
Ultimate rate	5.00% per annum

G. 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.

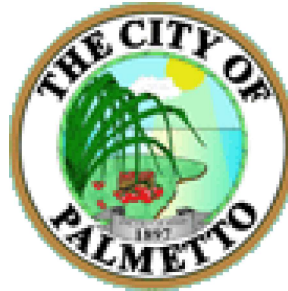
H. Deferred Compensation Plan

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

I. Subsequent Events

As of September 30, 2017, 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. While the establishment of a major hotel continues to be a priority to the City, the negotiations has ceased with the prospective developer.

The City has obtained a \$4.5 million loan from the State Revolving Loan fund for the construction of a Equilization 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, 2017 however, construction is not anticipated to begin until fiscal year 2018 and payments begin in fiscal year 2019.



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	100
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Community Redevelopment Agency	101
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Road and Bridge Fund	102

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

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Palmetto Police Officers' Pension Plan

Schedule of Changes in the City's Net Pension Liability and Related Ratios	107
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Schedule of Funding Progress - Other Post Employment Benefits	111
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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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property	\$ 4,378,330	\$ 4,396,340	\$ 4,396,240	\$ (100)
Sales	992,600	1,627,930	1,648,177	20,247
Utility	1,065,400	1,132,894	1,143,031	10,137
Motor fuel	11,000	11,445	11,445	--
Other	809,708	849,216	844,339	(4,877)
Permits, fees, and special assessments	1,345,500	1,293,915	1,293,917	2
Intergovernmental revenues	2,983	7,438	6,358	(1,080)
Fines and forfeitures	42,150	43,199	38,955	(4,244)
Charges for services	697,638	730,733	716,481	(14,252)
Interest earnings	34,995	28,781	75,346	46,565
Miscellaneous	151,494	191,349	189,222	(2,127)
Impact fees	--	38,428	38,428	--
Total revenues	<u>9,531,798</u>	<u>10,351,668</u>	<u>10,401,939</u>	<u>50,271</u>
EXPENDITURES				
Current				
General government				
Commission	279,312	262,312	246,926	15,386
City Clerk	2,084,007	2,084,193	2,025,615	58,578
City Attorney	248,926	248,926	245,943	2,983
Finance	624,387	641,586	610,866	30,720
Human resources	196,416	204,666	170,647	34,019
Total general government	<u>3,433,048</u>	<u>3,441,683</u>	<u>3,299,997</u>	<u>141,686</u>
Public Safety				
Police	4,221,871	4,226,399	4,173,027	53,372
Code enforcement	153,576	156,701	103,295	53,406
Planning and zoning	245,474	245,474	162,048	83,426
Building department	272,351	272,350	214,859	57,491
Total public safety	<u>4,893,272</u>	<u>4,900,924</u>	<u>4,653,229</u>	<u>247,695</u>
Recreation				
Parks and recreation	631,354	631,506	514,178	117,328
Events and facilities	144,750	149,859	136,809	13,050
Total recreation	<u>776,104</u>	<u>781,365</u>	<u>650,987</u>	<u>130,378</u>
Intergovernmental services				
Information technology	375,254	379,694	360,561	19,133
Public works administration	705,419	693,114	538,936	154,178
Fleet management	237,945	237,945	226,177	11,768
Total intergovernmental services	<u>1,318,618</u>	<u>1,310,753</u>	<u>1,125,674</u>	<u>185,079</u>
Capital outlay	392,310	445,649	425,606	20,043
Debt service principal and interest	282,808	283,245	280,982	2,263
Total expenditures	<u>11,096,160</u>	<u>11,163,619</u>	<u>10,436,475</u>	<u>727,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,564,362)</u>	<u>(811,951)</u>	<u>(34,536)</u>	<u>777,415</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	983,312	983,312	953,312	(30,000)
Transfers out	--	(36,454)	(36,454)	--
Capital leases	280,300	280,300	280,300	--
Total other financing sources (uses)	<u>1,263,612</u>	<u>1,227,158</u>	<u>1,197,158</u>	<u>(30,000)</u>
Net change in fund sources (uses)	<u>(300,750)</u>	<u>415,207</u>	<u>1,162,622</u>	<u>747,415</u>
Fund balances - beginning	--	--	8,206,680	8,206,680
Fund balances - ending	<u>\$ (300,750)</u>	<u>\$ 415,207</u>	<u>\$ 9,369,302</u>	<u>\$ 8,954,095</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Property	\$ 3,345,371	\$ 3,345,371	\$ 3,347,857	\$ 2,486
Intergovernmental revenues	--	200,000	--	(200,000)
Interest earnings	15,000	15,000	26,917	11,917
Miscellaneous	--	--	10,896	10,896
Total revenues	<u>3,360,371</u>	<u>3,560,371</u>	<u>3,385,670</u>	<u>(174,701)</u>
EXPENDITURES				
Intergovernmental services	2,228,140	2,602,493	1,682,269	920,224
Capital outlay				
Streets	160,000	178,414	13,410	165,004
Other	1,160,000	1,695,934	176,083	1,519,851
Debt service principal and interest	269,750	269,750	253,690	16,060
Total expenditures	<u>3,817,890</u>	<u>4,746,591</u>	<u>2,125,452</u>	<u>2,621,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(457,519)</u>	<u>(1,186,220)</u>	<u>1,260,218</u>	<u>2,446,438</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	--	179,875	179,875	--
Transfers out	(38,132)	(38,132)	(38,132)	--
Total other financing sources (uses)	<u>(38,132)</u>	<u>141,743</u>	<u>141,743</u>	<u>--</u>
Net change in fund sources (uses)	<u>(495,651)</u>	<u>(1,044,477)</u>	<u>1,401,961</u>	<u>2,446,438</u>
Fund balances - beginning	--	--	1,050,788	1,050,788
Fund balances - ending	<u>\$ (495,651)</u>	<u>\$ (1,044,477)</u>	<u>\$ 2,452,749</u>	<u>\$ 3,497,226</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, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Motor fuel	\$ 1,413,546	\$ 1,580,540	\$ 1,580,543	\$ 3
Charges for services	118,521	118,521	177,983	59,462
Interest earnings	8,600	8,600	14,784	6,184
Miscellaneous	--	--	638	638
Impact fees	--	70,256	70,256	--
Total revenues	<u>1,540,667</u>	<u>1,777,917</u>	<u>1,844,204</u>	<u>66,287</u>
EXPENDITURES				
Highways and streets	1,042,491	1,188,787	664,664	524,123
Capital outlay				
Streets	40,000	44,079	39,394	4,685
Debt service principal and interest	<u>264,332</u>	<u>264,399</u>	<u>259,311</u>	<u>5,088</u>
Total expenditures	<u>1,346,823</u>	<u>1,497,265</u>	<u>963,369</u>	<u>533,896</u>
Excess (deficiency) of revenues over (under) expenditures	<u>193,844</u>	<u>280,652</u>	<u>880,835</u>	<u>600,183</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(219,912)	(513,195)	(513,195)	--
Capital leases	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>	<u>--</u>
Total other financing sources (uses)	<u>(182,412)</u>	<u>(475,695)</u>	<u>(475,695)</u>	<u>--</u>
Net change in fund sources (uses)	11,432	(195,043)	405,140	600,183
Fund balances - beginning	<u>1,418,526</u>	<u>1,418,526</u>	<u>1,418,526</u>	<u>--</u>
Fund balances - ending	<u>\$ 1,429,958</u>	<u>\$ 1,223,483</u>	<u>\$ 1,823,666</u>	<u>\$ 600,183</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>
Total pension liability				
Service cost	\$ 388,341	\$ 406,052	\$ 432,504	\$ 340,367
Interest	1,098,660	1,125,493	1,167,342	1,077,822
Differences between expected and actual experience	--	(473,204)	(598,066)	(91,591)
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>
Net change in total pension liability	273,327	460,024	(73,192)	385,864
Total pension liability - beginning	<u>14,867,301</u>	<u>15,140,628</u>	<u>15,600,652</u>	<u>15,527,460</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>
Plan fiduciary net position				
Contributions - employer	837,688	859,333	836,906	854,277
Contributions - employee	133,816	140,131	144,902	148,466
Net investment income	923,158	179,086	928,197	1,443,970
Benefit payments, including refunds of employee contributions	(1,213,674)	(1,080,222)	(937,187)	(940,734)
Administrative expense	<u>(20,097)</u>	<u>(27,272)</u>	<u>(25,909)</u>	<u>(39,707)</u>
Net change in plan fiduciary net position	660,891	71,056	946,909	1,466,272
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>
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>
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>
Plan fiduciary net position as a percentage of the total pension liability	74.64 %	72.89 %	79.33 %	86.62 %
Covered employee payroll (2)	2,676,320	2,938,908	2,898,036	2,969,332
City's net pension liability as a percentage of covered employee payroll	143.49 %	143.91 %	110.74 %	71.69 %

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)

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

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, 2015
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	RP-2000 Fully Generational with Scale BB, with collar and annuitant adjustments for Males - 50% Annuitant White Collar, 50% Annuitant Blue Collar; Females - 100% Annuitant White Collar
Interest rate	7.5% 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):

Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
0 - 1 years	75%
1 - 2 years	25%
2 - 3 years	50%
3 + years	100%

Early Retirement Age:

Number of Years before First Eligibility for Normal Retirement	Probability of Retirement
0 - 1 years	25%
1 - 2 years	10%
2 - 3 years	10%
3 - 4 years	10%
4 - 5 years	10%

Salary increases:

Years of Service	Rates
Less than 20 years	7.50%
20 - 24 years	7.00%
25 - 29 years	6.50%
30 or more years	6.00%

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 - 1 years	22%
	1 - 2 years	20%
	2 - 3 years	18%
	3 - 4 years	16%
	4 - 5 years	14%
	5 - 6 years	12%
	6 - 7 years	10%
	7 - 8 years	9%
	8 - 9 years	8%
	9 - 10 years	7%
30 and older	10 or more years	2%

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 the 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
Annual money-weighted rate of return net of investment expense	8.77 %	1.61 %	8.18 %	11.78 %

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>
Total pension liability				
Service cost	\$ 393,530	\$ 375,644	\$ 392,233	\$ 332,469
Interest	883,658	933,499	975,789	984,780
Differences between expected and actual experience	--	(498,919)	(332,570)	81,800
Changes of assumptions	--	541,965	485,432	220,697
Benefit payments, including refunds of employee contributions	<u>(585,282)</u>	<u>(621,699)</u>	<u>(703,105)</u>	<u>(1,073,813)</u>
Net change in total pension liability	691,906	730,490	817,779	545,933
Total pension liability - beginning	<u>11,547,437</u>	<u>12,239,343</u>	<u>12,969,833</u>	<u>13,787,612</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>
Plan fiduciary net position				
Contributions - employer	\$ 426,776	437,216	442,836	525,731
Contributions - state	97,971	103,281	114,200	121,071
Contributions - employee	74,568	77,319	82,118	86,729
Net investment income	1,032,897	(94,890)	1,076,748	1,308,549
Benefit payments, including refunds of employee contributions	(585,282)	(621,699)	(703,105)	(1,073,813)
Administrative expense	<u>(16,881)</u>	<u>(24,018)</u>	<u>(31,438)</u>	<u>(32,154)</u>
Net change in plan fiduciary net position	1,030,049	(122,791)	981,359	936,113
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>
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>
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>
Plan fiduciary net position as a percentage of the total pension liability	86.69 %	80.86 %	83.18 %	86.54 %
Covered employee payroll (2)	\$ 1,491,360	1,663,139	1,642,361	1,734,587
City's net pension liability as a percentage of covered employee payroll	109.26 %	149.28 %	141.20 %	111.20 %

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 9/30/2016, 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.

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 POLICE OFFICERS' PENSION PLAN
Last Ten Fiscal Years (1)

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

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, 2015
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	RP-2000 Combined Healthy - Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
Interest rate	7.6% 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 10 years	9.4%
10 - 15 years	6.0%
16 - 20 years	6.5%
21 or more years	4.0%

Disability Rates:

<u>Age</u>	<u>Probability of Disability</u>
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:

<u>Age</u>	<u>Rates</u>
25	5.7%
30	5.0%
35	3.8%
40	2.6%
45	1.6%
50	0.8%

Terminal leave pay:

<u>Credited Service as of 10/1/2011</u>	<u>Liability Loan</u>
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
Annual money-weighted rate of return net of investment expense	10.85 %	(0.90)%	10.33 %	11.46 %

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 FUNDING PROGRESS
Other Post Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
October 1, 2007	\$ 0	\$ 519,000	\$ 519,000	0.0 %	\$ 4,485,000	11.6 %
July 1, 2011	0	338,000	338,000	0.0 %	4,380,000	7.7 %
July 1, 2013	0	210,000	210,000	0.0 %	4,225,000	5.0 %
September 30, 2015 (1)	0	228,000	228,000	0.0 %	4,225,000	5.4 %
July 1, 2016	0	171,000	171,000	0.0 %	4,864,000	3.5 %

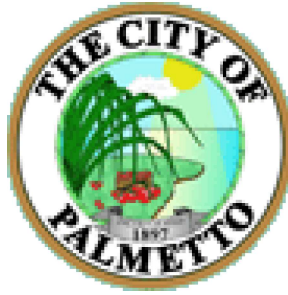
Notes to the Schedule

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

The City does not contribute to its other post employment benefits. The OPEB valuation calculates a contribution credit for the City's implied subsidy. The actuarially determined annual required contributions (ARC) are \$33,000, \$34,000 and \$30,000 for the fiscal years ended 2014, 2015 and 2016, respectively. The percentage of ARC contributed are 45%, 41% and 30% for the fiscal years ended 2014, 2015 and 2016, respectively. The actuarially determined annual OPEB cost is \$22,000, \$23,000 and \$19,000 for the fiscal years ended 2014, 2015 and 2016, respectively. The percentage of annual OPEB cost contributed is 68%, 61% and 47% for the fiscal years ended 2014, 2015 and 2016, respectively.

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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.

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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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ --	\$ 750,411	\$ 219,996	\$ (530,415)
Interest earnings	--	21,046	21,046	--
Total revenues	--	771,457	241,042	(530,415)
EXPENDITURES				
Capital outlay				
Streets	--	2,283,779	1,199,311	1,084,468
Other	--	310,486	154,644	155,842
Total expenditures	--	2,594,265	1,353,955	1,240,310
Excess (deficiency) of revenues over (under) expenditures	--	(1,822,808)	(1,112,913)	709,895
OTHER FINANCING SOURCES (USES)				
Transfers in	--	246,404	246,404	--
Transfers out	--	(179,875)	(179,875)	--
Total other financing sources (uses)	--	66,529	66,529	--
Net change in fund sources (uses)	--	(1,756,279)	(1,046,384)	709,895
Fund balances - beginning	2,047,038	2,047,038	2,047,038	--
Fund balances - ending	\$ 2,047,038	\$ 290,759	\$ 1,000,654	\$ 709,895

CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2017

	Palmetto Police Officers' Pension Plan	Palmetto General Employees' Pension Plan	Total Fiduciary Funds
ASSETS			
Accounts receivable	\$ 319	\$ --	\$ 319
Interest and dividends receivable	10,360	64,483	74,843
Prepaid benefits	--	68,720	68,720
Investments			
Money market funds	278,607	520,919	799,526
U. S. government securities	443,547	1,000,508	1,444,055
Corporate bonds	1,036,386	673,433	1,709,819
Corporate stocks	867,678	7,679,514	8,547,192
Mutual funds	9,004,650	2,104,274	11,108,924
Alternative investments	944,982	1,672,717	2,617,699
Total investments	<u>12,575,850</u>	<u>13,651,365</u>	<u>26,227,215</u>
Total assets	<u>12,586,529</u>	<u>13,784,568</u>	<u>26,371,097</u>
LIABILITIES			
Accounts payable and accrued liabilities	<u>182,495</u>	<u>--</u>	<u>182,495</u>
Total liabilities	<u>182,495</u>	<u>--</u>	<u>182,495</u>
NET POSITION			
Restricted for pension benefits	<u>\$ 12,404,034</u>	<u>\$ 13,784,568</u>	<u>\$ 26,188,602</u>

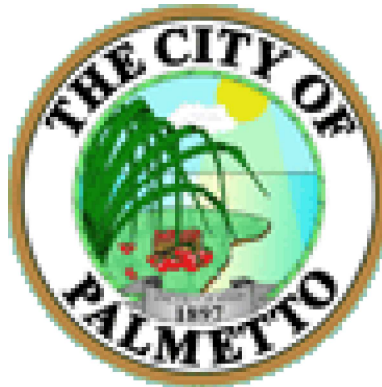
CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2017

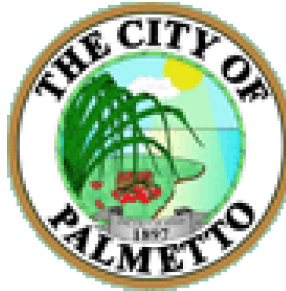
	Palmetto Police Officers' Pension Plan	Palmetto General Employees' Pension Plan	Total Fiduciary Funds
ADDITIONS			
Contributions:			
Employer	\$ 525,731	\$ 854,270	\$ 1,380,001
Plan members	86,729	148,466	235,195
State (from the General Fund)	121,071	--	121,071
Miscellaneous	2,217	391	2,608
Total contributions:	<u>735,748</u>	<u>1,003,127</u>	<u>1,738,875</u>
Investment earnings			
Interest	88,758	35,434	124,192
Dividends	194,027	190,156	384,183
Net increase in the fair value of investments	1,093,512	1,302,315	2,395,827
Total investment earnings	1,376,297	1,527,905	2,904,202
Less investment expense	(59,876)	(95,019)	(154,895)
Net investment earnings	<u>1,316,421</u>	<u>1,432,886</u>	<u>2,749,307</u>
Total additions	<u>2,052,169</u>	<u>2,436,013</u>	<u>4,488,182</u>
DEDUCTIONS			
Benefits	1,061,862	834,239	1,896,101
Refunds of contributions	11,952	109,727	121,679
Administrative expenses	39,724	39,707	79,431
Total deductions	<u>1,113,538</u>	<u>983,673</u>	<u>2,097,211</u>
Change in net position	938,631	1,452,340	2,390,971
Net position, beginning of year	<u>11,465,403</u>	<u>12,332,228</u>	<u>23,797,631</u>
Net position, end of year	<u>\$ 12,404,034</u>	<u>\$ 13,784,568</u>	<u>\$ 26,188,602</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, 2017

	Agency Fund			September 30, 2017
	October 1, 2016	Additions	Deletions	
ASSETS				
Cash and cash equivalents	\$ 3,547	\$ 2,666,249	\$ (2,669,796)	\$ --
Prepaid benefits	--	794	--	794
Total assets	<u>3,547</u>	<u>2,667,043</u>	<u>(2,669,796)</u>	<u>794</u>
LIABILITIES				
Accounts payable and accrued liabilities	3,547	2,748,806	(2,752,353)	--
Advances from other funds	--	794	--	794
Total liabilities	<u>\$ 3,547</u>	<u>\$ 2,749,600</u>	<u>\$ (2,752,353)</u>	<u>\$ 794</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			
	2008	2009 (2)	2010	2011
Governmental Activities				
Net investment in capital assets	\$ 21,790,336	\$ 26,180,322	\$ 25,413,841	\$ 27,139,012
Restricted	2,951,584	2,303,732	3,836,360	8,923,098
Unrestricted	5,355,196	10,297,510	10,257,039	5,196,210
Governmental Activities net position	<u>\$ 30,097,116</u>	<u>\$ 38,781,564</u>	<u>\$ 39,507,240</u>	<u>\$ 41,258,320</u>
Business-type Activities				
Net investment in capital assets	15,222,642	15,824,203	16,716,784	17,638,823
Restricted	265,339	311,137	2,033,805	469,719
Unrestricted	735,193	1,058,757	1,215,155	2,548,267
Total business-type activities net position	<u>\$ 16,223,174</u>	<u>\$ 17,194,097</u>	<u>\$ 19,965,744</u>	<u>\$ 20,656,809</u>
Primary Government				
Net investment in capital assets	\$ 37,012,978	\$ 42,004,525	\$ 42,130,625	\$ 44,777,835
Restricted	3,216,923	2,614,869	5,870,165	9,392,817
Unrestricted	6,090,389	11,356,267	11,472,194	7,744,477
Total primary government net position	<u>\$ 46,320,290</u>	<u>\$ 55,975,661</u>	<u>\$ 59,472,984</u>	<u>\$ 61,915,129</u>

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

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

(3) GASB 63 & 65 was implemented during fiscal year 2013. Prior to this, Net Position was termed Net Assets and Net Investment in Capital Assets was titled Invested in Capital Assets, Net of Related Debt.

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
	(3)		(4)		
\$ 30,654,831	\$ 31,673,980	\$ 32,241,516	\$ 33,319,038	\$ 33,506,241	\$ 34,364,152
5,078,638	4,217,646	3,193,316	3,567,422	4,378,810	5,751,126
7,684,475	7,257,727	6,679,783	3,030,809	3,140,557	4,160,584
<u>\$ 43,417,944</u>	<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>
18,570,910	19,190,117	21,989,061	21,533,620	22,947,006	24,414,011
530,506	488,908	245,743	906,723	1,012,806	1,120,585
2,392,528	2,564,049	2,929,840	3,731,428	3,937,734	4,927,292
<u>\$ 21,493,944</u>	<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>
\$ 49,225,741	\$ 50,864,097	\$ 54,230,577	\$ 54,852,658	\$ 56,453,247	\$ 58,778,163
5,609,144	4,706,554	3,439,059	4,474,145	5,391,616	6,871,711
10,077,003	9,821,776	9,609,623	6,762,237	7,078,291	9,087,876
<u>\$ 64,911,888</u>	<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>

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

	Fiscal Year			
	2008	2009 (1)	2010	2011 (2)
Expenses				
Governmental activities:				
General government (net of indirect allocation)	\$ 5,327,528	\$ 4,495,082	\$ 4,036,111	\$ 2,270,420
Public safety	4,543,046	4,776,464	4,648,615	4,256,660
Highways and streets	1,004,720	895,995	870,116	960,680
Recreation	1,299,642	1,180,146	892,002	787,011
Intergovernmental (net of indirect allocation)	--	3,440,725	3,151,831	3,068,007
Interest on long-term debt	155,583	229,944	188,221	171,188
Total governmental activities expenses	<u>12,330,519</u>	<u>15,018,356</u>	<u>13,786,896</u>	<u>11,513,966</u>
Business-type activities:				
Solid waste	2,138,301	2,041,362	2,008,625	1,974,313
Water and sewer	4,368,485	4,489,574	3,794,901	4,193,367
Stormwater	971,958	675,366	686,325	688,710
Reuse	147,375	85,519	89,366	91,761
Total business-type activities expenses	<u>7,626,119</u>	<u>7,291,821</u>	<u>6,579,217</u>	<u>6,948,151</u>
Total primary government expenses	<u>\$ 19,956,638</u>	<u>\$ 22,310,177</u>	<u>\$ 20,366,113</u>	<u>\$ 18,462,117</u>
Program revenues				
Governmental activities:				
Charges for services				
General government	297,739	1,667,917	1,646,668	330,820
Public safety	338,004	412,943	414,139	277,205
Highways and streets	92,672	247,958	137,268	85,349
Recreation	123,862	496,629	87,333	2,242
Operating grants and contributions	1,081,897	48,000	3,000	209,731
Capital grants and contributions	264,360	54,347	654,471	304,488
Total governmental activities program revenues	<u>2,198,534</u>	<u>2,927,794</u>	<u>2,942,879</u>	<u>1,209,835</u>
Business-type activities:				
Charges for services				
Solid waste	2,127,525	2,120,933	2,155,751	2,124,827
Water and sewer	4,826,409	4,689,607	4,653,542	4,805,767
Stormwater	708,504	824,822	804,251	788,920
Reuse	183,824	188,115	184,702	187,480
Operating grants and contributions	--	223,712	--	--
Capital grants and contributions	988,859	44,906	132,575	912,043
Total business-type activities program revenues	<u>8,835,121</u>	<u>8,092,095</u>	<u>7,930,821</u>	<u>8,819,037</u>
Total primary government program revenues	<u>11,033,655</u>	<u>11,019,889</u>	<u>10,873,700</u>	<u>10,028,872</u>
Net (Expense)/Revenue				
Government activities	\$ (10,131,985)	\$ (12,090,562)	\$ (10,844,017)	\$ (10,304,131)
Business-type activities	<u>1,209,002</u>	<u>800,274</u>	<u>1,351,604</u>	<u>1,870,886</u>
Total primary government net expense	<u>(8,922,983)</u>	<u>(11,290,288)</u>	<u>(9,492,413)</u>	<u>(8,433,245)</u>

Fiscal Year						
2012	2013 (3)	2014	2015 (4)	2016 (4)	2017 (4)	
\$ 2,667,131	\$ 3,382,557	\$ 3,434,529	\$ 2,761,333	\$ 3,063,567	\$ 3,202,580	
4,432,536	4,353,495	4,489,409	4,447,435	4,773,190	4,712,040	
827,562	894,480	1,332,919	1,030,938	1,163,107	1,004,315	
823,114	729,485	636,947	648,017	632,666	650,416	
2,504,506	2,582,701	2,634,057	2,713,354	2,699,069	2,993,731	
160,217	151,233	129,675	120,874	116,363	112,689	
11,415,066	12,093,951	12,657,536	11,721,951	12,447,962	12,675,771	
1,990,565	2,075,468	2,200,590	2,180,098	2,001,620	2,001,143	
4,258,959	4,524,200	4,744,118	4,919,816	5,255,761	5,136,548	
668,659	656,269	612,953	574,894	593,910	559,892	
86,689	88,650	113,245	130,437	158,216	143,347	
7,004,872	7,344,587	7,670,906	7,805,245	8,009,507	7,840,930	
\$ 18,419,938	\$ 19,438,538	\$ 20,328,442	\$ 19,527,196	\$ 20,457,469	\$ 20,516,701	
243,076	312,316	163,793	480,864	521,631	429,653	
340,888	270,709	375,222	146,175	188,432	197,235	
92,720	109,443	139,397	113,236	88,597	248,239	
--	--	600	35,139	33,706	40,285	
--	--	--	29,693	5,470	1,952	
1,700,739	144,407	334,025	554,283	220,296	224,402	
2,377,423	836,875	1,013,037	1,359,390	1,058,132	1,141,766	
2,088,560	2,136,874	2,177,967	2,272,215	2,170,087	2,151,687	
4,815,175	4,897,027	5,615,854	6,638,840	6,935,577	7,213,578	
788,563	785,132	785,144	781,649	786,912	778,978	
188,069	189,698	282,522	389,078	397,958	409,888	
--	--	--	--	--	--	
211,618	513,359	960,091	67,137	41,303	394,126	
8,091,985	8,522,090	9,821,578	10,148,919	10,331,837	10,948,257	
10,469,408	9,358,965	10,834,615	11,508,309	11,389,969	12,090,023	
\$ (9,037,643)	\$ (11,257,076)	\$ (11,644,499)	\$ (10,362,561)	\$ (11,389,830)	\$ (11,534,005)	
1,087,113	1,177,503	2,150,672	2,343,674	2,322,330	3,107,327	
(7,950,530)	(10,079,573)	(9,493,827)	(8,018,887)	(9,067,500)	(8,426,678)	

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

	Fiscal Year			
	2008	2009 (1)	2010	2011 (2)
Net (Expense)/Revenue				
Government activities	\$ (10,131,985)	\$ (12,090,562)	\$ (10,844,017)	\$ (10,304,131)
Business-type activities	1,209,002	800,274	1,351,604	1,870,886
Total primary government net expense	(8,922,983)	(11,290,288)	(9,492,413)	(8,433,245)
General Revenues and Other Changes in Net Position				
Government activities:				
Taxes				
Property taxes	4,663,292	9,951,558	8,191,906	6,315,246
Sales taxes	859,157	807,927	809,534	861,772
Utility taxes	821,401	841,254	903,826	909,987
Motor fuel taxes	1,170,680	1,205,131	1,219,376	1,227,138
Other taxes	363,776	333,337	316,025	917,678
Franchise fees	1,358,799	1,410,284	1,265,842	818,570
Interest and investment earnings	205,031	338,298	253,740	196,277
Other general revenues	--	--	--	--
Capital contributions from community	544,140	--	--	--
Transfers	47,209	262,209	(1,390,556)	808,543
Total government activities	10,033,485	15,149,998	11,569,693	12,055,211
Business-type activities:				
Investment earnings	114,263	22,231	29,487	29,989
Transfers	(47,209)	(262,209)	1,390,556	(808,543)
Total business-type activities	67,054	(239,978)	1,420,043	(778,554)
Total primary government	10,100,539	14,910,020	12,989,736	11,276,657
Change in Net Position				
Government activities	(98,500)	3,059,436	725,676	1,751,080
Business-type activities	1,276,056	560,296	2,771,647	1,092,332
Total primary government	\$ 1,177,556	\$ 3,619,732	\$ 3,497,323	\$ 2,843,412

- (1) The status of the Community Redevelopment Agency (CRA) changed from a discretely presented component unit to a blended component unit in fiscal year 2009 and is now reported as a Special Revenue Fund within the governmental activities.
- (2) As of fiscal year 2011, franchise fees are no longer reported as taxes.
- (3) GASB 63 & 65 was implemented during fiscal year 2013. Prior to this, Net Position was termed Net Assets and Net Investment in Capital Assets was titled Invested in Capital Assets, Net of Related Debt.
- (4) GASB 68 and 71 was implemented during fiscal year 2015. Prior to this Net Pension Liability and associated deferred inflows and outflows were not recorded.

Fiscal Year					
2012	2013 (3)	2014	2015 (4)	2016 (4)	2017 (4)
\$ (9,037,643)	\$ (11,257,076)	\$ (11,644,499)	\$ (10,362,561)	\$ (11,389,830)	\$ (11,534,005)
1,087,113	1,177,503	2,150,672	2,343,674	2,322,330	3,107,327
(7,950,530)	(10,079,573)	(9,493,827)	(8,018,887)	(9,067,500)	(8,426,678)
6,107,019	5,802,343	6,252,171	6,557,041	7,261,107	7,744,097
793,591	848,863	912,455	950,806	987,991	1,648,177
910,783	986,029	1,088,481	1,096,095	1,107,225	1,143,031
1,202,520	1,194,620	1,298,344	1,428,522	1,528,050	1,591,988
886,666	864,389	853,806	781,298	813,066	844,339
840,158	811,682	856,531	904,809	848,579	882,834
178,264	26,515	107,545	111,708	123,720	138,093
--	--	--	244,338	192,608	179,765
--	--	--	--	--	--
278,266	454,044	(759,572)	406,595	458,963	611,935
11,197,267	10,988,485	10,609,761	12,481,212	13,321,309	14,784,259
28,288	25,671	11,326	23,362	36,754	68,950
(278,266)	(454,044)	759,572	(406,595)	(458,963)	(611,935)
(249,978)	(428,373)	770,898	(383,233)	(422,209)	(542,985)
10,947,289	10,560,112	11,380,659	12,097,979	12,899,100	14,241,274
2,159,624	(268,591)	(1,034,738)	2,118,651	1,931,479	3,250,254
837,135	749,130	2,921,570	1,960,441	1,900,121	2,564,342
\$ 2,996,759	\$ 480,539	\$ 1,886,832	\$ 4,079,092	\$ 3,831,600	\$ 5,814,596

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

	Fiscal Year			
	2008	2009 (1)	2010	2011 (2)
General fund				
Reserved	\$ 1,696,641	\$ 1,473,190	\$ 1,474,449	\$ --
Unreserved	4,715,179	5,381,549	6,078,712	--
Nonspendable	--	--	--	459,956
Restricted	--	--	--	1,041,681
Committed	--	--	--	2,008,234
Assigned	--	--	--	123,674
Unassigned	--	--	--	4,022,971
Total general fund	<u>\$ 6,411,820</u>	<u>\$ 6,854,739</u>	<u>\$ 7,553,161</u>	<u>\$ 7,656,516</u>
All other governmental funds				
Reserved	1,822,132	3,954,371	3,096,331	--
Unreserved, reported in:				
Special revenue funds	--	3,877,606	3,666,272	--
Capital projects funds	519	519	670,772	--
Nonspendable	--	--	--	2,654
Restricted	--	--	--	7,881,417
Committed	--	--	--	876,753
Total all other governmental funds	<u>\$ 1,822,651</u>	<u>\$ 7,832,496</u>	<u>\$ 7,433,375</u>	<u>\$ 8,760,824</u>

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

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
345,962	277,823	319,834	318,269	275,926	278,290
797,181	654,934	477,674	615,227	844,837	1,563,003
1,964,498	1,964,498	1,983,593	2,003,079	2,039,206	2,075,406
461,271	804,869	343,795	199,142	393,991	350,837
4,047,702	3,867,975	4,077,272	4,586,884	4,652,720	5,101,766
<u>\$ 7,616,614</u>	<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>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
5,256,670	4,509,519	3,320,385	3,556,542	3,670,011	4,301,268
941,849	583,906	281,583	262,856	846,341	975,801
<u>\$ 6,198,519</u>	<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>

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

	Fiscal Year			
	2008	2009 (2)	2010 (3)	2011
Revenues				
Taxes	\$ 9,237,105	\$ 14,549,491	\$ 12,706,509	\$ 10,231,821
Permits, fees, and special assessments	255,191	299,253	215,939	1,015,445
Intergovernmental revenues	272,658	102,347	657,471	514,219
Charges for services	1,304,733	1,738,264	1,485,145	1,405,022
Fines and forfeitures	82,813	113,690	161,769	29,843
Interest earnings	205,031	338,298	253,740	196,277
Impact fees (1)	34,300	177,611	245,878	4,045
Miscellaneous	142,855	2,524,862	168,566	245,295
Total revenues	\$ 11,534,686	\$ 19,843,816	\$ 15,895,017	\$ 13,641,967
Expenditures				
General government	3,133,268	3,518,269	3,125,314	2,728,179
Public Safety	4,352,240	4,571,897	4,313,113	4,196,600
Highways and streets	696,269	683,448	637,443	768,765
Economic and physical environment	1,192,966	3,395,195	2,865,768	2,958,752
Recreation	1,200,155	1,098,184	763,796	742,296
Capital outlay	1,359,257	533,100	1,770,178	869,311
Debt service				
Principal retirement	126,700	229,943	188,221	171,189
Interest	419,929	697,993	625,867	543,020
Total expenditures	12,480,784	14,728,029	14,289,700	12,978,112
Excess of revenues over (under) expenditures	(946,098)	5,115,787	1,605,317	663,855
Other financing sources (uses)				
Transfers in	666,907	1,702,110	597,074	1,402,298
Transfers out	(820,698)	(1,815,901)	(1,987,630)	(574,387)
Loan proceeds	1,334,000	--	--	--
Capital leases	155,966	--	84,000	165,482
Reallocation of loan	--	--	--	--
Total other financing sources (uses)	1,336,175	(113,791)	(1,306,556)	993,393
Net change in fund balances	390,077	5,001,996	298,761	1,657,248
Debt service as a percentage of non-capital expenditures	4.92 %	6.54 %	6.50 %	5.90 %

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

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

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

Fiscal Year						
2012	2013	2014	2015	2016	2017	
\$ 9,900,579	\$ 9,696,244	\$ 10,405,257	\$ 10,813,762	\$ 11,697,439	\$ 12,971,632	
1,023,579	964,238	1,135,631	1,312,655	1,314,226	1,293,917	
1,700,739	102,941	334,025	511,887	229,447	226,354	
907,925	846,821	783,332	874,483	716,463	894,464	
101,317	61,545	58,255	53,414	47,122	38,955	
178,264	26,515	107,545	111,708	123,720	138,093	
12,611	21,292	65,417	34,422	64,528	108,684	
228,740	168,543	255,752	279,535	215,230	200,756	
<u>\$ 14,053,754</u>	<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>	
2,723,534	3,378,574	2,767,181	2,896,947	3,111,603	3,299,997	
4,215,246	4,159,702	4,264,229	4,337,159	4,456,172	4,653,229	
590,527	609,082	757,656	635,317	740,798	664,664	
2,359,788	2,421,266	2,483,372	2,587,428	2,522,372	2,807,943	
754,781	672,960	598,012	637,539	617,505	650,987	
6,044,196	1,679,365	2,636,068	2,323,322	1,724,190	2,008,448	
160,217	151,233	339,802	629,785	663,096	681,294	
466,938	526,340	347,493	120,954	116,369	112,689	
<u>17,315,227</u>	<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>	
(3,261,473)	(1,710,383)	(1,048,599)	(176,585)	456,070	993,604	
1,602,970	2,081,969	1,358,442	1,146,055	3,207,657	1,379,591	
(1,324,704)	(1,627,925)	(2,118,014)	(739,460)	(2,748,694)	(767,656)	
--	--	--	--	--	--	
381,000	104,730	291,500	507,853	266,000	317,800	
--	--	(342,717)	--	--	--	
<u>659,266</u>	<u>558,774</u>	<u>(810,789)</u>	<u>914,448</u>	<u>724,963</u>	<u>929,735</u>	
<u>(2,602,207)</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>	
5.56 %	5.68 %	5.95 %	6.34 %	6.37 %	6.17 %	

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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>
2008		\$ 4,663,292	\$ 1,358,799	\$ 859,157	\$ 821,401	\$ 1,170,680	\$ 363,776	\$ 9,237,105
2009		9,951,558	1,410,284	807,927	841,254	1,205,131	333,337	14,549,491
2010 (1)		8,191,906	1,265,842	809,534	903,826	1,219,376	316,025	12,706,509
2011		6,315,246	--	861,772	909,987	1,227,138	917,678	10,231,821
2012		6,107,019	--	793,591	910,783	1,202,520	886,666	9,900,579
2013		5,802,343	--	848,863	986,029	1,194,620	864,389	9,696,244
2014		6,252,171	--	912,455	1,088,481	1,298,344	853,806	10,405,257
2015	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

Change:

2008 - 2017	66.07 %	(100.00)%	91.84 %	39.16 %	35.99 %	132.10 %	40.43 %
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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 reflects 12 months of Sales Tax and 8 months of Infrastructure Sales Tax.

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		
2009	2008	\$ 944,283,089	\$ 254,524,487	\$ 158,149,860	\$ 82,113,719	
2010	2009	800,179,028	226,838,156	148,447,421	69,541,573	
2011	2010	614,168,328	212,722,187	137,320,529	69,641,003	
2012	2011	557,754,188	196,427,515	118,572,496	62,585,676	
2013	2012	529,454,692	177,147,023	117,865,188	58,154,531	
2014	2013	542,474,465	170,679,337	120,027,477	56,942,237	
2015	2014	546,047,253	173,714,875	130,736,017	54,537,589	
2016	2015	575,879,259	183,047,888	148,321,535	54,046,711	
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	

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	Assessed Value as a Percent of Actual Value
\$ 410,465,307	\$ 1,028,605,848	4.6662	\$ 1,028,605,848	100.0 %
315,710,987	929,295,191	4.6662	929,295,191	100.0 %
275,055,525	758,796,522	4.6662	763,433,066	99.4 %
248,654,218	686,685,657	5.1185	686,685,657	100.0 %
229,863,094	652,758,340	5.2171	652,758,340	100.0 %
233,788,946	656,334,570	5.7171	656,334,570	100.0 %
225,659,674	679,376,060	5.7171	679,376,060	100.0 %
244,350,184	716,945,209	5.9671	716,945,209	100.0 %
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 %

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 (1)		Overlapping Rates		Total
		General Fund	School District (2)	County (2)		
2008	2007	4.67	7.37	7.08		19.12
2009	2008	4.67	7.54	7.10		19.31
2010	2009	4.67	7.59	7.11		19.37
2011	2010	5.12	7.96	6.99		20.07
2012	2011	5.22	7.59	6.99		19.80
2013	2012	5.71	7.57	6.98		20.26
2014	2013	5.71	7.38	6.31		19.40
2015	2014	5.97	7.27	6.94		20.18
2016	2015	5.97	6.92	6.94		19.83
2017	2016	5.97	6.61	6.91		19.49

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	2017			2008		
	Taxable Assessed Value	Ran k	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Ran k	Percentage of Total Taxable Assessed Value
Wal-Mart Stores East LP	\$ 12,445,741	1	1.54 %	\$ 18,864,436	1	1.83 %
Palm Bay MHC Holdongs LLC	10,873,823	2	1.34 %			
Florida Power & Light Co	10,476,837	3	1.29 %	5,895,874	7	0.57 %
Colonial Manor MHC Holdings LLC	10,144,271	4	1.25 %			
SS Palmetto LLC	7,575,067	5	0.94 %			
Palmetto, City of	7,235,994	6	0.89 %			
Palmetto Dunes LTD	7,145,692	7	0.88 %	6,262,220	6	0.61 %
Pacific Tomato Growers LTD	6,830,427	8	0.84 %			
Palmetto Mobile Home Club Inc.	6,759,413	9	0.83 %			
Sanctuary Cove (Bradenton) ASLI VI LLLP	6,237,191	10	0.77 %			
Sanctuary Development Partners LLC				11,085,460	2	1.08 %
Verizon Florida				8,199,167	3	0.80 %
Westra Contruction				7,150,765	4	0.70 %
Bright House Networks				7,081,996	5	0.69 %
West Coast Tomato Inc				5,869,045	8	0.57 %
Florida, State of				5,116,455	9	0.50 %
ABS FL Invenstor				4,898,437	10	0.48 %
	<u>\$ 85,724,456</u>		<u>10.57 %</u>	<u>\$ 80,423,855</u>		<u>7.83 %</u>

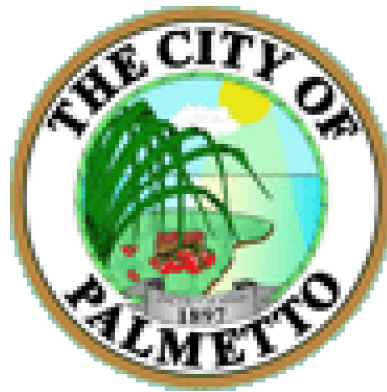
Note

Total taxable assessed value	\$809,612,522	\$1,028,605,848
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Source: Manatee Countee Property Top 100 Tax Payers/2017/Palmetto

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

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

Fiscal year ended September 30,	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
2008		\$ 4,800,476	\$ 4,663,292	97.1 %	\$ 2,292	\$ 4,665,584	97.2 %
2009		5,052,558	4,966,769	98.3 %	19,995	4,986,764	98.7 %
2010		4,336,277	4,203,070	96.9 %	22,957	4,226,027	97.5 %
2011		3,524,841	3,411,075	96.8 %	9,223	3,420,298	97.0 %
2012		3,422,787	3,386,486	98.9 %	2,925	3,389,411	99.0 %
2013		3,415,249	3,292,442	96.4 %	8,815	3,301,257	96.7 %
2014		3,752,330	3,623,920	96.6 %	5,942	3,629,862	96.7 %
2015		3,889,099	3,755,416	96.6 %	7,401	3,762,817	96.8 %
2016	2015	4,278,064	4,134,271	96.6 %	1,440	4,135,711	96.7 %
2017	2016	4,557,792	4,383,765	96.2 %	--	4,383,765	96.2 %

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>			
2008	\$ 3,009,708	\$ 806,064	\$ 10,542,967	\$ 2,057,650	\$ 159,122	\$ 16,575,511	2.81 %	\$ 1,147
2009	6,630,671	442,606	10,136,732	1,926,841	73,292	19,210,142	3.30 %	1,309
2010	6,290,948	240,462	9,712,117	1,792,033	26,465	18,062,025	3.10 %	1,250
2011	5,945,722	208,150	9,268,053	1,653,105	50,444	17,125,474	3.43 %	1,359
2012	5,595,143	472,791	8,805,056	1,509,929	39,162	16,422,081	3.06 %	1,288
2013	5,238,163	408,161	8,319,269	1,362,376	1,464,786	16,792,755	3.06 %	1,317
2014	4,547,953	489,532	9,388,019	1,210,313	1,632,738	17,268,555	2.71 %	1,349
2015	4,196,661	718,812	8,768,536	1,053,602	1,277,667	16,015,278	2.55 %	1,224
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

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) (4)	Net Bonded Debt (3)	Percentage of Actual Taxable Value of Property (3)	Per Capita (3)
2008	14,447	\$1,028,605,848	\$ --	\$ --	0.00 %	\$ --
2009	14,447	929,295,191	-	-	0.00 %	-
2010	14,447	763,433,066	-	-	0.00 %	-
2011	12,606	686,685,657	-	-	0.00 %	-
2012	12,755	652,758,340	-	-	0.00 %	-
2013	12,755	656,334,570	-	-	0.00 %	-
2014	12,799	679,376,060	-	-	0.00 %	-
2015	13,082	716,945,209	-	-	0.00 %	-
2016	13,082	765,296,527	-	-	0.00 %	-
2017	13,156	809,612,522	-	-	0.00 %	-

Source:

(1) University of Florida, Bureau of Economic and Business Research. Table 1.25 Population

(2) Manatee County Property Appraiser's Office

(3) Office of the City Clerk

(4) Reclassified to Proprietary Fund - Stormwater, Fiscal Year 2003

CITY OF PALMETTO, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2017

<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	\$ 4,154,877	100.00 %	\$ 4,154,877
Subtotal direct debt			<u>4,154,877</u>
Overlapping (2):			
Manatee County	118,485,000	3.57 %	4,229,069
Manatee County School Board	313,389,394	3.57 %	<u>11,185,767</u>
Subtotal overlapping debt			<u>15,414,836</u>
Total direct and overlapping debt			<u>\$ 19,569,713</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 (5)</u>
2008	14,447	\$ 589,784	\$ 40,824	38.7	42,307	6.90%
2009	14,447	582,980	40,353	36.8	42,075	11.30%
2010	14,447	582,980	40,353	44.6	42,700	12.60%
2011	12,606	499,828	39,650	45.7	43,516	10.90%
2012	12,755	537,049	42,105	45.8	45,050	9.00%
2013	12,755	549,447	43,077	45.8	45,800	7.50%
2014	12,799	638,197	49,863	46.0	46,800	6.10%
2015	13,082	626,903	47,921	46.0	47,700	5.10%
2016	13,082	655,918	50,139	46.0	48,600	4.70%
2017	13,156	683,204	51,931	46.0	48,284	3.50%

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 - 2016

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

(4) Manatee County School Board. School enrollment exceeds the City population because the school system serves the entire county via Manatee County. Data provided by Manatee County Clerk of Circuit Court. FY2016-2017 MC School Board CAFR page 165.

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

	Full-time Equivalent Employees as of September 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General government	17.5	17.5	17.5	17.8	17.8	21.0	20.0	19.0	19.0	19.5
Intergovernmental	16.5	12.5	13.5	12.0	13.3	13.3	13.5	12.5	12.0	12.0
Public safety										
Police										
Officers	37.0	35.0	35.0	35.0	35.8	35.8	36.0	35.5	35.0	35.0
Civilians	25.8	19.8	20.8	19.0	20.8	20.8	22.0	22.0	22.0	22.0
Highways and streets										
Engineering	3.0	3.0	3.0	-	-	-	-	-	-	-
Maintenance	3.0	4.0	3.0	3.0	5.0	5.0	5.0	10.0	10.0	10.0
Sanitation	2.0	1.0	2.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0
Culture and recreation	17.0	13.0	10.0	10.0	9.0	9.0	8.0	8.0	8.0	9.0
Water	15.0	13.0	13.0	14.0	12.0	11.0	11.0	6.0	6.0	6.0
Sewer	6.0	6.0	6.0	4.0	7.0	7.0	6.0	7.0	7.0	7.0
Total	142.8	124.8	123.8	115.8	121.7	124.9	123.5	122.0	121.0	123.5

Source: Payroll Reports: Cost Center Analysis

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

Function	Fiscal Year			
	2008	2009	2010	2011
Police (1)				
Total calls/incidents (2)	-	-	25,862.00	27,848.00
Adult arrests	511.00	567.00	478.00	473.00
Juvenile arrests	130.00	112.00	93.00	100.00
Traffic violations	2,003.00	2,450.00	1,993.00	1,419.00
Traffic crash reports (2)	-	-	463.00	389.00
Water				
New connections (3)	14.00	17.00	62.00	10.00
Average daily consumption (4) (million of gallons)	1.43	1.29	1.31	1.31
Average daily capacity (4) (million of gallons)	2.00	2.00	2.00	2.00
Wastewater				
New connections (3)	27.00	28.00	58.00	11.00
Average daily sewage treatment (4) (million of gallons)	0.89	1.18	1.14	1.07
Average daily capacity (4) (million of gallons)	2.40	2.40	2.40	2.40
Reuse				
New connections (3)	28.00	42.00	-	20.00
Average daily consumption (4) (million of gallons)	0.89	1.02	0.91	0.92
Average daily capacity (4) (million of gallons)	4.07	4.07	4.07	4.07

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					
2012	2013	2014	2015	2016	2017
23,471.00	20,911.00	19,819.00	17,930.00	15,092.00	18,713.00
470.00	547.00	986.00	884.00	732.00	709.00
99.00	74.00	149.00	193.00	156.00	132.00
2,120.00	1,882.00	1,950.00	1,754.00	1,414.00	1,424.00
408.00	448.00	551.00	651.00	687.00	678.00
19.00	32.00	11.00	14.00	14.00	20.00
1.28	1.38	1.39	1.45	1.41	1.48
2.00	2.00	2.00	2.00	2.00	2.00
13.00	15.00	11.00	11.00	9.00	12.00
1.20	1.32	1.25	1.48	1.41	1.39
2.40	2.40	2.40	2.40	2.40	2.40
39.00	315.00	-	25.00	30.00	38.00
0.96	1.07	1.12	0.87	0.82	0.99
3.25	3.25	3.32	3.33	3.33	3.33

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

Function	Fiscal Year			
	2008	2009	2010	2011
Public Safety (1)				
Police				
Stations	1.00	1.00	1.00	1.00
Patrol units	49.00	48.00	49.00	44.00
K-9 units	2.00	2.00	2.00	2.00
Highway and Streets (2)				
Streets (miles)	42.00	42.00	42.00	42.00
Traffic signals	11.00	11.00	12.00	12.00
Streetlights	864.00	864.00	864.00	864.00
Culture and Recreation (3)				
Parks acreage	64.74	64.74	95.49	95.49
Parks	12.00	12.00	12.00	12.00
Tennis courts	1.00	1.00	1.00	1.00
Utility Infrastructure				
Water mains (miles)	66.66	66.66	66.66	66.66
Sewer (miles)	47.60	49.10	49.10	49.10
Storm sewers (miles)	11.76	11.90	11.90	11.90
Reclaimed water (miles)	22.00	22.80	22.80	22.80

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

Fiscal Year					
2012	2013	2014	2015	2016	2017
1.00	1.00	1.00	1.00	1.00	1.00
45.00	41.00	44.00	46.00	45.00	44.00
2.00	3.00	3.00	3.00	-	-
42.00	42.33	42.33	42.33	42.33	42.33
12.00	12.00	12.00	12.00	12.00	12.00
864.00	1,111.00	1,111.00	928.00	928.00	928.00
95.49	95.49	95.49	100.79	100.79	100.79
12.00	12.00	12.00	13.00	13.00	13.00
1.00	1.00	1.00	1.00	1.00	1.00
66.66	66.69	66.69	73.85	73.85	73.94
49.10	49.10	49.10	67.76	67.76	68.63
11.90	11.90	11.90	27.30	27.30	64.14
22.80	22.80	24.18	32.54	32.54	33.09



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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2018.

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.

February 20, 2018
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, 2017, and have issued our report thereon dated February 20, 2018.

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 February 20, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

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.

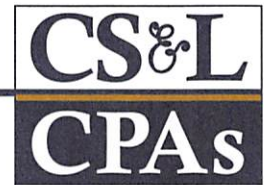
Purpose of this Letter

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.

February 20, 2018
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, 2017. 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, 2017.

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.

February 20, 2018
Bradenton, Florida