

**City of Palmetto Florida**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended September 30, 2014**



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March 7, 2015

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, 2014.

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

The City of Palmetto's basic financial statements have been audited by independent certified public accountants, Mauldin & Jenkins, LLC. 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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmetto for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

**THE CITY**

The City of Palmetto, Florida, was incorporated in 1897. The current charter was approved by the voters on November 2, 2010. The government of the City consists of a Legislative Branch comprised of five elected Commissioners and an Executive Branch consisting of an elected Mayor. Three of the five Commissioners are elected by the electors of wards. The remaining two Commissioners are elected at-large by the electors of the entire City. The Mayor appoints all appointed officers of the City and the Commission has the power to confirm such appointments.

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

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



## ECONOMIC CONDITION AND OUTLOOK

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

As with most cities throughout Florida, 2014 continued to show signs that the economy has rebounded and growth is making a slow but steady comeback. Foreclosures and abandoned properties are still creating issues for the City, albeit at a slower pace compared to prior years. Over the past five years, the economic environment has placed additional demands on the City to ensure that the health, safety, and welfare of the community are maintained. The City has increased the efficiency of our remaining resources to minimize the impact to our citizens. Statewide unemployment has improved quite well during 2014 from 6.2% in January to a projected 5.6% as of December 2014. Unemployment in the North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) showed even greater improvement during the year and was projected to be 5.0% as of December 2014 compared to 5.7% in December 2013. The City, along with our community leaders have made the commitment to work together and help achieve our goal of making the City of Palmetto a great place to live. Through our Community Redevelopment Agency (CRA), we have implemented a variety of programs to promote growth and economic development. Examples include downtown commercial core incentives for improvements to business properties coupled with additional incentives for hiring local businesses to complete the enhancements. These efforts are working, as It Works! opened its corporate headquarters in 2014 which brought 100 new jobs to the Palmetto area. In addition, the building formerly known as the Olympia Theater was fully renovated and is now home to a state-of-the art recording studio and commercial apartment. A new veterinarian office was constructed on an existing site with the help of CRA incentives. Both of these projects will add taxable value to the CRA and achieve one of our primary CRA goals, which is to promote redevelopment. During the past year, several developers have approached the City with hopes of opening a new hotel in the area. The City and County have been working hand in hand to provide the best environment to attract a top notch hotelier for our City. In addition to developer incentives, storefront grants are available for commercial businesses, and the residential rehabilitation program that was started in 2010 continues to see success. Although the City has experienced a slowdown in development, we continue to look for growth opportunities, while maintaining the "Old Florida" charm that residents and visitors have come to love. The City boasts thirteen public parks, numerous festivals, movies in the park and a variety of residential options for every lifestyle. Options include waterfront single family homes, golf and country club communities, and "Old World" homes in the historic downtown district. In recent years, several condominium developments were completed, many of which offer robust amenities and dramatic water views.

Although the economy has certainly improved over the last two years, Palmetto continues to be faced with increasing costs, increasing demand for services, aging infrastructure and unfunded mandates by state and federal governments. Despite the increased demand for services and rising costs, the Florida Legislature continues to pass legislation that puts additional pressure on

local government. In recent years, additional homeowner exemptions coupled with reductions in state revenue dollars have made it difficult for cities across the state. Increasing property values during the last two years have helped offset declines in other areas, but tax revenues are still well below their peak of 2009. In 2013, taxable values throughout the City increased about .50% and 4% in 2014. As we look ahead, we expect values to continue increasing at a slow, steady pace. Capital funding continues to present a big challenge for the City in the years to come. Aging infrastructure is in need of repair to ensure we continue to provide the service we demand for our residents. Now more than ever, the City will continue to aggressively seek grant funds to help offset the costs for infrastructure projects. In late 2013, Commission approved utility rate increases and that money will be used to fund many of the infrastructure projects within our Capital Improvement Plan. We are starting to see the benefits of this additional funding as many infrastructure projects are in the design phase or under construction. Another major focus for the City involves gateway beautification and aesthetic improvements to major corridors and business districts throughout the City. The City hopes to attract more businesses to the area which means more jobs and increased spending in our local economy. In addition, these new businesses will increase our tax base which translates to revenue for the City. Despite the economic challenges, the City remains committed to providing the best possible service to our citizens. The City Commission is committed to fiscally sound programs designed to increase the tax base, by supporting the CRA activities, promotion of the Enterprise Zone incentives and by enhancement of the City's image and quality of life via adoption of the Five-Year Capital Improvement Plan.

Great things are planned for the City this coming year. Community policing will continue to be a focus for our City as we strive to ensure residents have a safe place to call home. I am excited about several major initiatives involving redevelopment of our parks, recreational amenities, and infrastructure. More specifically, planning continues for a new multimodal redevelopment project along 10th Avenue from Riverside Drive to 17th Street. This project is made possible with the help of funding from the Florida Department of Transportation (FDOT) and Sarasota/Manatee Metropolitan Planning Organization (MPO). Park improvements will continue to be a focus as upgrades to Sutton Park and Estuary Park are scheduled for the coming year, and we are excited about the possibility of a new dog park along the city riverfront. All of these projects will enhance the quality of life and recreation for our residents. I am happy to report on the progress of our new Aquifer Storage and Recovery (ASR) well. Construction is complete and we are in the final stages of testing and permitting. The ASR is scheduled to be fully operational and online during 2015. Ultimately, this ASR well will stabilize the supply of reuse and provide much needed storage for advanced waste water. Many of the projects mentioned above were made possible through cooperative funding between the City, Southwest Florida Water Management District (SWFWMD) and the West Coast Inland Navigation District (WCIND). Several of the projects are explained in more detail below.

The City has been able to manage the economic downturn, and the road ahead looks very promising. We must remain cautious but diligent in our efforts to prioritize projects, identify funding and manage our human capital. Our focus will continue towards diversification and expansion of local businesses, enhancing communication with the community and developing tools to provide even more safety to our residents and businesses.

The exercise of fiscal restraint, the safeguarding and control of the City's resources, and continued growth in its tax base and utility customers give cause for challenge, optimism and excitement for the future. The City will continue to implement policies such as our fund balance policy to ensure we are well prepared and fiscally sound for many years to come.

## MAJOR INITIATIVES

### For the Year:

The construction of a new Little League baseball complex is complete. The total budget for this project was over \$3 million dollars. The City contributed \$800,000 towards the completion of the project. The County funded the balance of the project along with donations from private organizations. The complex is home to three new state-of-the-art Little League fields, a concession stand, press box and additional parking.

In late 2014, the City completed the installation of a new financial software system. This was a major undertaking for the City, but we are confident this new system will improve operational effectiveness and efficiency within the City. The cost of the new system was approximately \$300,000.

During 2014, the CRA awarded three storefront grants totaling \$85,632 for exterior renovations on commercial properties in the district.

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

The CRA received a Future of the Region Award from the Tampa Bay Regional Planning Council during 2014 in the Development/Infrastructure category for the low impact design (LID) on our 5th Street redevelopment project. The CRA also received an award from the Florida Redevelopment Association (FRA) for a fiscal impact study associated with a multimillion dollar redevelopment incentive project with It Works!. We are proud of both of these awards, and this recognition provides support that our incentives are a great tool to achieve our redevelopment goals in the CRA.

In 2014, the City of Palmetto was recognized by Keep Manatee Beautiful for three beautification projects in the City. Awards include the "Landscaping Image Award" for the 5th Street project, and two landscaping and image awards for "Outstanding Landscaping in Public Open Spaces".

The City issued a total of five procurement proposals during fiscal year 2014. This included four request for proposals (RFPs), and one request for qualifications (RFQs). Areas of interest included construction of the new MLK Park, Riverside Park Boat Ramp, Sutton Park Phase II Restrooms, and Solid Waste Services. The RFQ was issued for Environmental Engineering Services.

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

Construction on the new MLK Park was completed in 2014 providing a great neighborhood enhancement for the residents. The improvements at the new park include walking trails, a

covered pavilion, a water feature, bridges, low impact design (LID) pavers and lighting throughout the park. Future improvements such as security cameras are planned to enhance the overall safety and security for our residents.

Redevelopment of the Riverside Boat Ramp was completed in 2014 just in time for the upcoming boating season. Improvements included adding a second boat ramp, parking upgrades, lighting, and additional landscaping. Security cameras were also installed as part of our citywide effort to improve the safety for our citizens. This project is being funded by the CRA, WCIND and SWFWMD grant dollars.

Improvements at Sutton Park continued in 2014 as new restrooms were added to the facility. These new restroom facilities are a perfect complement to a venue that is host to several festivals and events throughout the year, including the annual July 4th celebration, Seafood Festival, and Taste of Manatee, just to name a few.

In late 2012, the City reached a contract agreement with the Police Benevolent Association (PBA) union. This was the first contract agreement reached with the PBA since the union was established in late 2010. The agreement was extended in 2013 and the current agreement is in effect until 2015. The City will begin negotiations later this year for a new contract extension.

The City received the Certificate of Achievement for Excellence in Financial Reporting for the ninth consecutive year. The City also applied for and received the Distinguished Budget Presentation Award for the 2014 budget. This was the fifth year in a row the City received the budget award from the Government Finance Officer's Association (GFOA).

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

### **For the Future:**

Redevelopment plans for the 10th Avenue and 8th Avenue corridors have begun. This project will focus on pedestrian friendly enhancements, beautification and congestion management on both corridors. Planning efforts will continue in 2015 as the initial engineering and design work is well underway. This project is made possible with CRA funds and funding from FDOT and Sarasota/Manatee MPO.

The new ASR well continues to move forward and construction is now complete. SWFWMD is partnering with the City and contributing over \$2 million dollars in grant funding towards this project. The City will work with SWFWMD to complete the final stages of testing later this year. The ASR well is expected to be operational before the end of 2015. Once fully operational, this ASR well will provide unlimited storage capacity for reclaimed water and provide a more stable year-round supply to our residents. Additional benefits associated with the ASR include conservation of potable water, elimination of the risks associated with discharge into the waterways and preservation of the environment.

The City plans to aggressively tackle inflow and infiltration issues within the utility infrastructure to help reduce the amount of water that flows to the plant for treatment. This reduction will reduce unnecessary strain being placed on our treatment facility and improve the

overall efficiency of the treatment plant. Much work has already begun as smoke testing has been completed and many problem areas have been identified. Corrective plans are being developed with the cooperation of individual property owners.

Aesthetic improvements will continue in 2015 along the City gateways and major corridors. Landscaping and a new LED sign were added to the Riverside Drive area in Palmetto during 2014. The City plans to add landscaping and signage in other areas to help improve the "curb appeal" with hopes of attracting more businesses, residents, and visitors to the area.


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

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

#### **ACKNOWLEDGEMENTS**

The preparation of the Comprehensive Annual Financial Report was accomplished through the diligent efforts of the City Clerk's Office, the Finance Department, and other City staff. I would like to express my appreciation to the firm of Mauldin and Jenkins, LLC for their cooperation and assistance throughout the year.

Sincerely,

A handwritten signature in cursive script that reads "Shirley Groover Bryant".

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, 2013**

Executive Director/CEO



**CITY OF PALMETTO, FLORIDA  
FISCAL YEAR ENDED SEPTEMBER 30, 2014  
LIST OF PRINCIPAL OFFICIALS**

**ELECTED OFFICIALS**

<b>SHIRLEY GROOVER BRYANT</b>	<b>MAYOR</b>
<b>JOHNATHAN DAVIS</b>	<b>VICE MAYOR, COMMISSIONER AT-LARGE</b>
<b>TAMARA CORNWELL</b>	<b>COMMISSIONER AT-LARGE</b>
<b>CHARLES SMITH</b>	<b>COMMISSIONER, WARD 1</b>
<b>TAMBRA VARNADORE</b>	<b>COMMISSIONER, WARD 2</b>
<b>BRIAN WILLIAMS</b>	<b>COMMISSIONER, WARD 3</b>

**OFFICE OF THE CITY CLERK**

<b>JAMES R. FREEMAN</b>	<b>CITY CLERK</b>
<b>AMBER FOLEY</b>	<b>ASSISTANT CITY CLERK</b>
<b>KAREN SIMPSON</b>	<b>DEPUTY CLERK - FINANCE</b>

**PUBLIC WORKS**

<b>ALLEN TUSING</b>	<b>DIRECTOR OF PUBLIC WORKS</b>
<b>JAVIER VARGAS</b>	<b>DEPUTY DIRECTOR OF PUBLIC WORKS</b>

**POLICE DEPARTMENT**

<b>RICK WELLS</b>	<b>POLICE CHIEF</b>
<b>SCOTT TYLER</b>	<b>DEPUTY POLICE CHIEF</b>

**COMMUNITY REDEVELOPMENT AGENCY**

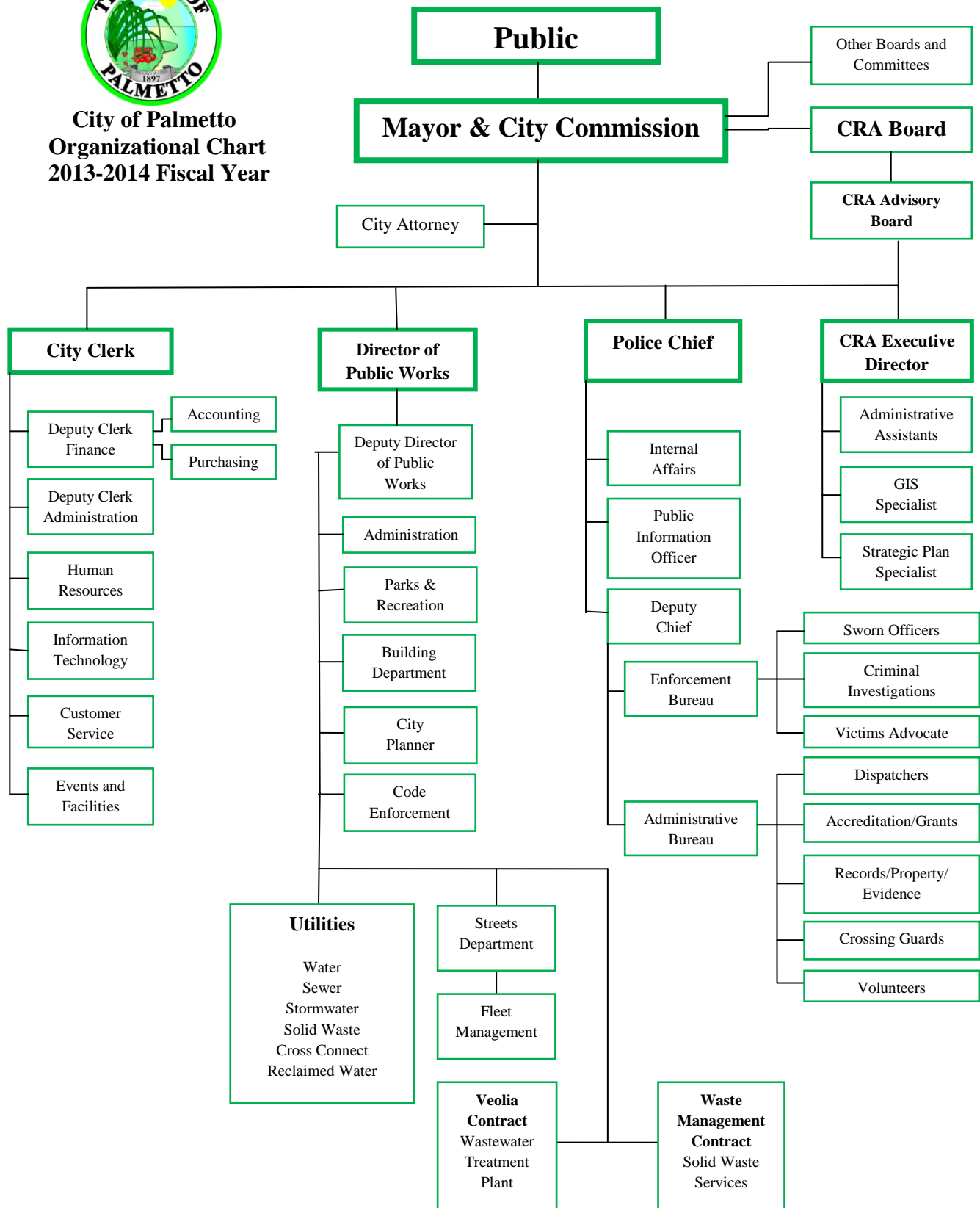
<b>JEFF BURTON</b>	<b>CRA DIRECTOR</b>
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**CITY ATTORNEY**

<b>MARK BARNEBEY</b>	<b>CITY ATTORNEY</b>
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**City of Palmetto  
Organizational Chart  
2013-2014 Fiscal Year**





## INDEPENDENT AUDITOR'S REPORT

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in Note 1, the City's pension trust funds implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* as of October 1, 2013. This standard modified the reporting requirements for financial statements of defined benefit pension plans. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefit schedules on pages 14-29 and 107-120, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 20, 2015

## 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Mayor's letter of transmittal preceding this report and the City's financial statements beginning on page 31.

### Financial Highlights

At the close of the fiscal year ending September 30, 2014:

- The assets of the City exceeded its liabilities by \$67,279,259 (*net position*). Of this amount, \$9,609,623 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,886,832 or 2.89% in comparison with the prior year total net position.
- Total revenues increased a total of \$2,296,197 or 11.53% in comparison to prior year. Property taxes, other taxes, charges for services and capital grants increased \$449,828, \$259,185, \$839,300 and \$636,350 respectively.
- Total expenses increased \$889,904 or 4.58% in comparison to prior year. Highways and streets, public safety, water and sewer, and solid waste activities increased \$438,439, \$135,914, \$219,918, and \$125,122 respectively over the prior year. Stormwater, recreation and interest on long-term debt experienced smaller decreases to balance out the increases.
- The City's governmental funds reported combined ending fund balances of \$10,804,136, a decrease of \$1,859,388 in comparison with the prior year ending balance. Approximately 37.7% of this total amount, \$4,077,272 (*unassigned fund balance*), is available for spending at the City's discretion. Restricted fund balance of \$3,798,059 is restricted for roadway infrastructure, Community Redevelopment Agency (CRA), building department operating expenses, law enforcement special projects, the maintenance of the City's cemetery, and impact fees used to fund growth in the City. The committed fund balance in the amount of \$2,265,176 includes \$1,983,593 in the trailer park trust, and \$281,583 for capital improvements.
- At the end of current fiscal year, unassigned fund balance for the general fund was \$4,077,272 or 44.7% of total general fund expenditures.

### Overview of the Financial Statements

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

## **Government-wide financial statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, recreation and intergovernmental services. The business-type activities of the City include solid waste collection, water and sewer, the storm water utility system and the reuse utility.

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

## **Fund Financial Statements**

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

### ***Governmental funds***

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but

do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases, compensated absences or other similar long-term liabilities. The difference between a fund's total assets 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, 2014 was the Capital Projects fund.

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

### ***Proprietary funds***

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

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

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, storm water utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2014.

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

### ***Fiduciary funds***

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 45 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 pension contributions and investments, net pension liability and the 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 107 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 107 through 109.

The non-major Capital Projects Fund and combining statements for the fiduciary funds, begin on page 123.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$67,279,259 at the close of the most recent fiscal year.

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

**City of Palmetto's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 11,298,474	12,336,895	2,897,503	3,199,049	14,195,977	15,535,944
Restricted assets	918,364	1,310,487	3,747,695	1,618,779	4,666,059	2,929,266
Capital assets, net of depreciation	36,674,248	36,373,497	31,884,645	29,765,582	68,558,893	66,139,079
<b>Total assets</b>	<u>48,891,086</u>	<u>50,020,879</u>	<u>38,529,843</u>	<u>34,583,410</u>	<u>87,420,929</u>	<u>84,604,289</u>
<b>Deferred outflows of</b>	<u>268,886</u>	<u>295,246</u>	<u>857,292</u>	<u>966,368</u>	<u>1,126,178</u>	<u>1,261,614</u>
Current and other liabilities	958,884	459,118	999,664	1,064,867	1,958,548	1,523,985
Non-current liabilities	6,086,473	6,707,654	13,222,827	12,241,837	19,309,300	18,949,491
<b>Total liabilities</b>	<u>7,045,357</u>	<u>7,166,772</u>	<u>14,222,491</u>	<u>13,306,704</u>	<u>21,267,848</u>	<u>20,473,476</u>
<b>Net Position</b>						
Net investment in capital assets	32,241,516	31,673,980	21,989,061	19,190,114	54,230,577	50,864,094
Restricted	3,193,316	4,217,646	245,743	488,908	3,439,059	4,706,554
Unrestricted	6,679,783	7,257,727	2,929,840	2,564,052	9,609,623	9,821,779
<b>Total net position</b>	<u>\$ 42,114,615</u>	<u>43,149,353</u>	<u>25,164,644</u>	<u>22,243,074</u>	<u>67,279,259</u>	<u>65,392,427</u>

The overall position of the City improved slightly in 2014. 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 2013 by \$1,886,832 or 2.89%. Net position of business-type activities increased \$2,921,570, or 13.13% primarily as a result of an approved increase in user fees for water, sewer and reuse utilities, while the net position of governmental activities decreased by \$1,034,738 largely due to the \$1,213,616 that was transferred to the enterprise funds for funding of several capital projects and the disposal of land.

A significant portion of the City's net position, \$54,230,577 or 80.6% reflect its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



An additional portion of the City's net position, \$3,439,059 or 5.1% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$9,609,623 or 14.3% may be used to meet the City's ongoing obligations to citizens and creditors. This amount includes the fund balance of the Trailer Park Trust (Governmental Activities) of \$1,983,593, which may be used upon approval of the City Commission after a duly advertised public hearing.

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

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

	City of Palmetto's Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Charges for services	\$ 679,012	692,468	8,861,487	8,008,731	9,540,499	8,701,199
Capital grants and contributions	334,025	144,407	960,091	513,359	1,294,116	657,766
General Revenues:						
Property taxes	6,252,171	5,802,343	--	--	6,252,171	5,802,343
Other taxes	4,153,086	3,893,901	--	--	4,153,086	3,893,901
Other	964,076	838,197	11,326	25,671	975,402	863,868
<b>Total Revenues</b>	<b>12,382,370</b>	<b>11,371,316</b>	<b>9,832,904</b>	<b>8,547,761</b>	<b>22,215,274</b>	<b>19,919,077</b>
<b>Expenses:</b>						
Governmental Activities:						
General government	3,434,529	3,382,557	--	--	3,434,529	3,382,557
Public safety	4,489,409	4,353,495	--	--	4,489,409	4,353,495
Highways and streets	1,332,919	894,480	--	--	1,332,919	894,480
Culture and recreation	636,947	729,485	--	--	636,947	729,485
Intergovernmental services	2,634,057	2,582,701	--	--	2,634,057	2,582,701
Interest on long-term debt	129,675	151,233	--	--	129,675	151,233
Business-type Activities:						
Solid Waste	--	--	2,200,590	2,075,468	2,200,590	2,075,468
Water and Sewer	--	--	4,744,118	4,524,200	4,744,118	4,524,200
Stormwater	--	--	612,953	656,269	612,953	656,269
Reuse	--	--	113,245	88,650	113,245	88,650
<b>Total Expenses</b>	<b>12,657,536</b>	<b>12,093,951</b>	<b>7,670,906</b>	<b>7,344,587</b>	<b>20,328,442</b>	<b>19,438,538</b>
Increases(decreases) in net position before transfers	( 275,166)	( 722,635)	2,161,998	1,203,174	1,886,832	480,539
Transfers	( 759,572)	454,044	759,572	( 454,044)	--	--
Changes in net position	( 1,034,738)	( 268,591)	2,921,570	749,130	1,886,832	480,539
Net assets-beginning	43,149,353	43,417,944	22,243,074	21,493,944	65,392,427	64,911,888
Net position-ending	\$ 42,114,615	43,149,353	25,164,644	22,243,074	67,279,259	65,392,427

## Governmental activities

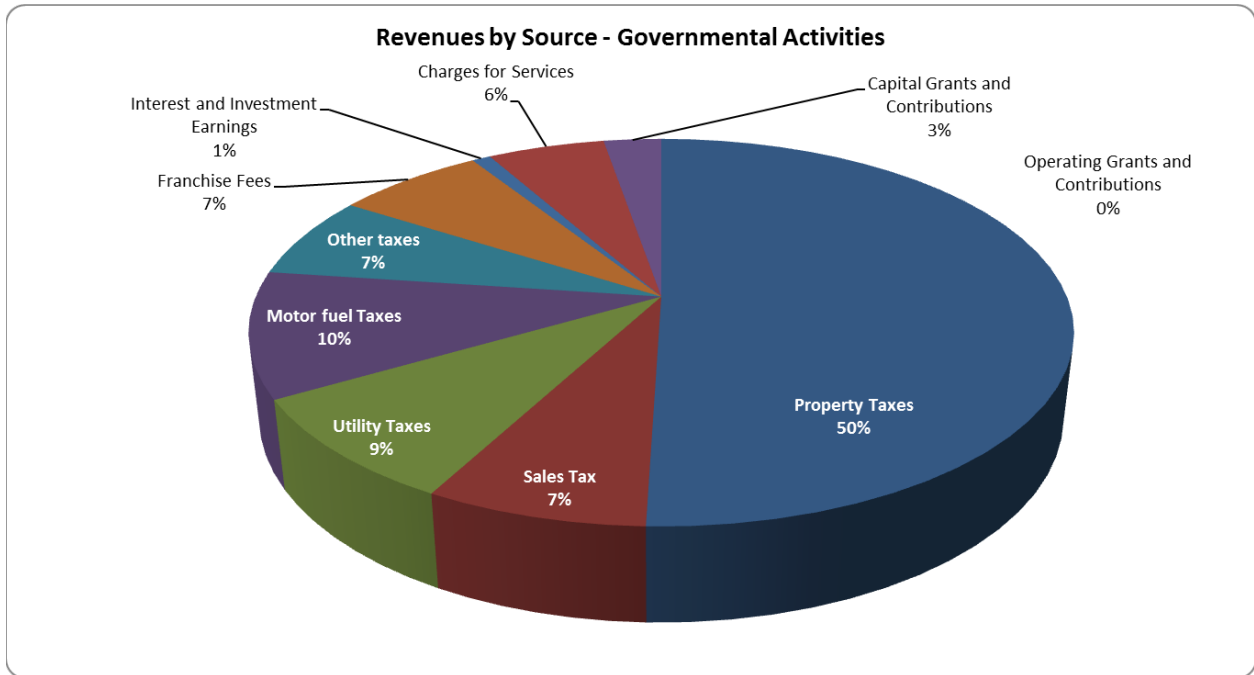
Total revenues for governmental activities increased by \$1,011,054 or 8.89% when compared to the prior year. Revenue increases in property taxes, other taxes, other revenues and capital grants and contributions amounted to \$1,024,510 in comparison to the previous year. These revenue gains were slightly offset by a decrease in charges for services of \$13,456. The net increase in revenues for the current year is outlined in more detail below:

- City property tax revenues increased by \$449,828 or 7.75% due to a increase in property values combined with a \$0.50 mil increase in the City's millage to \$5.7171 overall. 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. As a result, the CRA saw approximately \$127,000 more in TIF money as this was the first time in five years that property values increased from the previous year.
- Capital grants applicable to governmental activities increased by \$189,618 or 131% due to a Southwest Florida Water Management District (SWFWMD) grant related to the MLK Park improvement.
- Other taxes, which are comprised of many of the state revenue sharing dollars, increased almost \$260,000. Increases in electric utility taxes and the 1/2 cent sales tax accounted for \$100,000 and \$65,000 respectively. Increases in fuel taxes accounted for another \$100,000 in revenue.
- Other revenues increased \$125,879 for increases in franchise fees and interest earnings.

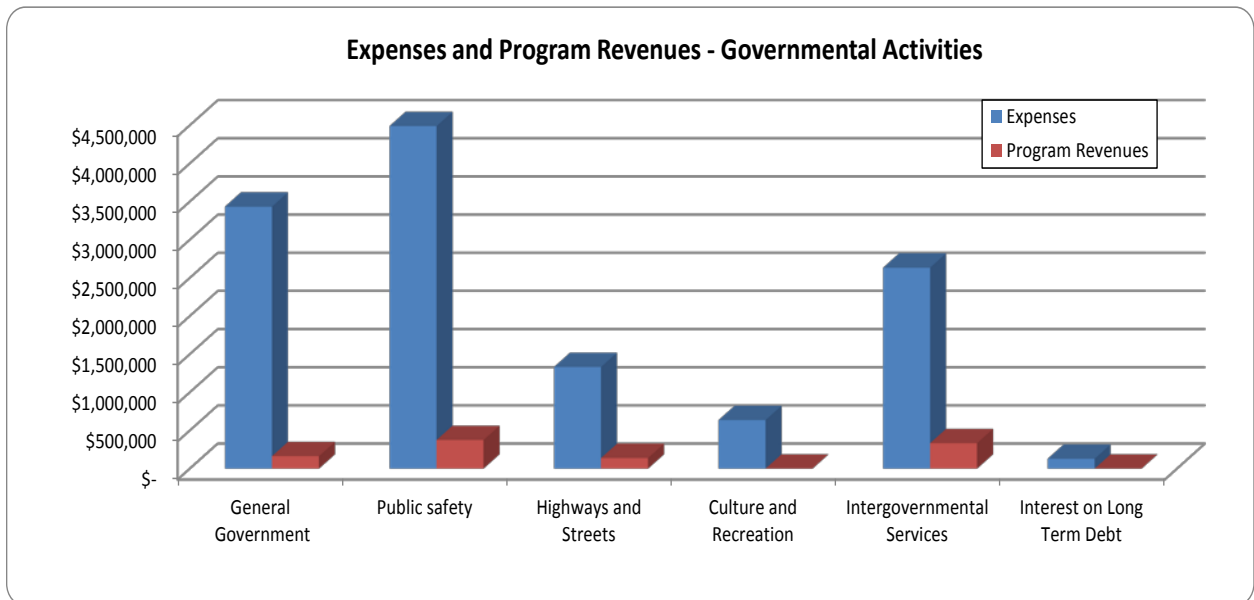
Total expenses for governmental activities increased \$563,585 or 4.66% in comparison to the prior year. The increase in the current year expenses is attributed to:

- Increases in General government amounted to \$51,971 more or 1.54% compared to the previous year. This increase was largely driven by a loss of \$739,199 for the sale of property formerly known as the CBI property as well as increases for the 3% increase in wages and \$110,000 in increased TIF payments to CRA. However, these large increases are offset by the absence of a onetime payment of \$800,000 to Manatee County in 2013 for construction of the new Little League Baseball complex at Blackstone Park.
- Interest on Long-Term debt decreased \$21,558 due to final payments on certain capital leases and lower interest payments associated with the loans.
- Expenses associated with Highways and Streets increased \$438,439 and can be attributed to \$150,000 in additional sidewalk repairs, increased personnel costs associated with raises and expenses associated with the 23rd street realignment project.
- Public Safety Expenses which includes the Code Enforcement Department, Building Department and the Police Department also increased by \$135,914 compared to the prior year. Personnel costs associated with salary increases were the driving force behind these increased expenditures.

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:

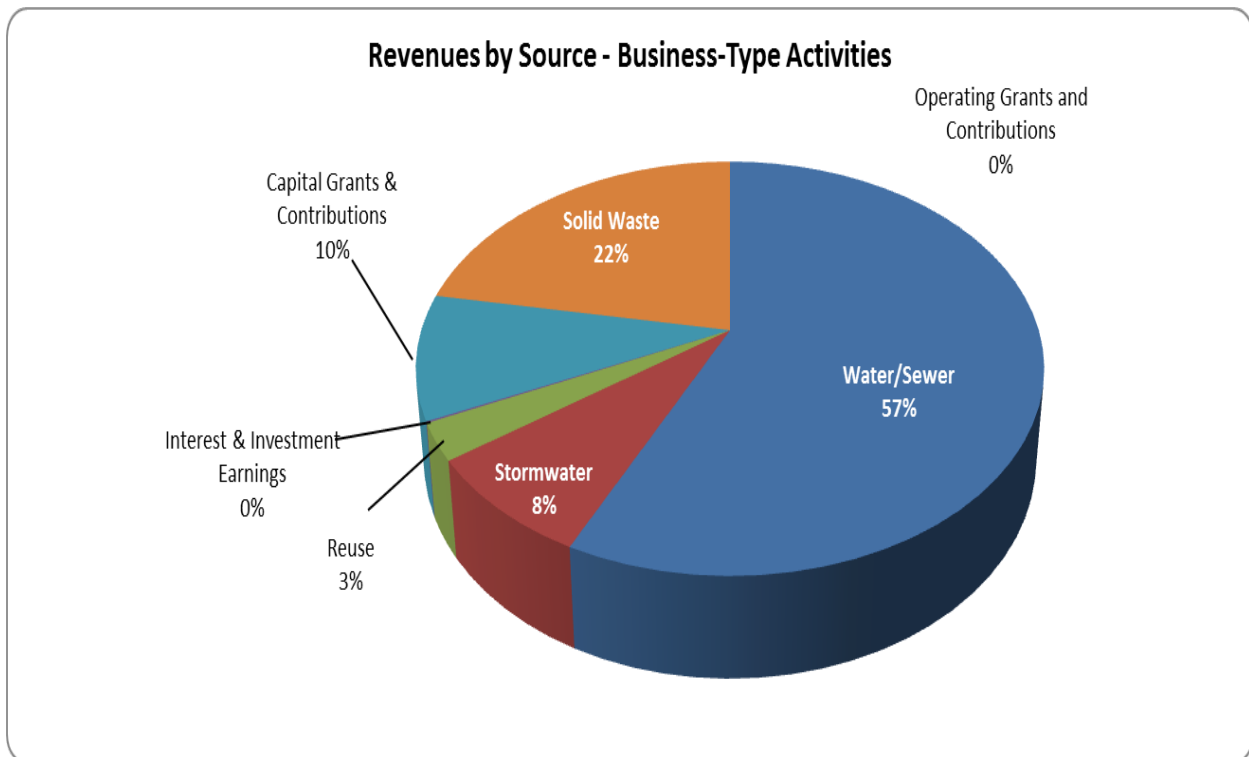


### Business-type Activities

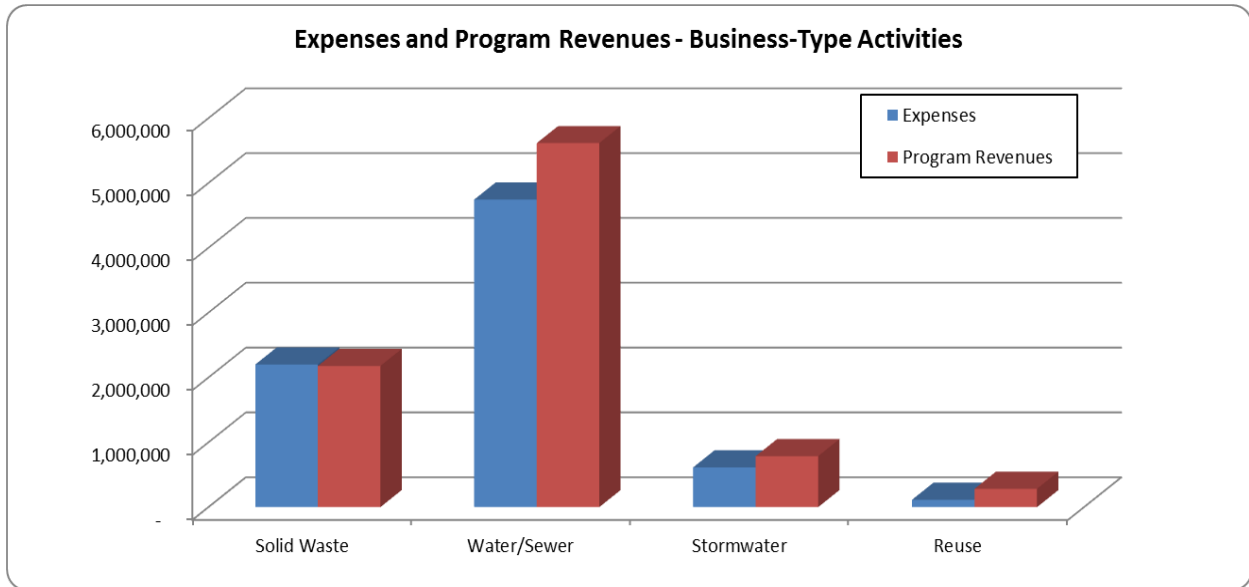
Total revenues increased by \$1,285,143 for the current year. This revenue increase was largely attributed to increases in charges for services of \$852,756 and capital grants totaling \$446,732. The increase in charges for services was due to a 15% increase in water, sewer and reuse user fees in accordance with a rate study that was completed at the end of fiscal year 2013. The increase in capital grants resulted in the continued grant awarded from Southwest Florida Water Management District (SWFWMD) for the City's Aquifer Storage Recovery (ASR) well project.

Total expenses increased by \$326,319 or 4.44% when compared to the previous year. Expenses in Solid Waste, Water and Sewer, and Reuse funds were up \$125,122 (6.03%), \$219,918 (4.86%) and \$24,595 (27.74%) respectively. Consumer Price Index (CPI) increases implemented by Waste Management and higher utilization of solid waste services were partially responsible for the higher expenses. In addition, higher personnel costs associated with salary increases and an employee transfer also contributed to the increases. Water and Sewer expenses increased \$219,918, which was largely attributed to increases in depreciation expense associated with the new telemetry meters. Reuse expense increases of \$24,595 were a result of interest on the loan from the Trailer Park Trust for the new ASR well. On the other hand, Storm Water experienced lower expenses this year primarily due to lower operating costs and vacant positions throughout the year.

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



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



### Financial Analysis of the City's Funds

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

### Governmental funds

The fund financial statements for the governmental funds are provided on pages 34 and 35. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financial requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$10,804,136 a decrease of \$1,859,388 compared to the prior year. Approximately 37.7% of this amount, or \$4,077,272, constitutes *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The decrease in fund balance across all governmental funds was a result of many capital projects that were funded during the year. The General fund transferred approximately \$350,000 for the new city wide financial software system and approximately \$500,000 to fund the ASR well. These transfers out were offset by transfers in associated with support functions to the enterprise funds. The net result was a reduction of fund balance of approximately \$350,000. The Road and Bridge fund balance transfers included approximately \$600,000 for the 13th street drainage project and approximately \$140,000 for new reuse lines. These transfers were offset by excess revenues over expenses from operations. The net change to the Road and Bridge fund balance was a negative \$650,000. Capital expenditures in the CRA and the Capital Projects fund accounted for the remaining reduction in fund balance. More specifically the CRA reduction was approximately \$190,000 and the Capital Projects Fund account for almost \$650,000

The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or by contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund. At the end of the current fiscal year, the total fund balance of the general fund was \$7,202,168, as compared with \$7,570,099 in the previous year.

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

- Restricted fund balance decreased by approximately \$177,000 to \$477,674 and includes \$308,439 for the Building department, \$130,876 for impact fees and the remaining amount for law enforcement and cemetery use. The Building department reserve was reduced \$62,000 to help fund operating revenue shortfalls and impact fees were reduced \$112,000 for funding of the city wide software project.
- Assigned fund balance decreased by \$461,074 to \$343,795. This decrease was attributed to a reduction of the available fund balance being assigned to fund the 2015 CIP. More specifically, \$500,000 was spent to fund the ASR well construction. The City's fund balance policy allows balances above five months of the expenditure budget to be used to fund capital projects.
- Committed fund balance is \$1,983,593, all of which is associated with the Trailer Park Trust.
- Nonspendable fund balance related inventory is \$319,834.
- Unassigned fund balance is \$4,077,272 as compared to \$3,867,975 the previous year due to a reduction in restricted and assigned fund balance.

Revenues for the General Fund increased by \$713,734 or 8.9%. Property taxes accounted for the largest dollar increase of approximately \$321,000 compared to fiscal year 2013. The increase was a result of a \$.50 mil tax increase and slightly higher property values. Revenue sharing associated with state sales tax and utility taxes were up approximately \$63,000 and \$100,000 respectively. Revenues for permits fees and special assessments were up over \$171,000 compared to the previous year. Building department permit fees also accounted for \$100,000 of the increase. In April of 2014, the building department increased permit fees associated with several permit types. It was the first time in several years that an adjustment was implemented for building fees. Electric franchise utility fees also accounted for over \$44,000 of the increase in this revenue category. Investment fees increased approximately \$98,000 as a result of better returns on the Trailer Park Trust. Revenue for charges for services was down approximately \$53,000 as a result of a lower reimbursement from Manatee County School District associated with the school resource officer. Expenditures were also down in the General Fund a total of \$530,912 in comparison to the prior year. The biggest reduction was due to the absence of a one-time payment in fiscal year 2013 to Manatee County of \$800,000 for the construction of the new Little League Complex at Blackstone Park. Expenses related to recreation were also down approximately \$75,000. This reduction was a result of lower personnel costs associated with moving two employees out of the cost center and replacing them with lower tenured employees. The reduction in expenditures was offset by higher personnel expenditures in the public safety category, increases in debt service and capital outlay. The remaining expenditure categories remained relatively flat compared to the previous year.

Revenues for the CRA, a blended component unit of the City, increased \$215,268 or 8.5% compared to the previous year. TIF dollars from the City and County accounted for approximately \$127,000 of the increase. More specifically, the County TIF increased \$17,000 and the City TIF increased \$110,000 due to the City's \$.50 mil increase and rising property values. Miscellaneous revenues increased \$72,562 which is a result of the CRA selling off a piece of property as part of a request for proposal (RFP) for \$65,000. Additional festival revenue accounted for the remaining increase. Total expenses increased by

\$474,522 compared to the previous year. Approximately \$400,000 of the increase was associated with capital outlay on the new MLK Park that was completed in late 2014. The remaining expenditures remained relatively flat in comparison to the previous year.

Revenues in the Road and Bridge Fund increased by \$127,246 or 9.7%. Motor fuel taxes, and impact fees associated with new development are the reason for the increases. Intergovernmental revenue was also up \$200,827 and is a result of grant reimbursement revenue we received from SWFWMD associated with the MLK Park construction. Expenditures for Road and Bridge were down \$132,301 or 10.4% compared to the previous year. Operating expense was up approximately \$148,000 and can be attributed to additional repairs that were done to the streets and sidewalks. Personal costs were also slightly higher as a result of a 3% city wide salary increase. These operating increases were offset by a reduction in capital outlay of approximately \$273,000. This was due to expenditures in the prior year for Ward I, Phase II that was not incurred during 2014. Expenses in the Capital Projects fund were up \$783,982 compared to the prior year due to several projects that were underway during the year. More specifically, \$600,000 was attributed to MLK Park improvements and \$238,000 for the new city wide software system.

### **Proprietary funds**

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

At the end of the current fiscal year, the City's proprietary funds reported combined ending net position of \$25,164,644, an increase of \$2,921,570 in comparison with the prior year. Total utility user fee revenue increased by \$862,469 or 11.0% compared to the previous year. Total revenues for all proprietary funds were \$8,861,487. The gross margin for all enterprise funds increase from 20% last year to 26.6% this year. This increase was a result of revenues increasing at a more proportionate pace when compared to expenses. Specifically, rate increases for water and sewer equaled 15% as defined in the recent rate study that was implemented toward the end of fiscal year 2013. The higher margins meant more funds were available to help pay for much needed capital infrastructure projects.

The Solid Waste Fund experienced a small operating loss of \$22,623 for the year and a negative change in net position of \$62,779 for the year. A combination of factors contributed to the unfavorable result. Additional costs associated with reallocating personnel resources contributed to higher expenditures. In addition, revenue billing shortfalls are being examined to determine irregularities associated with changes in commercial services and roll-off revenue. The total net position at the end of the current fiscal year, is \$504,262, of which, all is unrestricted.

The Water and Sewer Fund had operating income of \$1,112,843 for the year, and an increase in net position of \$170,660. This increase in net position is a result of higher gross margin caused by the increase in utility rates mentioned above. The increased revenues were offset by slightly higher operating costs associated with the 3% salary increase and depreciation expenses related to the installation of telemetry meters during 2014. An increase in transfers out associated with reuse capital projects also offset the revenue gains for the year. However, in the end, the change in net position was positive compared to the previous year. The unrestricted net position at the end of the current fiscal year is \$2,650,146 compared to \$2,407,942 in the previous year and total net position increased 1.12% to \$15,347,668.

Revenues in the Stormwater Fund remained flat while expenses decreased approximately \$20,000, which resulted in a slightly higher operating income of \$311,604. The net position of the fund increased \$814,354 and is largely attributed to a transfer of cash of approximately \$585,000 for the 13th street drainage capital project. The stormwater user fee structure for residential and commercial customers was implemented in fiscal year 2008, but remains at 2008 levels. The unrestricted net position at the end of the current fiscal year was a positive \$453,253. This is the first time in several years that the unrestricted fund balance was positive. The total net position is \$4,278,181 or \$814,354 higher compared to the previous year. The Stormwater Fund should continue to improve in the coming years, however the subsidy will most likely continue in some form unless rates are increased or expenses are further reduced.

The Reuse Fund had operating income of \$229,200 and an increase in net position of \$1,999,335. The unrestricted net position at the end of the current fiscal year reflects a positive balance of \$725,582 and the total net position is \$5,034,533. The higher operating income was a result of the rate increases associated with the utility rate study that was implemented at the end of 2013. Transfers in from other funds for the ASR well and funding for reuse line expansion in the amount of \$900,000, help increase the change in net position. In addition, grant reimbursement of over \$900,000 also contributed to the substantial increase in net position.

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

Differences between the original budget and the final amended budget can be found on page 107. Revenues including other financing sources associated with the original and final amended budget were increased by \$450,534. This increase in the revenue was largely driven by higher than estimated utility taxes, sales taxes, and additional permitting fees associated with building department revenues. These increases were \$178,731, \$73,900, and \$134,970 respectively. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$276,232. However, after accounting for funding from fund balance for various capital items, contingencies, and the building department shortfall, the General Fund was in a balanced position. The final amended budget anticipated decreasing the General Fund's fund balance per the final amended budget by \$714,229 after transfers. This was due to additional capital expenses related to the City's CIP for items such as the ASR well and the new software system. The actual budget ended up decreasing the fund balance by \$367,931, which is much less than anticipated. Slightly higher revenues, combined with lower operational expenses associated with position vacancies, was the driving force behind the favorable variance.

### **Capital Assets and Debt**

#### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$68,558,896 (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 \$2,419,814 or 3.66%. Factors contributing to the increase in capital assets include improvements to Sutton Park, continued work on the ASR Well, completion of MLK Park, improvements to the Riverside gateway and waste water treatment plant upgrades.



The 2014 Capital Improvement Plan (CIP) was approved by the Commission on December 2, 2013 in the amount of \$5,552,150 for fiscal year 2014.

The CRA also budgeted approximately \$1,294,000 for other capital improvements within the CRA district.

The following projects had 2014 expenditures greater than \$50,000:

**City Capital Projects**

- Telemetry Meter installation - approximately \$319,000 to complete the project.
- Aquifer Storage and Recovery Well (ASR) - \$1,845,000 for construction and near completion.
- Waste Water Treatment Plant – approximately \$384,000 for Lift station repairs, treatment plant equipment upgrades, I&I improvements and other upgrades.
- City-wide ERP software – approximately \$350,000 for software and upgraded hardware.

**CRA**

- Sutton Park - Approximately \$565,000 for improvements to Sutton park which included new restrooms.
- MLK Park - Approximately \$1,162,000 for the construction and completion.
- Riverside Project - Approximately \$81,000 for engineering for future development.

Capital lease expenditures included:

- A new vacuum truck - \$288,000
- Four fully equipped police vehicles - \$160,000
- Two F-350 utility trucks - \$82,000
- New bobcat - \$80,000
- Mini-dump truck - \$52,000

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 4,482,361	5,280,608	279,415	279,415	4,761,776	5,560,023
Buildings	39,566	114,811	195,513	210,351	235,079	325,162
Improvements other than buildings	--	--	24,539,851	24,980,876	24,539,851	24,980,876
Machinery and equipment	1,985,136	1,724,777	1,198,161	896,334	3,183,297	2,621,111
Infrastructure	27,252,122	26,291,327	--	--	27,252,122	26,291,327
Construction in progress	2,915,063	2,961,974	5,671,708	3,398,606	8,586,771	6,360,580
<b>Total</b>	<b>\$ 36,674,248</b>	<b>36,373,497</b>	<b>31,884,648</b>	<b>29,765,582</b>	<b>68,558,896</b>	<b>66,139,079</b>

Additional information on the City's capital assets is presented in Note V, E beginning on page 67 of this report.

### Long-term debt

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$19,309,300. This amount includes compensated absences of \$679,202 and OPEB of \$235,365 as well as the City's bank loans and capital leases. The City's debt is comprised of a new \$1.25 million loan, obtained in 2014, \$4.3 million loan obtained in fiscal year 2004, a \$6.5 million loan obtained in fiscal year 2005, a \$5.3 million loan obtained in fiscal year 2008 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 2004, 2005, and 2007 loans which have a liability of \$1,126,178 as of September 30, 2014 which is a decrease of \$135,436 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 \$2,122,270 in outstanding capital leases as of September 30, 2014. A ten year capital lease was obtained in fiscal year 2013 for the installation of telemetry meters citywide to replace aging manual read meter and improve efficiencies in billing water consumption. This project was completed during fiscal year 2014.

In fiscal year 2006, the Community Redevelopment Association (CRA) obtained a loan for \$4,395,000 to fund capital improvement projects within the CRA district and retire \$1,500,000 of debt issued in 2004. The current balance is \$2,637,000 as of September 30, 2014. 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Bank Qualified Loans						
2004 Loan	\$ 353,655	382,119	1,256,992	1,358,162	1,610,647	1,740,281
2005 Loan	878,731	938,864	3,537,002	3,779,020	4,415,733	4,717,884
2007 Loan	678,567	1,060,430	3,344,025	3,182,087	4,022,592	4,242,517
2014 Loan	--	--	1,250,000	--	1,250,000	--
SRF Loans	--	--	1,210,313	1,362,376	1,210,313	1,362,376
CRA Loan	2,637,000	2,856,750	--	--	2,637,000	2,856,750
Total loans	<u>\$ 4,547,953</u>	<u>5,238,163</u>	<u>10,598,332</u>	<u>9,681,645</u>	<u>15,146,285</u>	<u>14,919,808</u>
Capital Leases	<u>489,532</u>	<u>408,161</u>	<u>1,632,738</u>	<u>1,464,786</u>	<u>2,122,270</u>	<u>1,872,947</u>
Total loans and lease	<u>\$ 5,037,485</u>	<u>5,646,324</u>	<u>12,231,070</u>	<u>11,146,431</u>	<u>17,268,555</u>	<u>16,792,755</u>

See Note V, F, and G on pages 69 through 80.

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

The unemployment rate for the North Port/Sarasota/Bradenton area for November 2014 was 5.4%, which is lower than the State unemployment rate of 5.7% for the same time period. The national unemployment rate for the same time period is 5.8% (source: US Department of Labor).

According to the 2010 Census, the City's population was 12,606. As of April 2014, the population is estimated at 12,799, a 1.53% increase since the 2010 census (source: Bureau of Economic and Business Research).

The taxable value of commercial and residential property increased from \$652,758,340 in fiscal year 2013 to \$656,334,570 for the current fiscal year 2014. This represents a .55% increase in taxable value and is the first time since 2009 that the City has seen an increase in property values. After four consecutive years of declining values, the City is encouraged by the increasing property value and is hopeful that this trend will continue. The City has been able to weather the downturn in recent years and we feel well positioned for the growth that lies ahead.

The General Fund property tax millage of \$5.7171 for fiscal year 2014 increased by \$.50 mils from \$5.2171 to \$5.7171. This rate was 9.92% higher than the rolled back rate of \$5.2010. The rolled back rate of \$5.2010 is the rate at which the City would collect the same ad valorem dollars in the current year in comparison to the previous year.

Pension costs have continued to rise during the last five (5) years and remain one of the biggest financial challenges for the City. Investment returns in more recent years have improved, but losses from previous years are still being amortized over a four year period. As a result, the pension costs as a percentage of payroll increased again in fiscal year 2014. The Police pension contribution went from 25.02% to 28.20% and the General employee pension went from 28.18 to 31.30% for every dollar of payroll. The City expects these percentages to go down in the coming years if investment returns continue to be as strong as they have been in recent years. Health care costs for the City remain a large expense. However, favorable claims data in fiscal year 2012 and fiscal year 2013 resulted in lower premiums for fiscal year 2014. The City also changed insurance agents towards the end of fiscal year 2011 which also led to favorable results. The fact that premiums have gone down during the last three years is quite remarkable in light of the current conditions in the health insurance industry.

Funding for capital projects will present new challenges in coming years. The slowdown of new development has reduced the impact fee dollars that are normally used to fund capital projects. As a result, the City has turned to grant funding and has been quite successful in the last 12 months. The City was awarded several grants during the last year including grant dollars from Southwest Florida Water Management District (SWFWMD) for low impact storm water design and a \$500,000 grant for storm water improvements to MLK Park. In addition, the City received \$300,000 from the West Coast Inland Navigation District (WCIND) for improvements to the boat ramp. The City has also received funding from FDOT and the Sarasota/Manatee Metropolitan Planning Organization (MPO) for construction of a multi-modal trail, which will take place over the next several years.

### **Requests for Information**

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



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CITY OF PALMETTO, FLORIDA  
STATEMENT OF NET POSITION  
September 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,233,043	2,001,800	11,234,843
Receivables (net of allowance for uncollectible)	652,046	1,352,085	2,004,131
Due from other governments	200,809	--	200,809
Internal balances	456,382	( 456,382)	--
Inventory	319,834	--	319,834
Net pension asset	436,360	--	436,360
Restricted assets			
Cash and cash equivalents	918,364	3,747,695	4,666,059
Capital assets (net of accumulated depreciation)			
Land	4,482,361	279,415	4,761,776
Buildings	39,566	195,513	235,079
Improvements other than buildings	--	24,539,851	24,539,851
Machinery and equipment	1,985,136	1,198,161	3,183,297
Infrastructure	27,252,122	--	27,252,122
Construction in progress	2,915,063	5,671,708	8,586,771
Total assets	<u>48,891,086</u>	<u>38,529,846</u>	<u>87,420,932</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated decrease in fair value of swap agreement	268,886	857,292	1,126,178
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	728,198	351,073	1,079,271
Accrued interest	17,986	71,383	89,369
Unearned revenue	212,000	393	212,393
Customer deposits	700	576,818	577,518
Noncurrent liabilities			
Due within one year	713,963	1,055,524	1,769,487
Due in more than one year	5,372,510	12,167,303	17,539,813
Total liabilities	<u>7,045,357</u>	<u>14,222,494</u>	<u>21,267,851</u>
<b>NET POSITION</b>			
Net investment in capital assets	32,241,516	21,989,061	54,230,577
Restricted			
Building department	308,439	--	308,439
Capital projects	132,639	--	132,639
Community redevelopment	1,451,741	--	1,451,741
Debt service	--	191,787	191,787
Highways and streets	992,230	--	992,230
Impact fees	281,442	53,956	335,398
Law enforcement	26,825	--	26,825
Unrestricted	6,679,783	2,929,840	9,609,623
Total net position	<u>\$ 42,114,615</u>	<u>25,164,644</u>	<u>67,279,259</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, 2014

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<b>Functions/Programs</b>	<b>Expenses</b>	<b>Indirect Expenses Allocation</b>
<b>Primary government</b>		
Governmental activities		
General government	\$ 4,064,708	(630,179)
Public safety	4,489,409	-
Highways and streets	1,332,919	-
Recreation	636,947	-
Intergovernmental	2,003,878	630,179
Interest on long-term debt	129,675	-
Total governmental activities	<u>12,657,536</u>	<u>-</u>
Business-type activities		
Solid Waste	2,200,590	-
Water and Sewer	4,744,118	-
Stormwater	612,953	-
Reuse	113,245	-
Total business-type activities	<u>7,670,906</u>	<u>-</u>
Total primary government	<u>\$ 20,328,442</u>	<u>-</u>

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

Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities	
163,793	--	--	( 3,270,736)	--	( 3,270,736)
375,222	--	--	( 4,114,187)	--	( 4,114,187)
139,397	--	--	( 1,193,522)	--	( 1,193,522)
600	--	--	( 636,347)	--	( 636,347)
--	--	334,025	( 2,300,032)	--	( 2,300,032)
--	--	--	( 129,675)	--	( 129,675)
679,012	--	334,025	( 11,644,499)	--	( 11,644,499)
2,177,967	--	--	--	( 22,623)	( 22,623)
5,615,854	--	16,121	--	887,857	887,857
785,144	--	--	--	172,191	172,191
282,522	--	943,970	--	1,113,247	1,113,247
8,861,487	--	960,091	--	2,150,672	2,150,672
9,540,499	--	1,294,116	( 11,644,499)	2,150,672	( 9,493,827)
General revenues					
Property taxes			6,252,171	--	6,252,171
Sales taxes			912,455	--	912,455
Utility taxes			1,088,481	--	1,088,481
Motor fuels taxes			1,298,344	--	1,298,344
Other taxes			853,806	--	853,806
Franchise fees			856,531	--	856,531
Interest and investment earnings			107,545	11,326	118,871
Transfers			( 759,572)	759,572	--
Total general revenues and transfers			10,609,761	770,898	11,380,659
Increase(decrease) in net position			( 1,034,738)	2,921,570	1,886,832
Net position - beginning			43,149,353	22,243,074	65,392,427
Net position - ending			\$ 42,114,615	25,164,644	67,279,259

CITY OF PALMETTO, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2014

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Road and Bridge</u>	<u>Capital Projects (Nonmajor)</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,133,976	1,827,739	1,059,809	211,519	9,233,043
Receivables (net of allowance for uncollectible)	355,766	1,759	15,039	279,482	652,046
Advances to other funds	456,385	--	--	--	456,385
Due from other governments	101,953	--	98,853	--	200,806
Inventory	319,834	--	--	--	319,834
Cash - restricted	150,501	604,347	163,516	--	918,364
Total assets	<u>\$ 7,518,415</u>	<u>2,433,845</u>	<u>1,337,217</u>	<u>491,001</u>	<u>11,780,478</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable and accrued liabilities	\$ 100,551	377,757	58,458	209,418	746,184
Deposit payable	700	--	--	--	700
Total liabilities	<u>\$ 101,251</u>	<u>377,757</u>	<u>58,458</u>	<u>209,418</u>	<u>746,884</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	<u>\$ 214,996</u>	<u>--</u>	<u>14,462</u>	<u>--</u>	<u>229,458</u>
Fund balances					
Nonspendable	319,834	--	--	--	319,834
Restricted	477,674	2,056,088	1,264,297	--	3,798,059
Committed	1,983,593	--	--	281,583	2,265,176
Assigned	343,795	--	--	--	343,795
Unassigned	4,077,272	--	--	--	4,077,272
Total fund balances	<u>7,202,168</u>	<u>2,056,088</u>	<u>1,264,297</u>	<u>281,583</u>	<u>10,804,136</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,518,415</u>	<u>2,433,845</u>	<u>1,337,217</u>	<u>491,001</u>	
Adjustments for primary government total net position					
General capital assets net of accumulated depreciation					36,674,248
Net pension asset					436,360
Unearned revenue					( 212,000)
Unavailable revenue					229,458
Long term debt for capital lease, compensated absences, OPEB and interest rate swap liability					( 5,817,587)
Total net position for governmental activities (page 31)					<u>\$ 42,114,615</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, 2014

	General	Community Redevelopment Agency	Road and Bridge	Capital Projects (Nonmajor)	Total Governmental Funds
<b>REVENUES</b>					
Taxes					
Property	\$ 3,627,104	2,625,067	--	--	6,252,171
Sales	912,455	--	--	--	912,455
Utility	1,088,481	--	--	--	1,088,481
Motor fuel	11,891	--	1,286,453	--	1,298,344
Other	853,806	--	--	--	853,806
Permits, fees and special assessments	1,135,631	--	--	--	1,135,631
Intergovernmental revenues	29,543	25,000	--	279,482	334,025
Fines and forfeitures	58,255	--	--	--	58,255
Charges for services	691,809	--	91,523	--	783,332
Interest and investment earnings	92,190	9,700	5,473	182	107,545
Miscellaneous	175,015	79,369	1,368	--	255,752
Impact fees	18,611	--	46,806	--	65,417
Total revenues	<u>8,694,791</u>	<u>2,739,136</u>	<u>1,431,623</u>	<u>279,664</u>	<u>13,145,214</u>
<b>EXPENDITURES</b>					
Current					
General government	2,767,181	--	--	--	2,767,181
Public safety	4,264,229	--	--	--	4,264,229
Highways and streets	--	--	757,656	--	757,656
Recreation	598,012	--	--	--	598,012
Intergovernmental services	1,009,396	1,473,976	--	--	2,483,372
Capital outlay					
Streets	--	--	--	36,333	36,333
Other	271,792	1,294,331	150,913	882,699	2,599,735
Debt service principal and interest	204,982	255,579	226,734	--	687,295
Total expenditures	<u>9,115,592</u>	<u>3,023,886</u>	<u>1,135,303</u>	<u>919,032</u>	<u>14,193,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 420,801)</u>	<u>( 284,750)</u>	<u>296,320</u>	<u>( 639,368)</u>	<u>( 1,048,599)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	743,370	138,922	--	476,150	1,358,442
Transfers out	( 850,500)	( 45,798)	( 1,082,794)	( 138,922)	( 2,118,014)
Capital leases	160,000	--	131,500	--	291,500
Reallocation of loan	--	--	--	( 342,717)	( 342,717)
Total other financing sources (uses)	<u>52,870</u>	<u>93,124</u>	<u>( 951,294)</u>	<u>( 5,489)</u>	<u>( 810,789)</u>
Net change in fund balances	<u>( 367,931)</u>	<u>( 191,626)</u>	<u>( 654,974)</u>	<u>( 644,857)</u>	<u>( 1,859,388)</u>
Fund balances - beginning	7,570,099	2,247,714	1,919,271	926,440	12,663,524
Fund balances - ending	<u>\$ 7,202,168</u>	<u>2,056,088</u>	<u>1,264,297</u>	<u>281,583</u>	<u>10,804,136</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 BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014

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

Net change in fund balances - total governmental funds	\$( 1,859,388)
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.	300,750
The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds and does not effect net position. This amount is the net effect of these differences in the treatment of long-term debt and related payments.	608,839
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.	( 17,274)
Some revenues reported in the statement of activities do not increase current financial resources.	<u>( 67,665)</u>
Changes in net position of governmental activities	<u><u>\$( 1,034,738)</u></u>

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

CITY OF PALMETTO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 September 30, 2014

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 501,315	1,494,929	3,675	1,881	2,001,800
Receivables (net of allowance for uncollectible)	191,931	598,596	78,370	483,189	1,352,086
Advances to other funds	--	425,000	--	--	425,000
Total current assets	<u>693,246</u>	<u>2,518,525</u>	<u>82,045</u>	<u>485,070</u>	<u>3,778,886</u>
Noncurrent assets					
Restricted cash and investments					
Cash - capital projects	--	388,399	585,000	563,075	1,536,474
Loan proceeds	--	1,388,467	--	--	1,388,467
Loan covenant accounts	--	--	190,692	1,346	192,038
Impact fees	--	53,899	--	--	53,899
Customer deposits	--	576,817	--	--	576,817
	<u>--</u>	<u>2,407,582</u>	<u>775,692</u>	<u>564,421</u>	<u>3,747,695</u>
Capital assets					
Land	--	4,815	274,600	--	279,415
Buildings	--	493,516	--	--	493,516
Improvements other than buildings	--	28,336,275	8,890,408	2,876,901	40,103,584
Machinery and equipment	210,517	2,568,440	73,474	--	2,852,431
Construction in progress	--	1,836,404	124,245	3,711,059	5,671,708
Less accumulated depreciation	<u>( 210,517)</u>	<u>( 14,283,440)</u>	<u>( 2,469,342)</u>	<u>( 552,707)</u>	<u>( 17,516,006)</u>
Total capital assets (net of accumulated depreciation)	<u>--</u>	<u>18,956,010</u>	<u>6,893,385</u>	<u>6,035,253</u>	<u>31,884,648</u>
Total noncurrent assets	<u>--</u>	<u>21,363,592</u>	<u>7,669,077</u>	<u>6,599,674</u>	<u>35,632,343</u>
Total assets	<u>\$ 693,246</u>	<u>23,882,117</u>	<u>7,751,122</u>	<u>7,084,744</u>	<u>39,411,229</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of swap agreement					
	\$ --	438,264	325,962	93,066	857,292

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

CITY OF PALMETTO, FLORIDA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 September 30, 2014

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 150,787	153,126	2,316	44,842	351,071
Accrued interest payable	--	34,382	29,278	7,723	71,383
Advances from other funds	--	--	155,000	726,385	881,385
Compensated absences	8,080	10,289	5,298	--	23,667
Unearned revenue	--	393	--	--	393
Capital leases payable-current	--	250,447	5,137	--	255,584
Loans payable-current	--	390,157	307,475	78,641	776,273
Total current liabilities payable from unrestricted assets	<u>158,867</u>	<u>838,794</u>	<u>504,504</u>	<u>857,591</u>	<u>2,359,756</u>
Current liabilities payable from restricted assets					
Customer deposits payable	--	576,818	--	--	576,818
Total current liabilities payable from restricted assets	<u>--</u>	<u>576,818</u>	<u>--</u>	<u>--</u>	<u>576,818</u>
Total current liabilities	<u>158,867</u>	<u>1,415,612</u>	<u>504,504</u>	<u>857,591</u>	<u>2,936,574</u>
Noncurrent liabilities					
Loans payable	--	5,691,013	2,938,426	1,192,620	9,822,059
Interest rate swap contracts	--	438,264	325,962	93,066	857,292
Other post-employment benefits	5,878	27,662	6,257	--	39,797
Compensated absences	24,239	30,868	15,894	--	71,001
Capital leases payable	--	1,369,294	7,860	--	1,377,154
Total noncurrent liabilities	<u>30,117</u>	<u>7,557,101</u>	<u>3,294,399</u>	<u>1,285,686</u>	<u>12,167,303</u>
Total liabilities	<u>188,984</u>	<u>8,972,713</u>	<u>3,798,903</u>	<u>2,143,277</u>	<u>15,103,877</u>
<b>NET POSITION</b>					
Net investment in capital assets	--	12,643,566	3,634,487	4,307,605	20,585,658
Restricted for					
Debt service	--	--	190,441	1,346	191,787
Impact fees	--	53,956	--	--	53,956
Unrestricted	<u>504,262</u>	<u>2,650,146</u>	<u>453,253</u>	<u>725,582</u>	<u>4,333,243</u>
Total net position	<u>\$ 504,262</u>	<u>15,347,668</u>	<u>4,278,181</u>	<u>5,034,533</u>	<u>25,164,644</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 FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2014

	<b>Business-type Activities-Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Operating revenues					
Charges for sales and services					
Garbage and trash pickup	\$ 2,142,814	--	--	--	2,142,814
Water sales	--	2,968,692	--	--	2,968,692
Sewer charges	--	2,485,040	--	--	2,485,040
Stormwater fees	--	--	771,003	--	771,003
Reuse fees	--	--	--	275,829	275,829
Installation and connection charges	--	5,006	--	--	5,006
Penalties and check charges	34,935	111,177	13,494	6,693	166,299
Miscellaneous	218	45,939	647	--	46,804
Total revenues	<u>2,177,967</u>	<u>5,615,854</u>	<u>785,144</u>	<u>282,522</u>	<u>8,861,487</u>
Operating expenses					
Cost of sales and services	2,200,590	3,825,138	306,745	12,171	6,344,644
Depreciation	--	677,873	166,795	41,151	885,819
Total operating expenses	<u>2,200,590</u>	<u>4,503,011</u>	<u>473,540</u>	<u>53,322</u>	<u>7,230,463</u>
Operating income (loss)	<u>( 22,623)</u>	<u>1,112,843</u>	<u>311,604</u>	<u>229,200</u>	<u>1,631,024</u>
Nonoperating revenues (expenses)					
Interest earnings	1,811	9,029	363	123	11,326
Interest expense	--	( 246,576)	( 139,413)	( 59,923)	( 445,912)
Gain on sale of capital assets	--	5,469	--	--	5,469
Total nonoperating revenues (expenses)	<u>1,811</u>	<u>( 232,078)</u>	<u>( 139,050)</u>	<u>( 59,800)</u>	<u>( 429,117)</u>
Income (loss) before capital contributions and transfers	<u>( 20,812)</u>	<u>880,765</u>	<u>172,554</u>	<u>169,400</u>	<u>1,201,907</u>
Capital contributions - impact fees	--	16,121	--	--	16,121
Capital contributions - grants	--	--	--	943,970	943,970
Transfers in	--	10,500	740,000	900,000	1,650,500
Transfers out	<u>( 41,967)</u>	<u>( 736,726)</u>	<u>( 98,200)</u>	<u>( 14,035)</u>	<u>( 890,928)</u>
Change in net position	<u>( 62,779)</u>	<u>170,660</u>	<u>814,354</u>	<u>1,999,335</u>	<u>2,921,570</u>
Total net position - beginning	<u>567,041</u>	<u>15,177,008</u>	<u>3,463,827</u>	<u>3,035,198</u>	<u>22,243,074</u>
Total net position - ending	<u>\$ 504,262</u>	<u>15,347,668</u>	<u>4,278,181</u>	<u>5,034,533</u>	<u>25,164,644</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, 2014

	Solid Waste	Water and Sewer	Stormwater	Reuse	Total Proprietary
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 2,199,714	6,025,223	791,487	438,578	9,455,002
Payments to suppliers	( 2,048,099)	( 2,962,765)	( 191,407)	( 78,913)	( 5,281,184)
Payments to employees	( 124,166)	( 895,446)	( 220,677)	--	( 1,240,289)
Net cash provided (used) by operating activities	<u>27,449</u>	<u>2,167,012</u>	<u>379,403</u>	<u>359,665</u>	<u>2,933,529</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	--	10,500	740,000	900,000	1,650,500
Transfers to other funds	( 41,967)	( 736,726)	( 98,200)	( 14,035)	( 890,928)
Net cash provided (used) by noncapital and related financing activities	<u>( 41,967)</u>	<u>( 726,226)</u>	<u>641,800</u>	<u>885,965</u>	<u>759,572</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	--	( 1,154,507)	--	( 1,844,909)	( 2,999,416)
Proceeds from issuance of debt	--	1,250,000	--	342,718	1,592,718
Impact fee capital contributions	--	16,121	--	--	16,121
Grant capital contributions	--	--	--	943,970	943,970
Capital lease proceeds	--	381,200	--	--	381,200
Payments on capital lease obligations	--	( 208,192)	( 5,056)	--	( 213,248)
Principal paid on capital debt	--	( 259,427)	( 329,573)	( 87,031)	( 676,031)
Interest paid on capital debt	--	( 244,104)	( 142,385)	( 60,388)	( 446,877)
Net cash provided (used) by capital and related financing activities	<u>--</u>	<u>( 218,909)</u>	<u>( 477,014)</u>	<u>( 705,640)</u>	<u>( 1,401,563)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends received	1,811	9,029	363	123	11,326
Net cash provided (used) by investing activities	<u>1,811</u>	<u>9,029</u>	<u>363</u>	<u>123</u>	<u>11,326</u>
Net increase (decrease) in cash and cash equivalents	( 12,707)	1,230,906	544,552	540,113	2,302,864
Cash and cash equivalents - October 1	514,022	2,671,605	234,815	26,189	3,446,631
Cash and cash equivalents - September 30	<u>\$ 501,315</u>	<u>3,902,511</u>	<u>779,367</u>	<u>566,302</u>	<u>5,749,495</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ ( 22,623)	1,112,843	311,604	229,200	1,631,024
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	--	677,873	166,795	41,151	885,819
(Increase) decrease in accounts receivable	21,747	( 29,116)	6,343	20,137	19,111
(Increase) decrease in due from other funds	--	420,466	--	--	420,466
Increase (decrease) in accounts payable and accrued liabilities	28,325	( 17,182)	( 3,636)	( 66,742)	( 59,235)
Increase (decrease) in due to other funds	--	--	( 100,000)	135,919	35,919
Increase (decrease) in deferred revenue	--	110	--	--	110
Increase (decrease) in customer deposits	--	17,909	--	--	17,909
Increase (decrease) in accrued compensated absences	--	( 15,891)	( 1,703)	--	( 17,594)
Total adjustments	<u>50,072</u>	<u>1,054,169</u>	<u>67,799</u>	<u>130,465</u>	<u>1,302,505</u>
Net cash provided (used) by operating activities	<u>\$ 27,449</u>	<u>2,167,012</u>	<u>379,403</u>	<u>359,665</u>	<u>2,933,529</u>
Detail of cash and equivalents at September 30:					
Cash and equivalents	\$ 501,315	1,494,929	3,675	1,881	2,001,800
Restricted cash:					
Cash - Capital Projects	--	388,399	585,000	563,075	1,536,474
Loan proceeds	--	1,388,467	--	--	1,388,467
Loan covenant accounts	--	--	190,692	1,346	192,038
Impact fees	--	53,899	--	--	53,899
Customer deposits	--	576,817	--	--	576,817
Total	<u>\$ 501,315</u>	<u>3,902,511</u>	<u>779,367</u>	<u>566,302</u>	<u>5,749,495</u>
<b>NONCASH CAPITAL ACTIVITIES</b>					
Change in fair market value of interest rate swaps	\$ --	63,246	32,060	13,770	109,076

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, 2014

<b>ASSETS</b>	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
Cash and cash equivalents	\$ --	10,510
Accounts receivable	856	--
Interest and dividends receivable	32,332	--
Investments, at fair value		
Money market funds	920,821	--
U. S. government securities	2,099,449	--
Corporate bonds	2,350,942	--
Corporate stocks	14,191,484	--
Alternative investments	2,269,692	--
Total investments	<u>21,832,388</u>	<u>--</u>
Total assets	<u>21,865,576</u>	<u>10,510</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>256</u>	<u>10,510</u>
Total liabilities	<u>256</u>	<u>10,510</u>
 <b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 21,865,320</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, 2014

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	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 1,264,402
Plan members	208,376
State (from the General Fund)	97,971
Miscellaneous	2,400
Total contributions	<u>1,573,149</u>
Investment earnings	
Interest	127,544
Dividends	325,810
Net increase in the fair value of investments	1,705,411
Total investment earnings	<u>2,158,765</u>
Less investment expense	<u>( 134,319)</u>
Net investment earnings	<u>2,024,446</u>
Total additions	<u>3,597,595</u>
<b>DEDUCTIONS</b>	
Benefits	1,748,541
Refunds of contributions	50,414
Administrative expenses	51,791
Total deductions	<u>1,850,746</u>
Change in net position	<u>1,746,849</u>
Net position - beginning (as originally stated)	19,583,697
Prior period adjustment	534,774
Net position - beginning (as restated)	<u>20,118,471</u>
Net position - ending	<u><u>\$ 21,865,320</u></u>

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



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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. Reporting Entity**

The City of Palmetto, Florida, (the City) was incorporated June 15, 1897, by referendum and amended in 2004 and 2010. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida in Manatee County and is comprised of seven square miles with a population of 12,799. 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 operates under the guidance of the City Commission which meets separately as the CRA's governing body to approve the adoption of their annual budget, the acquisition, demolition, removal, or disposal of real property, the execution of contracts and modifications to the community redevelopment plans. Therefore, due to the governing body for the CRA and the City being the same, the CRA is presented as a blended component unit within the City's financial statements as the Community Redevelopment Agency Special Revenue Fund

**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.

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental funds report the following major funds:

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

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

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

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

Proprietary funds report the following major funds:

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

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Implementation of Governmental Accounting Standards Board Statements**

The Government Accounting Standards Board (GASB) issued Statement No. 67, entitled *Financial Reporting for Pension Plans* and Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, and amendment of GASB Statement No. 27*, in 2012. In 2013, it issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The City implemented GASB 67 in the current report and is analyzing the effects of GASB 68 and 71. The City expects GASB 68 to have a material effect on the City's financial statements when implemented for the fiscal year ended September 30, 2015, the applicable effective date. GASB 71 will not have a material effect on the City's financial statements.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

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

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

2. Receivables

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

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

3. Interfund Transactions

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

6. Compensated Absences

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

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

7. Capital Assets

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



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets of the primary government are depreciated, using the straight-line method over the following estimated useful lives using these capitalization thresholds:

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

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

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It 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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Manatee County Property Appraiser as of the prior January 1. The property tax revenue for fiscal year 2014 was based on taxable assessed property values totaling \$656,334,570.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2013-2014 fiscal year, the City levied taxes of 5.7171 mills for the General Fund.

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

The property tax cycle is summarized as follows:

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Special Assessments

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

11. Long-term Obligations

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

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

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

12. Net Position/Fund Balance

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

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

*Fund Balance*: Generally, fund balance represents the difference between the assets and liabilities 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.
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE I — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission through the adoption of a resolution. Only the City Commission may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Commission has authorized the City Clerk or his designee to assign fund balance.
- *Unassigned:* Fund balances are reported as unassigned when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds.

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

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

NOTE II – RESTATEMENT

**A. GASB 67 – Restatement of Net Position**

GASB Statement 67 requires that a defined benefit pension plan recognize a liability for benefits when the benefits currently are due and payable to a plan member. Therefore, only those amounts in the DROP accounts that are due and payable to the plan member at the end of the fiscal year should be reported as a liability in the pension plan's statement of fiduciary net position. Statement 67 requires that the pension plan disclose the balance of amounts held pursuant to the DROP, as well as information describing the DROP terms, in the notes to its financial statements.

CITY OF PALMETTO, FLORIDA  
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NOTE II – RESTATEMENT (CONTINUED)

The City previously reported the deferred retirement option program (DROP) balances as a liability before the benefits were currently due to a plan member and therefore reduced the net position of the pension plan. A prior period adjustment was necessary in the pension funds to reclassify the expenses previously reported as the DROP liability. The net position has been restated at October 1, 2013 as follows:

	<u>Police Pension</u>	<u>General Employees Pension</u>
Net position at October 1, 2013 – as originally stated	\$ 9,528,349	\$ 10,055,348
Prior period adjustment	<u>41,841</u>	<u>492,933</u>
Net position at October 1, 2013 – as restated	<u>\$ 9,570,190</u>	<u>\$ 10,548,281</u>

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

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

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

1. *General government capital assets, net of accumulated depreciation:* Capital assets are not included as part of current assets in the fund statements and need to be reported as capital assets in the government-wide statement of net position. The details of this \$36,674,248 difference are as follows:

Capital assets (net of accumulated depreciation)	
Land	\$ 4,482,361
Buildings	39,566
Machinery and equipment	1,985,136
Infrastructure	27,252,122
Construction in progress	<u>2,915,063</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ 36,674,248</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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

2. *Other long-term assets:* Other assets are not available to pay for current period expenditures and therefore are unavailable in the governmental funds. The details of this \$436,360 difference are as follows:

Net pension asset	\$ <u>436,360</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position—governmental activities</i>	\$ <u>436,360</u>

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

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

4. *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 \$229,458 difference are as follows:

Unavailable revenue – Code Enforcement	\$ 214,996
Unavailable revenue – Special Assessments	<u>14,462</u>
Net adjustment to increase <i>fund balance – total governmental Funds</i> to arrive at <i>net position – governmental activities</i>	\$ <u>229,458</u>

5. *Long-term debt for capital leases, compensated absences, OPEB and loans:* Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the fund statements. The details of this \$5,817,587 difference are as follows:

2004 loan payable	\$ ( 353,655)
2005 loan payable	( 878,731)
2007 loan payable – including reallocation of loan	( 678,567)
CRA loan payable	( 2,637,000)
Capital leases payable	( 489,532)
Compensated absences	( 584,534)
Other post-employment benefits	<u>( 195,568)</u>
Net adjustment to decrease <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	\$ ( <u>5,817,587</u> )

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE III — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

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

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

1. *Governmental funds report capital outlays as expenditures:* In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$300,750 difference are as follows:

Capital outlay	\$ 2,379,047
Depreciation expense	( 1,274,006)
Capital assets sales and other	<u>( 804,291)</u>
 Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	 <u>\$ 300,750</u>

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 \$608,839 difference are as follows:

Principal repayments	
Principal payments on long-term bank loans, including a paydown	
To the 2004 loan through a reallocation to business-type activities	\$ 690,210
Payments on capital leases	210,129
Capital lease additions	<u>( 291,500)</u>
 Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	 <u>\$ 608,839</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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NOTE III — RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses, therefore, are not reported as expenditures in governmental funds. The details of this \$17,274 difference are as follows:

Change in other post-employment benefits	\$ 5,341
Change in the net pension asset	3,257
Changes in compensated absences	<u>8,676</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 17,274</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 \$67,665 difference are as follows:

Change in deferred revenue	\$ ( <u>67,665</u> )
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ ( 67,665 )</u>

NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

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

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

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
  2. A public hearing is conducted to obtain taxpayer comments.
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE IV — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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, 2014, expenditures did not exceed appropriations at the departmental level, the legal level of budgetary control.

NOTE V — DETAILED NOTES ON ALL FUNDS

**A. Deposits and Investments**

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

At September 30, 2014, the carrying amount of the City's primary government deposits was \$15,717,523. This amount includes two collateralized certificates of deposit valued at \$2,000,000, two term series valued at \$2,000,000, a money market account valued at \$1,005,839, lease proceeds from the Telemetry Meter project and the 2014 Capital Lease of \$123,244 and \$59,276, respectively, the SBA investment of \$323,789, the FMIT investment of \$182,854 and \$2,055,176 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating accounts was \$7,967,345. 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, U.S. government securities, the State Board of Administration investment pool, Florida Surplus Asset Fund Trust (FL SAFE) investment pool and the Florida Municipal Investment Trust. The General Employees' Pension Plan and the Police Officers' Retirement Plan have individual investment policies and approved contracts for investment management services and for custody of securities. These funds invest in U.S. government securities, corporate stocks and bonds, money market funds and the Florida Municipal Investment Trust.

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

The respective Pension Boards have defined and adopted investment policies for the Pension Trust Funds. The following was the adopted asset allocation policy and the long-term expected real rate of return as of September 30, 2014 for:

Palmetto Police Pension Plan

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

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

Palmetto General Employees Pension Plan

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	50%	7.8%
International equity	10%	7.7%
Fixed income	20%	2.3%
Hedge funds	10%	5.1%
Real estate	10%	6.9%

For the year ended September 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 10.85% for the Police Pension Plan and 8.77% for the General Employees Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The pension plans did not hold investments in any one organization that represent 5% or more of the Pension Plan’s fiduciary net position.

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

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

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

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

As of September 30, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Cash and Short Term Investments	\$ 9,264,575	9,264,575	--	--	--
Investment Pools	5,329,628	3,329,628	2,000,000	--	--
US Agencies	4,337,479	2,673,259	955,154	268,611	440,455
Corporate Bonds	2,350,942	262,501	918,392	846,304	323,745
Common Stock	14,191,484	14,191,484	--	--	--
Alternative Investments - Hedge Fund	1,113,383	1,113,383	--	--	--
Alternative Investments - Real Estate	1,156,309	1,156,309	--	--	--
	<u>\$ 37,743,800</u>	<u>31,991,139</u>	<u>3,873,546</u>	<u>1,114,915</u>	<u>764,200</u>

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

2. *Credit Risk: City Investments.* Credit quality risk results from potential default of investments that are not financially sound. The City invests a large amount of its surplus funds pursuant to Chapter 280 of the Florida Statutes whereby the City is made whole by all participating banks should a principal loss be incurred by the City. This statute limits investing activities to the SBA, certificates of deposits, registered SEC and money market mutual funds, and intergovernmental investment pools. Investments of these types insure the security of the City's surplus funds. The City has invested funds in two investment pool's, both of which are currently rated by Standard and Poor's at AAAM as of September 30, 2014. These funds include \$323,789 in the SBA and \$1,005,839 in Florida Safe. The City also has \$4,000,000 in certificates of deposit and term series held by qualified participating depositories. Investments in the Florida Municipal Investment Trust (FMIT) are rated by Fitch for the 1-3 Year High Quality Bond Fund at AAA/V2, and the Intermediate High Quality Bond Fund at AAA/V3 as of September 30, 2014. The City has investments in these bond funds of \$182,854 and \$2,055,176 respectively.

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

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

**General Employees' Pension Plan**

<b>Investments</b>	<b>Fair Value</b>	<b>Credit Rating (Moody's)</b>	<b>Percent Distribution</b>
Cash and Short Term Investments	\$ 236,789		2.10%
U.S. Agencies	1,079,116	AAA	9.59%
Corporate Bonds			
	112,081	AA3	1.00%
	167,957	A1	1.49%
	234,632	A2	2.09%
	175,975	A3	1.56%
Common Stock	6,975,423		61.99%
Alternative Investments - Hedge Fund	1,113,383	Not rated	9.90%
Alternative Investments - Real Estate	1,156,309	Not rated	10.28%
Total Cash and Investments	<u>\$ 11,251,665</u>		<u>100.00%</u>

**Police Pension Plan**

<b>Investments</b>	<b>Fair Value</b>	<b>Credit Rating (Moody's)</b>	<b>Percent Distribution</b>
Cash and Short Term Investments	\$ 684,033		6.46%
U.S. Agencies			
	599,847	Aaa	5.67%
	420,486	Not Rated	3.97%
Corporate Bonds			
	61,064	Aa3	0.58%
	360,215	A1	3.40%
	248,480	A2	2.35%
	323,288	A3	3.06%
	365,875	Baa1	3.46%
	281,395	Baa2	2.66%
	19,979	Baa3	0.19%
Common Stock	7,216,061		68.20%
Total Cash and Investments	<u>\$ 10,580,723</u>		<u>100.00%</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

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

**B. Receivables**

Receivables and allowances for uncollectible accounts as of September 30, 2014 totals \$2,037,320 for the City as shown below:

	<b>Governmental Funds</b>					<b>Pension Trust</b>
	<b>General</b>	<b>CRA</b>	<b>Road &amp; Bridge</b>	<b>Capital Project</b>	<b>Total</b>	
Accounts	\$ 215,619	1,500	475	--	217,594	856
Special Assessments	35,376	--	4,496	--	39,872	--
Intergovernmental	104,443	--	--	--	104,443	--
Interest and Dividends	328	259	10,068	--	10,655	32,332
Grants	--	--	--	279,482	279,482	--
Gross Receivables	355,766	1,759	15,039	279,482	652,046	33,188
Less: Allowance for Uncollectible	--	--	--	--	--	--
Net Total Receivables	<u>\$ 355,766</u>	<u>1,759</u>	<u>15,039</u>	<u>279,482</u>	<u>652,046</u>	<u>33,188</u>

	<b>Enterprise Funds</b>				
	<b>Solid Waste</b>	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Accounts	\$ 325,807	965,603	133,261	56,876	1,481,547
Special Assessments	--	132	--	--	132
Interest	18	522	--	--	540
Grants	--	--	--	449,216	449,216
Gross Receivables	325,825	966,257	133,261	506,092	1,931,435
Less: Allowance for Uncollectible	<u>( 133,894)</u>	<u>( 367,661)</u>	<u>( 54,891)</u>	<u>( 22,903)</u>	<u>( 579,349)</u>
Net Total Receivables	<u>\$ 191,931</u>	<u>598,596</u>	<u>78,370</u>	<u>483,189</u>	<u>1,352,086</u>

CITY OF PALMETTO, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

1. Advances To/From Other Funds

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

At September 30, 2014, the Water and Sewer fund had a \$425,000 receivable from the Stormwater and Reuse. These amounts represent loans made to cover a cash deficit in pooled cash within the payable fund at year-end. This balance is a receivable that is expected to be liquidated once the negative cash is eliminated in the Stormwater and Reuse funds.

During the fiscal year, the Trailer Park Trust fund advanced the Reuse fund \$500,000 to provide funding for the ASR Well project. This advance will be repaid to the Trailer Park Trust fund over ten years with 3% interest. The outstanding balance of the advance as of September 30, 2014 is \$456,385 and is reported with the General Fund in the financial statements.

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund/Trailer Park Trust	Reuse	\$ 456,385
Water and Sewer	Stormwater	155,000
Water and Sewer	Reuse	270,000
	Total	<u>\$ 881,385</u>

2. Interfund Transfers

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The composition of interfund transfers as of September 30, 2014, is as follows:

Transfers Out	Transfers In General Fund	Transfers In CRA Fund	Transfers In Capital Projects Fund	Transfers In Water and Sewer Fund	Transfers In Stormwater Fund	Transfer-In Reuse Fund	Total Transfers
General Fund	\$ --	--	350,500	--	--	500,000	850,500
CRA Fund	45,798	--	--	--	--	--	45,798
Capital Projects Fund	--	138,922	--	--	--	--	138,922
Road and Bridge Fund	132,144	--	125,650	--	685,000	140,000	1,082,794
Solid Waste Fund	34,967	--	--	7,000	--	--	41,967
Water and Sewer Fund	421,726	--	--	--	55,000	260,000	736,726
Stormwater Fund	98,200	--	--	--	--	--	98,200
Reuse Fund	10,535	--	--	3,500	--	--	14,035
Total	<u>\$ 743,370</u>	<u>138,922</u>	<u>476,150</u>	<u>10,500</u>	<u>740,000</u>	<u>900,000</u>	<u>3,008,942</u>

**D. Restricted Assets**

The balances of the restricted asset accounts are as follows:

	<b>Governmental Funds</b>			
	<b>General</b>	<b>CRA</b>	<b>Road and Bridge</b>	<b>Total</b>
Capital Improvement Loan Proceeds	\$ --	604,347	--	604,347
Contributions - Capital Improvements	11,139	--	6,501	17,640
Capital Improvement Lease Proceeds	--	--	6,469	6,469
Law Enforcement	8,533	--	--	8,533
Impact Fees	130,829	--	150,546	281,375
Total Governmental Restricted Assets	<u>\$ 150,501</u>	<u>604,347</u>	<u>163,516</u>	<u>918,364</u>
	<b>Proprietary Funds</b>			
	<b>Water and Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	<b>Total</b>
Cash - Capital projects	\$ 388,399	585,000	563,075	1,536,474
Capital Improvement Loan Proceeds	1,388,467	--	--	1,388,467
Loan Covenants	--	190,692	1,346	192,038
Impact Fees	53,899	--	--	53,899
Customer Deposits	576,817	--	--	576,817
Total Proprietary Restricted Assets	<u>\$ 2,407,582</u>	<u>775,692</u>	<u>564,421</u>	<u>3,747,695</u>
Total Restricted Assets			<u>\$ 4,666,059</u>	



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**E. Capital Assets**

Governments possess many different types of assets that may be considered intangible assets, including easements and right of ways. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has certain easements and right of ways that meet these requirements and have classified these assets as land in the governmental activities. These assets were not increased in fiscal year 2014 and total \$108,721.

Capital asset activity, with the CRA reported separately for illustration purposes, for the year ended September 30, 2014, was as follows:

<b>Primary Government</b>	<b>Beginning</b>			<b>Ending</b>
	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 5,280,608	5,952	( 804,199)	4,482,361
Construction in progress	2,961,974	1,934,712	( 1,981,623)	2,915,063
Total capital assets, not being depreciated:	<u>8,242,582</u>	<u>1,940,664</u>	<u>( 2,785,822)</u>	<u>7,397,424</u>
Capital assets, being depreciated:				
Buildings	1,955,085	--	--	1,955,085
Machinery and equipment	7,814,543	695,404	( 39,821)	8,470,126
Infrastructure	36,599,481	1,724,603	--	38,324,084
Total capital assets, being depreciated:	<u>46,369,110</u>	<u>2,420,006</u>	<u>( 39,821)</u>	<u>48,749,294</u>
Less accumulated depreciation for:				
Buildings	( 1,840,274)	( 75,245)	--	( 1,915,519)
Machinery and equipment	( 6,089,766)	( 434,953)	39,729	( 6,484,990)
Infrastructure	( 10,308,154)	( 763,808)	--	( 11,071,962)
Total accumulated depreciation	<u>( 18,238,194)</u>	<u>(1,274,006)</u>	<u>39,729</u>	<u>( 19,472,471)</u>
Total capital assets, being depreciated, net	<u>28,130,916</u>	<u>1,146,000</u>	<u>( 92)</u>	<u>29,276,823</u>
Governmental activities capital assets, net	<u>\$ 36,373,498</u>	<u>3,086,664</u>	<u>( 2,785,914)</u>	<u>36,674,248</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 279,415	--	--	279,415
Construction in progress	3,398,606	2,273,102	--	5,671,708
Total capital assets, not being depreciated:	<u>3,678,021</u>	<u>2,273,102</u>	<u>--</u>	<u>5,951,123</u>
Capital assets, being depreciated:				
Buildings	493,517	--	--	493,517
Improvements other than buildings	39,785,065	318,521	--	40,103,586
Machinery and equipment	2,439,920	413,261	( 752)	2,852,429
Total capital assets, being depreciated:	<u>42,718,502</u>	<u>731,782</u>	<u>( 752)</u>	<u>43,449,532</u>
Less accumulated depreciation for:				
Buildings	( 283,165)	( 14,839)	--	( 298,004)
Improvements other than buildings	( 14,804,189)	( 759,545)	--	( 15,563,734)
Machinery and equipment	( 1,543,586)	( 111,435)	752	( 1,654,269)
Total accumulated depreciation	<u>( 16,630,940)</u>	<u>( 885,819)</u>	<u>752</u>	<u>( 17,516,007)</u>
Total capital assets, being depreciated, net	<u>26,087,562</u>	<u>( 154,037)</u>	<u>--</u>	<u>25,933,525</u>
Business-type activities capital assets, net	<u>\$ 29,765,583</u>	<u>2,119,065</u>	<u>--</u>	<u>31,884,648</u>

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

**Governmental activities:**

General government	\$ 551,182
Public safety	218,659
Streets and roads	317,405
Intergovernmental services	148,686
Recreation	38,074
Total depreciation for governmental activities	<u>\$ 1,274,006</u>

**Business-type activities:**

Water and sewer	\$ 677,873
Stormwater	166,795
Reuse	41,151
Total depreciation for business-type activities	<u>\$ 885,819</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Construction Commitments**

The City has various active construction projects that are separate from the CRA. At September 30, 2014, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

<u>Capital Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
ASR Well	\$ 3,711,059	559,657
Telemetry Meters	1,034,639	123,244
WWTP Projects	651,578	22,902
13th Street Drainage	124,245	550,000
I&I Program	106,153	541,086
City Building Upgrades	62,636	72,031
Fire Protection Upgrades	37,584	662,416
14th Ave/17th Street Intersection	36,333	817
Water Lines R&R	6,450	93,550
	<u>5,770,677</u>	<u>2,625,704</u>

<u>CRA Projects</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
MLK Park	\$ 1,340,282	306,980
Lamb/Sutton Park	1,167,313	17,916
Boat Ramp	107,251	409,365
Riverside	84,868	13,853
Other CRA Projects	116,380	5,675
	<u>2,816,094</u>	<u>753,790</u>
<b>Total</b>	<b><u>\$ 8,586,771</u></b>	<b><u>\$ 3,379,495</u></b>

**F. Capital Leases**

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The assets acquired through capital leases as of September 30, 2014, are as follows:

	Year Ended September 30, 2014		
	Governmental Activities	Business-type Activities	Total
<b>Asset:</b>			
Machinery & Equipment by Type			
Police Vehicles & Equipment	\$ 609,985	--	609,985
Light Duty & Equipment	--	1,609,656	1,609,656
Heavy Duty & Equipment	198,652	499,868	698,520
Office Systems	72,921	--	72,921
Total Leased Assets	881,558	2,109,524	2,991,082
Less: Accumulated Depreciation	( 315,100)	( 88,409)	( 403,509)
Total Leases	<u>\$ 566,458</u>	<u>2,021,115</u>	<u>2,587,573</u>

During the fiscal year ending September 30, 2014, lease payments were made totaling \$457,364 which includes principal payments of \$423,377 and \$33,987 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30	Governmental Activities	Business-type Activities	Total
2015	\$ 222,311	280,216	502,527
2016	151,172	272,113	423,285
2017	88,288	264,142	352,430
2018	37,374	207,296	244,670
2019	--	158,422	158,422
2020 through 2023	--	554,478	554,478
Total minimum lease payments	499,145	1,736,667	2,235,812
Less: amount representing interest	( 9,613)	( 103,929)	( 113,542)
Present value of minimum lease payments	<u>\$ 489,532</u>	<u>1,632,738</u>	<u>2,122,270</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**G. Long Term Liabilities**

1. State Revolving Fund Loans

**Reuse Loan**

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

As of September 30, 2014, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$37,947. 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. 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, 2014, loan payments were made totaling \$5,095 which includes principal payments of \$3,832 and \$1,263 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,955	1,175	5,130
2016	4,081	1,049	5,130
2017	4,212	918	5,130
2018	4,347	783	5,130
2019	4,486	644	5,130
2020	4,630	500	5,130
2021	4,779	351	5,130
2022	4,932	198	5,130
2023	2,525	40	2,565
	<u>\$ 37,947</u>	<u>5,658</u>	<u>43,605</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**Stormwater Loan**

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

As of September 30, 2014, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$1,172,366. 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. 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, 2014, loan payments were made totaling \$185,063 which includes principal payments of \$148,231 and \$36,832 in interest. Annual installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 152,756	34,374	187,130
2016	157,420	29,710	187,130
2017	162,226	24,904	187,130
2018	167,178	19,952	187,130
2019	172,282	14,848	187,130
2020	177,542	9,588	187,130
2021	182,962	4,168	187,130
	<u>\$ 1,172,366</u>	<u>137,544</u>	<u>1,309,910</u>

2. Capital Improvement Revenue Loans

**2004 Bank of America Loan**

On March 1, 2004, the City adopted Resolution No. 04-09 authorizing a loan by the City of \$4,300,000 through Bank of America, N.A. to finance the costs of certain capital projects within the City and to refund the outstanding balance of the City’s Capital Improvement Revenue Note,

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2014, loan payments were made totaling \$202,050 which includes principal payments of \$129,634 and \$72,416 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, 2014 was 21.95% to governmental activities and 78.05% to business-type activities. The completed governmental activity projects include the City’s fiber optic ring, the street related portion of improvements to Fifth, Sixth and Seventh Streets and the City Hall portion of improvements to City buildings. The completed projects from the business-type activities include the utility portion of improvements to Fifth, Sixth and Seventh Streets, the installation of the City’s reuse system, the Public Works portion of improvements to City buildings, and a portion of the Infiltration and Inflow Project.

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-Wide</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 29,904	14,192	106,289	50,443	136,193	64,635	200,828
2016	31,384	12,885	111,547	45,798	142,931	58,683	201,614
2017	32,983	11,514	117,228	40,925	150,211	52,439	202,650
2018	34,663	10,073	123,201	35,803	157,864	45,876	203,740
2019	36,374	8,560	129,282	30,422	165,656	38,982	204,638
2020	38,328	6,969	136,228	24,769	174,556	31,738	206,294
2021	40,233	5,295	142,998	18,821	183,231	24,116	207,347
2022	42,284	3,538	150,289	12,573	192,573	16,111	208,684
2023	44,438	1,690	157,946	6,006	202,384	7,696	210,080
2024	23,064	124	81,984	442	105,048	566	105,614
<b>Total</b>	<b>\$ 353,655</b>	<b>74,840</b>	<b>1,256,992</b>	<b>266,002</b>	<b>1,610,647</b>	<b>340,842</b>	<b>1,951,489</b>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (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, 2014, loan payments were made totaling \$501,125 which includes principal payments of \$302,151 and \$198,974 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, 2014, 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.



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-Wide</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 62,815	38,536	252,866	155,130	315,681	193,666	509,347
2016	65,534	36,056	263,812	145,144	329,346	181,200	510,546
2017	68,382	33,471	275,276	134,740	343,658	168,211	511,869
2018	71,713	30,781	288,684	123,913	360,397	154,694	515,091
2019	74,912	27,955	301,566	112,533	376,478	140,488	516,966
2020	78,133	24,997	314,532	100,627	392,665	125,624	518,289
2021	81,692	21,919	328,857	88,237	410,549	110,156	520,705
2022	85,345	18,699	343,561	75,275	428,906	93,974	522,880
2023	89,106	15,332	358,704	61,720	447,810	77,052	524,862
2024	93,190	11,821	375,146	47,588	468,336	59,409	527,745
2025	97,337	8,147	391,840	32,796	489,177	40,943	530,120
2026	10,572	668	42,158	2,691	52,730	3,359	56,089
Total	\$ <u>878,731</u>	<u>268,382</u>	<u>3,537,002</u>	<u>1,080,394</u>	<u>4,415,733</u>	<u>1,348,776</u>	<u>5,764,509</u>

**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, 2014, loan payments were made totaling \$397,987 which includes principal payments of \$219,926 and \$178,061 in interest. The loan proceeds were allocated according to the cost, or estimated cost, of the projects funded from the proceeds.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The loan distribution was re-allocated during the fiscal year to finalize the use of the loan proceeds. At September 30, 2014, the allocation of funds was 16.87% to governmental activities and 83.13% to business-type activities. The ongoing governmental activity projects include the sidewalk replacement and street resurfacing within the city, Public Works facility upgrades, city building upgrades and the street related portion of US301 future utility expansion. The completed and ongoing projects from the business-type activities include the Jackson Park drainage, US301 future utility expansion, the Canal Road Phase II project, upgrades to the Waste Water Treatment Plant and portions of the Infiltration and Inflow Project and Aquifer Storage Recovery Project.

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>City-Wide</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 38,744	28,574	190,931	140,814	229,675	169,388	399,063
2016	40,386	26,880	199,026	132,469	239,412	159,349	398,761
2017	42,252	25,114	208,219	123,761	250,471	148,875	399,346
2018	44,125	23,266	217,451	114,655	261,576	137,921	399,497
2019	46,081	21,336	227,092	105,147	273,173	126,483	399,656
2020	48,071	19,322	236,896	95,218	284,967	114,540	399,507
2021	50,256	17,219	247,663	84,856	297,919	102,075	399,994
2022	52,484	15,021	258,644	74,026	311,128	89,047	400,175
2023	54,811	12,726	270,112	62,714	324,923	75,440	400,363
2024	57,213	10,328	281,948	50,895	339,161	61,223	400,384
2025	59,777	7,827	294,588	38,573	354,365	46,400	400,765
2026	62,428	5,213	307,648	25,690	370,076	30,903	400,979
2027	65,195	2,483	321,288	12,236	386,483	14,719	401,202
2028	16,745	182	82,518	897	99,263	1,079	100,342
Total	<u>\$ 678,567</u>	<u>215,490</u>	<u>3,344,025</u>	<u>1,061,952</u>	<u>4,022,592</u>	<u>1,277,442</u>	<u>5,300,034</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**2014 Water/Sewer Loan**

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

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

During the fiscal year ending September 30, 2014, no loan payments were made with the first installment due in November, 2014. Annual estimated installments for the fiscal years ending September 30, are as follows:

<u>Year</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2015	\$ 69,476	34,444	103,920
2016	68,694	35,226	103,920
2017	70,814	33,106	103,920
2018	72,998	30,922	103,920
2019	75,250	28,670	103,920
2020	77,572	26,348	103,920
2021	79,965	23,955	103,920
2022	82,432	21,488	103,920
2023	84,975	18,945	103,920
2024	87,597	16,323	103,920
2025	90,299	13,621	103,920
2026	93,085	10,835	103,920
2027	95,957	7,963	103,920
2028	98,917	5,003	103,920
2029	101,969	1,951	103,920
	\$ 1,250,000	308,800	1,558,800

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**CRA Loan Agreement 2006**

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

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

During the fiscal year ending September 30, 2014, loan payments were made totaling \$254,459 which includes principal payments of \$219,750 and \$34,709 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

	<u>Governmental Activities</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 219,750	127,730	347,480
2016	219,750	116,742	336,492
2017	219,750	105,755	325,505
2018	219,750	94,767	314,517
2019	219,750	83,780	303,530
2020	219,750	72,792	292,542
2021	219,750	61,805	281,555
2022	219,750	50,817	270,567
2023	219,750	39,830	259,580
2024	219,750	28,842	248,592
2025	219,750	17,855	237,605
2026	219,750	6,867	226,617
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,637,000</u>	<u>807,582</u>	<u>3,444,582</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

3. Interest Rate Swaps

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

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

In 2004, 2005, and 2007, the City entered into debt agreements for a total of \$16,137,000. The terms of the loans and associated interest rate swaps are described on pages 72-76. 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, 2014</u>	<u>Notional Value at September 30, 2014</u>
<b>Governmental activities</b>			
Fair value hedges:			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	\$ ( 6,215)	( 34,503)	353,655
2005 Loan	( 13,183)	( 110,338)	878,731
2007 Loan	( 6,962)	( 124,045)	678,567
Total Governmental activities	<u>( 26,360)</u>	<u>( 268,886)</u>	<u>1,910,953</u>
<b>Business-type activities</b>			
Pay fixed-receive variable interest rate swap contract			
2004 Loan	( 22,035)	( 110,005)	1,256,992
2005 Loan	( 52,732)	( 351,793)	3,537,003
2007 Loan	( 34,308)	( 395,493)	3,344,025
Total Business-type activities	<u>( 109,075)</u>	<u>( 857,292)</u>	<u>8,138,020</u>
Total interest rate swaps	<u>\$ ( 135,436)</u>	<u>( 1,126,178)</u>	<u>10,048,973</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

Fair value - Because interest rates have declined since the execution of the swaps, the swaps had a negative fair value of \$1,126,178 as of September 30, 2014. 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, 2014 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.

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, 2014, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$14,185,145.

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, 2014, no amounts were earned that are required to be rebated to the U.S. Treasury for 2014.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

The 2004 and 2005 Bank of America loans limit additional debt in excess of \$500,000 on an annual basis. During the year ended September 30, 2014, the City's debt exceeded this covenant and the Bank has subsequently waived the restriction.

For the governmental activities, compensated absences are generally liquidated by the General, CRA, and Road and Bridge Funds.

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

The following is a summary of changes in long-term liabilities for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Long-term bank loans					
2004 loan	\$ 382,119	--	28,464	353,655	29,904
2005 loan	938,864	--	60,133	878,731	62,815
2007 loan	1,060,430	--	381,863	678,567	38,744
CRA loan	2,856,750	--	219,750	2,637,000	219,750
Total long-term bank loans	<u>5,238,163</u>	<u>--</u>	<u>690,210</u>	<u>4,547,953</u>	<u>351,213</u>
Interest rate swap contracts	295,246	--	26,360	268,886	--
Other post-employment benefits	190,227	5,341	--	195,568	--
Capital leases	408,161	291,500	210,129	489,532	216,617
Compensated absences	<u>575,857</u>	<u>56,169</u>	<u>47,492</u>	<u>584,534</u>	<u>146,133</u>
Total governmental activity long-term liabilities	<u>\$ 6,707,654</u>	<u>353,010</u>	<u>974,191</u>	<u>6,086,473</u>	<u>713,963</u>

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Long-term bank loans					
2004 loan	\$ 1,358,162	--	101,170	1,256,992	106,289
2005 loan	3,779,020	--	242,018	3,537,002	252,866
2007 loan	3,182,087	342,718	180,780	3,344,025	190,931
2014 loan	--	1,250,000	--	1,250,000	69,476
Total long-term bank loans	<u>8,319,269</u>	<u>1,592,718</u>	<u>523,968</u>	<u>9,388,019</u>	<u>619,562</u>
State revolving loans					
Stormwater	1,320,597	--	148,231	1,172,366	152,756
Reuse	41,779	--	3,832	37,947	3,955
Total state revolving loans	<u>1,362,376</u>	<u>--</u>	<u>152,063</u>	<u>1,210,313</u>	<u>156,711</u>
Total loans payable	<u>9,681,645</u>	<u>1,592,718</u>	<u>676,031</u>	<u>10,598,332</u>	<u>776,273</u>
Interest rate swap contracts	966,368	--	109,076	857,292	--
Other post-employment benefits	35,581	4,216	--	39,797	--
Capital leases	1,464,786	381,200	213,248	1,632,738	255,584
Compensated absences	<u>93,457</u>	<u>1,211</u>	<u>--</u>	<u>94,668</u>	<u>23,667</u>
Total business-type activities					
long-term liabilities	<u>\$ 12,241,837</u>	<u>1,979,345</u>	<u>998,355</u>	<u>13,222,827</u>	<u>1,055,524</u>

**H. Fund Balances**

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

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

**General Fund**

Inventories

\$ 319,834



CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

***General Fund***

Building Department - used to fund operations	\$ 308,439
Impact fees - Used to fund growth in General government, Law enforcement and Parks and Recreation	130,876
Proceeds from the Hazel Smith Estate for the beautification and maintenance of the city's cemetery	11,139
Special law enforcement reserve	26,825
Lease proceeds - for capital assets	<u>396</u>

**General Fund subtotal** \$ 477,674

***Community Redevelopment Agency Fund***

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

Loan proceeds - for capital improvements	\$ 604,347
General operating expenses	<u>1,451,741</u>

**Community Redevelopment Agency Fund subtotal** \$ 2,056,088

***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	\$ 115,000
Impact fees - For the growth in transportation	150,566
Bocce legal settlement	6,501
General operating expenses	<u>992,230</u>

**Road and Bridge Fund subtotal** \$ 1,264,297

**Total Restricted Fund Balances** \$ 3,798,059

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

*General Fund*

Trailer Park Trust - City Commission approval required \$ 1,983,593

**General Fund subtotal** \$ 1,983,593

*Capital Projects Fund*

Capital projects \$ 281,583

**Capital Projects Fund subtotal** \$ 281,583

**Total Committed Fund Balances** \$ 2,270,020

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

*General Fund*

Funding for Capital Improvement Program \$ 340,348  
Tree reserve - used to replant trees in the City 3,447

**Total Assigned Fund Balance** \$ 343,795

- **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.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE V — DETAILED NOTES ON ALL FUNDS (CONTINUED)

**I. Encumbered Commitments** – The following table lists the outstanding encumbrances at September 30, 2014. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

	<b>Governmental Activities</b>				
	<b>General</b>		<b>Road and</b>	<b>Capital</b>	
	<b>Fund</b>	<b>CRA Fund</b>	<b>Bridge</b>	<b>Projects</b>	<b>Total</b>
Operating Encumbrances	\$ 24,926	20,100	20,283	--	65,308
Operating Capital Projects	--	371,224	--	53,652	424,877
Capital Improvement Projects (CIP)	--	--	--	6,974	6,974
Total Encumbrances Outstanding	\$ 24,926	391,324	20,283	60,627	497,159
	<b>Business-Type Activities</b>				
	<b>Solid</b>	<b>Water and</b>			
	<b>Waste</b>	<b>Sewer</b>	<b>Stormwater</b>	<b>Reuse</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
Operating Encumbrances	\$ --	61,158	5,082	--	66,240
Capital Improvement Projects (CIP)	--	345,324	--	208,576	553,900
Total Encumbrances Outstanding	\$ --	406,482	5,082	208,576	620,140
	Total Outstanding Encumbrances				1,117,299

NOTE VI — OTHER INFORMATION

**A. Risk Management**

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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

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

1. Unemployment Insurance

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

2. Workmen's Compensation

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

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

1. Plan Description, Accounting Policies and Contribution Information

The City maintains two single-employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members and administrative expenses of the respective plans. The Plans are administered by a separate Board of Trustees.

The City Commission approves all plan provisions and amendments. These plans are maintained as pension trust funds and included as part of the City's reporting entity. 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. Stand-alone financial reports are not issued. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

The City implemented GASB Statement No. 67 for the Palmetto Police Pension Plan and the Palmetto General Employees' Pension Plan in 2014. The primary objective of this Statement is to improve financial reporting by state and local governments for pension plans. GASB #67 specifies the required approach to measuring pension liability of employers and non-employer contributing entities for benefits provided through pension plans. GASB #67 also details the net disclosures and required supplementary information necessary to be presented by pension plans. GASB #67 requires that the net pension liability be measured as the total pension liability, less the amount of the pension plan's fiduciary net position, and that all actuarial assumptions underlying

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

the determination of the total pension liability are required to be made in accordance with this statement.

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.

2. Palmetto Police Pension Plan (PPPP)

*Plan Administration:*

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

*Plan Membership:*

	<b>As of September 30, 2013</b>	<b>As of September 30, 2014</b>
Retirees, beneficiaries, and DROP participants receiving benefits	26	27
Terminated employees entitled to, But not yet receiving benefits	4	4
Active Plan Members	33	32
Total	63	63

*Benefits Provided:*

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.

CITY OF PALMETTO, FLORIDA  
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SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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.

Death Benefits

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

Contributions

Participants are required to contribute 5% of their annual salary to the Plan. If an employee separates service from the City before achieving 10 years of credited service, the employee will receive his contributions only. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound. The City's contribution rate was 28.20%

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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, 2014, two sworn officers are participating in the DROP program with a balance of \$103,237.

*Plan Disclosures*

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with this new standard. The Plan does not issue separate financial statements.

*Net Pension Liability of the City*

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 12,239,343
Plan fiduciary net position	<u>(10,602,835)</u>
City's net pension liability	<u>\$ 1,636,508</u>
Plan fiduciary net position as a percentage of the total pension liability	 86.63%

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 FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014. The following actuarial assumptions are applied to all measurement periods.

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

Mortality rates were based on the RP 2000 Combined Healthy – Sex Distinct as appropriate. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

*Investment policy assumptions*

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

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

*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, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



CITY OF PALMETTO, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

*Discount rate*

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

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

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

	1% Decrease 6.60%		Current Discount Rate 7.60%		1% Increase 8.60%
City's net pension liability \$	2,946,105	\$	1,636,508	\$	513,396

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, during fiscal year ending September 30, 2015, the provisions of GASB Statement No. 27 will continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE VI — OTHER INFORMATION (CONTINUED)

*Annual Pension Cost and Net Pension Obligation*

The annual required contribution, annual pension cost and net pension obligation for fiscal year 2014 was determined as part of the October 1, 2012 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

Actuarially Determined Contribution	\$	524,660
Interest on Net Pension Obligation (NPO)	(	14,416)
Adjustment to Actuarially Determined Contribution		15,587
Annual Pension Cost (APC)		525,831
Contributions made		524,747
Increase (decrease) in NPO		1,084
NPO (Asset) at beginning of year	(	182,477)
NPO (Asset) at end of year	\$ (	181,393)

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

<b>Fiscal Year Ending September 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Actual Contributions</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
2014	525,831	524,747	99.79%	( 181,393)
2013	483,339	487,259	100.81%	( 182,477)
2012	434,307	433,130	99.73%	( 178,557)

As of the most recent valuation date, September 30, 2014, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded (1) - (2)	(5) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2014	10,090,242	11,857,620	85%	(1,767,378)	1,483,191	119%

CITY OF PALMETTO, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations above are based on the substantive plan in effect as of September 2014 and the current sharing pattern of costs between employer and employee.

The assumptions used in the September 30, 2014 actuarial valuation are as follows:

*Actuarial Assumptions*

Funding Method	Entry Age Normal Actuarial Cost Method										
Actuarial Asset Valuation Method	Four-year smoothing										
Assumed Rate of Return On Investments	7.6% compounded annually										
Projected Salary Increases	<table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: center;"><u>Years of Service</u></td> <td style="text-align: center;"><u>Rates</u></td> </tr> <tr> <td style="text-align: center;">Less than 10</td> <td style="text-align: center;">9.4%</td> </tr> <tr> <td style="text-align: center;">11-15</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">16-20</td> <td style="text-align: center;">6.5%</td> </tr> <tr> <td style="text-align: center;">21 or more</td> <td style="text-align: center;">4.0%</td> </tr> </table>	<u>Years of Service</u>	<u>Rates</u>	Less than 10	9.4%	11-15	6.0%	16-20	6.5%	21 or more	4.0%
<u>Years of Service</u>	<u>Rates</u>										
Less than 10	9.4%										
11-15	6.0%										
16-20	6.5%										
21 or more	4.0%										
Cost-of-living Adjustment	None										
Amortization Method	Level dollar										
Remaining Amortization Period	24 years										

3. Palmetto General Employees' Pension Plan (PGEPP)

*Plan Administration:*

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

*Plan Membership:*

	<b>As of September 30, 2013</b>	<b>As of September 30, 2014</b>
Retirees, beneficiaries, and DROP participants receiving benefits	61	61
Terminated employees entitled to, But not yet receiving benefits	3	5
Active Plan Members	66	68
Total	130	134

*Benefits Provided:*

Normal Retirement and Vesting

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

Early Retirement

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

Disability

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

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 Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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 2014 was 31.30%

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.

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, 2014, three employees are participating in the DROP program with a balance of \$218,860.

*Plan Disclosures*

Effective October 1, 2013, the Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, which significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with this new standard. The Plan does not issue separate financial statements.

*Net Pension Liability of the City*

The components of the net pension liability of the City at September 30, 2014, were as follows:

Total pension liability	\$ 15,140,628
Plan fiduciary net position	<u>(11,262,485)</u>
City's net pension liability	<u>\$ 3,878,143</u>

Plan fiduciary net position as a percentage of the total pension liability	74.39%
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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 with update procedures performed by the actuary to roll forward to the total pension liability measured as of September 30, 2014. The following actuarial assumptions are applied to all measurement periods.

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

Mortality rates were based on the RP 2000 Combined Healthy, projected to the valuation date with Schedule AA.

*Investment policy assumptions*

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	50%	7.8%
International equity	10%	7.7%
Fixed income	20%	2.3%
Hedge funds	10%	5.1%
Real estate	10%	6.9%

*Concentrations*

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

CITY OF PALMETTO, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

*Rate of Return*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.77%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Discount rate*

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

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

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

	1% Decrease 6.50%		Current Discount Rate 7.50%		1% Increase 8.50%
City's net pension liability \$	5,438,674	\$	3,878,143	\$	2,477,644

**Employer Disclosures**

Until the City implements the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, during fiscal year ending September 30, 2015, the provisions of GASB Statement No. 27 will continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 27 and these measures and disclosed amounts differ from those used by the Plan under GASB Statement No. 67 as previously discussed.

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE VI — OTHER INFORMATION (CONTINUED)

*Annual Pension Cost and Net Pension Obligation*

The annual required contribution, annual pension cost and net pension obligation for fiscal year 2014 was determined as part of the October 1, 2012 actuarial valuation. The chart below shows the components of the annual pension cost for the current year along with the percentage actually contributed by the City.

Actuarially Determined Contribution	\$	837,688
Interest on Net Pension Obligation (NPO)	(	19,286)
Adjustment to Actuarially Determined Contribution		21,459
Annual Pension Cost (APC)		839,861
Contributions made		837,688
Increase (decrease) in NPO		2,173
NPO (Asset) at beginning of year	(	257,140)
NPO (Asset) at end of year	\$ (	254,967)

The annual pension cost, actual contributions, and the net pension obligation for the current and previous two years are presented in the table below.

<b>Fiscal Year Ending September 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Actual Contributions</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
2014	839,861	837,688	99.74%	( 254,967)
2013	740,865	746,435	100.75%	( 257,140)
2012	627,720	626,182	99.75%	( 251,570)

As of the most recent valuation date, September 30, 2014, the funded status of the Plan was as follows:

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Unfunded (1) - (2)	(5) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2014	10,740,894	14,940,473	72%	(4,199,579)	2,878,797	146%



CITY OF PALMETTO, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations above are based on the substantive plan in effect as of September 2014 and the current sharing pattern of costs between employer and employee.

The assumptions used in the September 30, 2014 actuarial valuation are as follows:

*Actuarial Assumptions*

Funding Method	Entry Age Normal Actuarial Cost Method (Level Percent of Pay).	
Actuarial Asset Valuation Method	Four-year smoothing. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.	
Assumed Rate of Return On Investments	7.5% compounded annually	
Inflation	3.0% per year	
Projected Salary Increases	<u>Years of Service</u>	<u>Rates</u>
	Less than 20	7.4%
	20-24	7.0%
	25-29	6.5%
	30 or more	6.0%
Terminal Leave Pay	<u>Credited Service</u> <u>as of October 1, 2012</u>	<u>Liability Load</u>
	10 or more years	4.5%
	Between 5-10 years	3.0%
	Less than 5 years	0.0%
Cost-of-living Adjustment	None	
Amortization Method	Level dollar	
Remaining Amortization Period	27 years	

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CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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

1. Plan Description

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

2. Funding Policy and Annual OPEB Cost

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

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

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS

NOTE VI — OTHER INFORMATION (CONTINUED)

	As of September 30, 2014	As of September 30, 2013
Required contribution rates:		
Employer	Pay-as-you-go	Pay-as-you-go
Plan members	N/A	N/A
Annual required contribution (ARC)	\$ 33,000	\$ 33,000
Interest on the Net OPEB Obligation	9,000	9,000
Adjustment to the ARC	(20,000)	(19,000)
Annual OPEB Cost	22,000	23,000
Employer contributions	(13,635) *	(15,000) *
Increase in the Net OPEB	\$ 8,365	\$ 8,000
Net OPEB obligation (beginning of year)	227,000	219,000
Net OPEB obligation (end of year)	\$ 235,365	\$ 227,000

\* reflects a contribution credit for the implied subsidy

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	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
September 30, 2010	\$ 117,000	2%	\$ 166,000
September 30, 2011	47,000	43%	193,000
September 30, 2012	47,000	45%	219,000
September 30, 2013	23,000	65%	227,000
September 30, 2014	22,000	68%	234,000

3. Funded Status and Funding Progress

The funded status of the plan as of the July 1, 2013 actuarial valuation:

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, 2013	0.00	210,000	210,000	0.0%	4,225,000	5.0%

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

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.

Significant methods and assumptions were as follows:

Actuarial valuation date	7/1/2013
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; Level-dollar payment
Remaining amortization period	14 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return	
Includes inflation at 2.75%	4.00%
Healthcare cost trend rate	5.00%
Select rates	9% for 2013/2014 graded to 5.5% for 2020/2021
Ultimate rate	5.00%

CITY OF PALMETTO, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

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NOTE VI — OTHER INFORMATION (CONTINUED)

**D. Contingent Liabilities**

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

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

**E. Deferred Compensation Plan**

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

**F. Subsequent event**

During the budget process for fiscal year 2015, City Commission approved the budget to include capital lease funding for the police and public works departments. The equipment included four police vehicles, radios, a lightning loader, turf mower, traffic control device, post lift, plotter/scanner and a trailer. On February 9, 2015 City Commission approved Resolution 2015-02 for the capital lease financing of the vehicles and equipment totaling \$521,000. The capital lease agreement with BB&T Bank was signed on February 25, 2015.



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#### REQUIRED SUPPLEMENTARY INFORMATION

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



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CITY OF PALMETTO, FLORIDA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 3,605,359	3,626,587	3,627,104	517
Sales	838,555	912,455	912,455	--
Utility	909,750	1,088,481	1,088,481	--
Motor fuel	11,000	11,000	11,891	891
Other	831,351	854,501	853,806	( 695)
Permits, fees and special assessments	993,000	1,127,970	1,135,631	7,661
Intergovernmental revenues	16,250	30,446	29,543	( 903)
Fines and forfeitures	36,650	63,608	58,255	( 5,353)
Charges for services	759,941	719,266	691,809	( 27,457)
Interest and investment earnings	30,283	30,283	92,190	61,907
Miscellaneous	177,919	177,384	175,015	( 2,369)
Impact fees	--	18,611	18,611	--
Total revenues	<u>8,210,058</u>	<u>8,660,592</u>	<u>8,694,791</u>	<u>34,199</u>
<b>EXPENDITURES</b>				
Current				
General government				
Commission	199,113	199,113	197,925	1,188
City Clerk	1,655,913	1,655,913	1,638,475	17,438
Finance	561,427	561,427	555,055	6,372
Human resources	137,983	152,448	149,411	3,037
City Attorney	235,162	235,162	226,315	8,847
Total general government	<u>2,789,598</u>	<u>2,804,063</u>	<u>2,767,181</u>	<u>36,882</u>
Public safety				
Police	3,781,202	3,809,487	3,753,050	56,437
Code enforcement	151,874	151,874	144,659	7,215
Planning and zoning	171,857	155,318	129,861	25,457
Building department	250,530	250,530	236,659	13,871
Total public safety	<u>4,355,463</u>	<u>4,367,209</u>	<u>4,264,229</u>	<u>102,980</u>
Recreation				
Parks and recreation	732,917	639,008	525,174	113,834
Events and facilities	--	80,271	72,838	7,433
Total recreation	<u>732,917</u>	<u>719,279</u>	<u>598,012</u>	<u>121,267</u>
Intergovernmental services				
Information technology	321,247	319,330	308,899	10,431
Public works administration	545,382	528,956	493,956	35,000
Fleet maintenance	227,044	227,044	206,541	20,503
Total intergovernmental services	<u>1,093,673</u>	<u>1,075,331</u>	<u>1,009,396</u>	<u>65,935</u>
Capital outlay	210,171	282,714	271,792	10,922
Debt service	204,585	209,095	204,982	4,113
Total expenditures	<u>9,386,407</u>	<u>9,457,691</u>	<u>9,115,592</u>	<u>228,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 1,176,349)</u>	<u>( 797,099)</u>	<u>( 420,801)</u>	<u>376,298</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	777,367	773,369	743,370	( 29,999)
Transfers out	--	( 850,500)	( 850,500)	--
Capital leases	122,750	160,000	160,000	--
Total other financing sources (uses)	<u>900,117</u>	<u>82,869</u>	<u>52,870</u>	<u>( 29,999)</u>
Net change in fund balances	<u>( 276,232)</u>	<u>( 714,230)</u>	<u>( 367,931)</u>	<u>346,299</u>
Fund balances - beginning	7,570,099	7,570,099	7,570,099	--
Fund balances - ending	<u>\$ 7,293,867</u>	<u>6,855,869</u>	<u>7,202,168</u>	<u>346,299</u>

CITY OF PALMETTO, FLORIDA  
COMMUNITY REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes				
Property	\$ 2,626,332	2,626,332	2,625,067	( 1,265)
Intergovernmental revenues	--	25,000	25,000	--
Interest and investment earnings	17,393	17,393	9,700	( 7,693)
Miscellaneous	103,000	109,173	79,369	( 29,804)
Total revenues	<u>2,746,725</u>	<u>2,777,898</u>	<u>2,739,136</u>	<u>( 38,762)</u>
<b>EXPENDITURES</b>				
Intergovernmental services	1,851,522	1,703,797	1,473,976	229,821
Capital outlay				
Streets	--	--	--	--
Other	1,411,000	2,543,548	1,294,331	1,249,217
Debt service principal and interest	280,870	865,217	255,579	609,638
Total expenditures	<u>3,543,392</u>	<u>5,112,562</u>	<u>3,023,886</u>	<u>2,088,676</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 796,667)</u>	<u>( 2,334,664)</u>	<u>( 284,750)</u>	<u>2,049,914</u>
<b>OTHER FINANCING USES</b>				
Transfers in	--	138,922	138,922	--
Transfers out	( 45,798)	( 45,798)	( 45,798)	--
Total other financing uses	<u>( 45,798)</u>	<u>93,124</u>	<u>93,124</u>	<u>--</u>
Net change in fund balances	<u>( 842,465)</u>	<u>( 2,241,540)</u>	<u>( 191,626)</u>	<u>2,049,914</u>
Fund balances - beginning	2,247,714	2,247,714	2,247,714	--
Fund balances - ending	<u>\$ 1,405,249</u>	<u>6,174</u>	<u>2,056,088</u>	<u>2,049,914</u>

CITY OF PALMETTO, FLORIDA  
ROAD AND BRIDGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Motor fuel	\$ 1,167,532	1,286,453	1,286,453	--
Intergovernmental revenues	--	--	--	--
Charges for services	94,784	94,784	91,523	( 3,261)
Interest and investment earnings	8,826	8,826	5,473	( 3,353)
Miscellaneous	860	860	1,368	508
Impact fees	--	46,806	46,806	--
Total revenues	<u>1,272,002</u>	<u>1,437,729</u>	<u>1,431,623</u>	<u>( 6,106)</u>
<b>EXPENDITURES</b>				
Highways and streets	865,447	1,009,612	757,656	251,956
Capital outlay				
Streets	--	250	--	250
Other	27,000	159,900	150,913	8,987
Debt service principal and interest	216,851	233,851	226,734	7,117
Total expenditures	<u>1,109,298</u>	<u>1,403,613</u>	<u>1,135,303</u>	<u>268,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,704</u>	<u>34,116</u>	<u>296,320</u>	<u>262,204</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	--	--	--	--
Transfers out	( 232,144)	( 1,166,127)	( 1,082,794)	( 83,333)
Capital leases	--	131,500	131,500	--
Total other financing sources (uses)	<u>( 232,144)</u>	<u>( 1,034,627)</u>	<u>( 951,294)</u>	<u>( 83,333)</u>
Net change in fund balances	<u>( 69,440)</u>	<u>( 1,000,511)</u>	<u>( 654,974)</u>	<u>178,871</u>
Fund balances - beginning	1,919,271	1,919,271	1,919,271	--
Fund balances - ending	<u>\$ 1,849,831</u>	<u>918,760</u>	<u>1,264,297</u>	<u>178,871</u>



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## REQUIRED SUPPLEMENTARY INFORMATION

In accordance with the Governmental Accounting Standards Board Statement Numbers 27 and 45 and Number 67, *Financial Reporting for Pension Plans*, implemented with fiscal year 2014, the following is the historical trend information of the City's Pension Trust Funds.

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
(\*in thousands of dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation Date	Actuarial Value of Assets (AVA)	Entry Age Normal Actuarial Accrued Liability (AAL)*	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)*	Funded Ratio (2)/(3)	Annual Covered Payroll*	UAAL as % of Payroll (4)/(6)
10/1/2014	10,741	14,940	4,199	71.9%	2,879	145.8%
10/1/2013	10,039	15,064	5,024	66.6%	2,772	181.2%
10/1/2012	9,566	14,813	5,247	64.6%	2,711	193.5%
10/1/2011	9,060	13,867	4,807	65.3%	2,630	182.8%
10/1/2010	9,036	13,474	4,438	67.1%	2,979	149.0%
10/1/2009	8,730	13,243	4,513	65.9%	3,194	141.3%
10/1/2008	8,518	12,698	4,180	67.1%	3,858	108.3%
10/1/2007	8,107	11,176	3,069	72.5%	3,707	82.8%
10/1/2006	7,545	8,895	1,350	84.8%	3,161	42.7%
10/1/2005	6,955	7,745	790	89.8%	2,831	27.9%

**Notes to the Schedule:**

The above schedule was prepared in accordance with GASB Statement No. 27.

The actuarial assumptions used for the schedule are detailed in Note VI of the financial statements - employer disclosure section.

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Palmetto General Employees' Pension Plan status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 388,341
Interest	1,098,660
Change in excess state money	-
Share plan allocation	-
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	-
	<u>(1,213,674)</u>
<b>Net change in total pension liability</b>	<b>273,327</b>
<b>Total pension liability - beginning</b>	<b>14,867,301</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 15,140,628</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	837,688
Contributions - state	-
Contributions - employee	133,816
Net investment income	923,158
Benefit payments, including refunds of employee contributions	(1,213,674)
Administrative expense	(20,097)
Other	-
<b>Net change in plan fiduciary net position</b>	<b>660,891</b>
<b>Plan fiduciary net position - beginning</b>	<b>10,639,447</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 11,300,338</b>
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 3,840,290</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>74.6%</b>
<b>Covered-employee payroll</b>	<b>\$ 2,676,320</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>143.5%</b>

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated

CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS

	<b>2014</b>
Actuarially determined contribution	\$ 837,688
Contributions in relation to the actuarially determined contributions	837,688
Contribution deficiency(excess)	\$ -
 Covered employee payroll	 2,676,320
Contributions as a percentage of covered employee payroll	31.3%

**Notes to the Schedule**

* Valuation date	October 1, 2012	
Funding method	Entry age normal actuarial cost method (level percent of pay).	
Amortization method	Level dollar, closed	
Remaining amortization period	29 years (as of 10/1/2012)	
** Actuarial asset valuation method	Four-year smoothing	
Inflation	3.0% per year	
Salary increases	Years of Service	Rates
	Less than 20	7.5%
	20-24	7.0%
	25-29	6.5%
	30 or more	6.0%
Terminal leave pay	Credited Service as of 10/1/2012	Liability Load
	10 or more years	4.5%
	At least 5, less than 10 years	3.0%
	Less than 5 years	0.0%
Assumed rate of return on investments	7.5% compounded annually, net of investment related expenses	
Payroll increases	None	
Mortality	RP-2000 Combined Healthy, projected to the valuation date with Schedule AA. Static rates from RP2000 were utilized for the prior valuation.	

\* 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.

\*\* The annual difference between expected and actual investment earnings (market value, net of investment-related expenses), is phased-in over a four-year period.

The schedule will present 10 years of information once it is accumulated



CITY OF PALMETTO, FLORIDA  
PALMETTO GENERAL EMPLOYEES' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS

---

	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expense	8.77%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
(\*in thousands of dollars)

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation Date	Actuarial Value of Assets (AVA)	Entry Age Normal Actuarial Liability (AAL)*	Unfunded Actuarial Liability (UAAL) (3)-(2)*	Funded Ratio (2)/(3)	Annual Covered Payroll*	UAAL as % of Payroll (4)/(6)
10/1/2014	10,090	11,858	1,768	85.1%	1,483	119.2%
10/1/2013	9,147	11,504	2,357	79.5%	1,641	143.6%
10/1/2012	8,806	10,903	2,097	80.8%	1,425	147.2%
10/1/2011	8,541	10,378	1,837	82.3%	1,506	122.0%
10/1/2010	8,454	10,238	1,784	82.6%	1,652	108.0%
10/1/2009	8,159	9,570	1,411	85.3%	1,740	81.1%
10/1/2008	7,979	9,059	1,080	88.1%	1,880	57.4%
10/1/2007	7,983	7,969	(14)	100.2%	1,778	-0.8%
10/1/2006	7,485	7,616	131	98.3%	1,653	7.9%
10/1/2005	6,787	6,632	(155)	102.3%	1,452	-10.7%

**Notes to the Schedule:**

The above schedule was prepared in accordance with GASB Statement No. 27.

The actuarial assumptions used for the schedule are detailed in Note VI of the financial statements - employer disclosure section.

actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Palmetto Police Officers' Pension Plan status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan. Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Plan.

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY  
AND RELATED RATIOS

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 393,530
Interest	883,658
Change in excess state money	-
Share plan allocation	-
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(585,282)
<b>Net change in total pension liability</b>	<b>691,906</b>
<b>Total pension liability - beginning</b>	<b>11,547,437</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 12,239,343</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	426,776
Contributions - state	97,971
Contributions - employee	74,568
Net investment income	1,032,897
Benefit payments, including refunds of employee contributions	(585,282)
Administrative expense	(16,881)
Other	-
<b>Net change in plan fiduciary net position</b>	<b>1,030,049</b>
<b>Plan fiduciary net position - beginning</b>	<b>9,579,905</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 10,609,954</b>
 <b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 1,629,389</b>
 <b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>86.7%</b>
 <b>Covered-employee payroll</b>	<b>\$ 1,491,360</b>
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>109.3%</b>

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS

	<b>2014</b>
Actuarially determined contribution	\$ 524,660
Contributions in relation to the actuarially determined contributions	524,747
Contribution deficiency(excess)	\$ (87)
Covered employee payroll	1,491,360
Contributions as a percentage of covered employee payroll	35.2%

**Notes to the Schedule**

* Valuation date	October 1, 2012	
Funding method	Entry age normal actuarial cost method.	
Amortization method	Level dollar	
Remaining amortization period	26 years (as of 10/1/2012)	
** Actuarial asset valuation method	Four-year smoothing	
Inflation	4.0% per year	
Salary increases	Years of Service	Rates
	Less than 10	9.4%
	15-Nov	6.0%
	16-20	6.5%
	21 or more	4.0%
Terminal leave pay	Credited Service as of 10/1/2012	Liability Load
	10 or more years	4.5%
	1-10 years	3.5%
	Less than 1 year	0.0%
Assumed rate of return on investments	7.8% (previously 7.9%) compounded annually, net of investment related expenses	
Payroll increases	None	
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.	

\* 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.

\*\* The annual difference between expected and actual investment earnings (market value, net of investment-related expenses), is phased-in over a four-year period.

The schedule will present 10 years of information once it is accumulated

CITY OF PALMETTO, FLORIDA  
PALMETTO POLICE OFFICERS' PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF INVESTMENT RETURNS

---

September 30, 2014

Annual money-weighted rate of return  
net of investment expense

10.85%

**Notes to the Schedule**

The schedule will present 10 years of information once it is accumulated

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

---

<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 % 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%



## COMBINING FUND STATEMENTS AND SCHEDULES

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

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



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CITY OF PALMETTO, FLORIDA  
CAPITAL PROJECTS FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenues	\$ 500,000	1,008,149	279,482	( 728,667)
Interest and investment earnings	--	--	182	182
Total revenues	<u>500,001</u>	<u>1,008,150</u>	<u>279,664</u>	<u>( 728,486)</u>
<b>EXPENDITURES</b>				
Capital outlay				
Streets	--	287,150	36,333	250,817
Other	3,425,611	3,581,861	882,699	2,699,162
Total expenditures	<u>3,425,612</u>	<u>3,869,012</u>	<u>919,032</u>	<u>2,949,979</u>
Excess (deficiency) of revenues over (under) expenditures	<u>( 2,925,611)</u>	<u>( 2,860,862)</u>	<u>( 639,368)</u>	<u>2,221,494</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	151,428	710,911	476,150	( 234,761)
Transfers out	--	( 138,922)	( 138,922)	--
Special item-reallocation of loan	--	--	( 342,717)	( 342,717)
Total other financing sources	<u>151,428</u>	<u>571,989</u>	<u>( 5,489)</u>	<u>( 577,478)</u>
Net change in fund balances	<u>( 2,774,183)</u>	<u>( 2,288,873)</u>	<u>( 644,857)</u>	<u>1,644,016</u>
Fund balances - beginning	926,440	926,440	926,440	--
Fund balances - ending	<u>\$ ( 1,847,743)</u>	<u>( 1,362,433)</u>	<u>281,583</u>	<u>1,644,016</u>

CITY OF PALMETTO, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 September 30, 2014

	<u>Police Pension</u>	<u>General Employees Pension</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ --	--	--
Accounts receivable	600	256	856
Interest and dividends receivable	21,512	10,821	32,333
Investments, at fair value			
Money market funds	684,033	236,788	920,821
U. S. government securities	1,020,333	1,079,116	2,099,449
Corporate bonds	1,660,297	690,645	2,350,942
Corporate stocks	7,216,061	6,975,423	14,191,484
Alternative investments	--	2,269,692	2,269,692
Total investments	<u>10,580,724</u>	<u>11,251,664</u>	<u>21,832,388</u>
Total assets	<u>10,602,836</u>	<u>11,262,741</u>	<u>21,865,577</u>
<b>LIABILITIES</b>			
Accounts payable	--	256	256
Total liabilities	<u>--</u>	<u>256</u>	<u>256</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 10,602,835</u>	<u>11,262,485</u>	<u>21,865,320</u>

CITY OF PALMETTO, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS

For the Year Ended September 30, 2014

	<b>Police Pension</b>	<b>General Employees Pension</b>	<b>Total Fiduciary Funds</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 426,776	837,626	1,264,402
Plan members	74,568	133,808	208,376
State (from the General Fund)	97,971	--	97,971
Miscellaneous	2,400	--	2,400
Total contributions	<u>601,715</u>	<u>971,434</u>	<u>1,573,149</u>
Investment earnings			
Interest	79,668	47,876	127,544
Dividends	144,184	181,626	325,810
Net increase (decrease) in the fair value of investments	875,009	830,402	1,705,411
Total investment earnings	<u>1,098,861</u>	<u>1,059,904</u>	<u>2,158,765</u>
Less investment expenses	( 50,957)	( 83,362)	( 134,319)
Net investment earnings	<u>1,047,904</u>	<u>976,542</u>	<u>2,024,446</u>
Total additions	<u>1,649,619</u>	<u>1,947,976</u>	<u>3,597,595</u>
<b>DEDUCTIONS</b>			
Benefits	585,282	1,163,259	1,748,541
Refunds of contributions	--	50,414	50,414
Administrative expenses	31,692	20,099	51,791
Total deductions	<u>616,974</u>	<u>1,233,772</u>	<u>1,850,746</u>
Change in net position	1,032,645	714,204	1,746,849
Net position - beginning (as originally stated)	9,528,349	10,055,348	19,583,697
Prior period adjustment	41,841	492,933	534,774
Net position - beginning (as restated)	<u>9,570,190</u>	<u>10,548,281</u>	<u>20,118,471</u>
Net position - ending	<u>\$ 10,602,835</u>	<u>11,262,485</u>	<u>21,865,320</u>

CITY OF PALMETTO, FLORIDA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND - AGENCY FUND  
For the Year Ended September 30, 2014

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	<b>Agency Fund</b>			
	<u>October 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2014</u>
<b>Assets</b>				
Cash	\$ 20,654	2,587,283	( 2,597,427)	10,510
Prepaid items	1,055	--	( 1,055)	--
<b>Total Assets</b>	<u>\$ 21,709</u>	<u>2,587,283</u>	<u>( 2,598,482)</u>	<u>10,510</u>
<b>Liabilities</b>				
Accounts payable	\$ 21,709	2,085,355	( 2,096,554)	10,510
<b>Total Liabilities</b>	<u>\$ 21,709</u>	<u>2,085,355</u>	<u>( 2,096,554)</u>	<u>10,510</u>



## STATISTICAL SECTION

This part of the City of Palmetto, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The following types of information are presented:

### Financial Trends

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

### Revenue Capacity

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

### Debt Capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### Demographic and Economic Information

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

### Operating Information

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

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)

	<b>Fiscal Year</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
			(1)
<b>Governmental activities</b>			
Net investment in capital assets	\$ 17,560,157	21,403,804	22,066,324
Restricted	2,189,592	2,724,927	2,701,868
Unrestricted	3,627,879	5,855,614	5,427,424
<b>Total governmental activities net assets</b>	<b>\$ 23,377,628</b>	<b>29,984,345</b>	<b>30,195,616</b>
<b>Business-type activities</b>			
Net investment in capital assets	\$ 11,786,061	14,035,556	15,142,690
Restricted	2,230,171	578,920	232,947
Unrestricted	( 766,062)	( 1,082,103)	( 428,519)
<b>Total business-type activities net assets</b>	<b>\$ 13,250,170</b>	<b>13,532,373</b>	<b>14,947,118</b>
<b>Primary government</b>			
Net investment in capital assets	\$ 29,346,218	35,439,360	37,209,014
Restricted	4,419,763	3,303,847	2,934,815
Unrestricted	2,861,817	4,773,511	4,998,905
<b>Total primary government net assets</b>	<b>\$ 36,627,798</b>	<b>43,516,718</b>	<b>45,142,734</b>

<b>Fiscal Year</b>						
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
	(2)				(3)	
21,790,336	26,180,322	25,413,841	27,139,012	30,654,831	31,673,980	32,241,516
2,951,584	2,303,732	3,836,360	8,923,098	5,078,638	4,217,646	3,193,316
5,355,196	10,297,510	10,257,039	5,196,210	7,684,475	7,257,727	6,679,783
<u>30,097,116</u>	<u>38,781,564</u>	<u>39,507,240</u>	<u>41,258,320</u>	<u>43,417,944</u>	<u>43,149,353</u>	<u>42,114,615</u>
15,222,642	15,824,203	16,716,784	17,638,823	18,570,910	19,190,117	21,989,061
265,339	311,137	2,033,805	469,719	530,506	488,908	245,743
735,193	1,058,757	1,215,155	2,548,267	2,392,528	2,564,049	2,929,840
<u>16,223,174</u>	<u>17,194,097</u>	<u>19,965,744</u>	<u>20,656,809</u>	<u>21,493,944</u>	<u>22,243,074</u>	<u>25,164,644</u>
37,012,978	42,004,525	42,130,625	44,777,835	49,225,741	50,864,097	54,230,577
3,216,923	2,614,869	5,870,165	9,392,817	5,609,144	4,706,554	3,439,059
6,090,389	11,356,267	11,472,194	7,744,477	10,077,003	9,821,776	9,609,623
<u>46,320,290</u>	<u>55,975,661</u>	<u>59,472,984</u>	<u>61,915,129</u>	<u>64,911,888</u>	<u>65,392,427</u>	<u>67,279,259</u>

(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.

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

	Fiscal Year			
	2005	2006	2007	2008
<b>Expenses</b>				
Governmental activities:				
General government (net of indirect allocation) \$	2,981,693	4,075,661	5,339,790	5,327,528
Public safety	3,428,503	3,907,346	4,368,584	4,543,046
Highways and streets	771,667	857,423	814,556	1,004,720
Recreation	1,039,920	1,043,437	1,277,409	1,299,642
Intergovernmental (net of indirect allocation)	3,638,131	--	--	--
Interest on long-term debt	--	131,386	248,752	155,583
Total governmental activities expenses	<u>11,859,914</u>	<u>10,015,253</u>	<u>12,049,091</u>	<u>12,330,519</u>
Business-type activities:				
Solid waste	1,585,078	1,906,150	2,108,258	2,138,301
Water and sewer	4,279,563	3,834,184	4,059,466	4,368,485
Stormwater	536,781	947,434	729,909	971,958
Reuse	100,434	161,881	87,150	147,375
Total business-type activities expenses	<u>6,501,856</u>	<u>6,849,649</u>	<u>6,984,783</u>	<u>7,626,119</u>
Total primary government expenses	<u>18,361,770</u>	<u>16,864,902</u>	<u>19,033,874</u>	<u>19,956,638</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	138,457	204,406	152,740	297,739
Public safety	1,039,659	1,297,956	515,604	338,004
Highways and streets	95,172	91,527	193,103	92,672
Recreation	57,833	161,100	448,272	123,862
Intergovernmental	3,619,497	--	--	--
Operating grants and contributions	357,364	639,740	1,139,797	1,081,897
Capital grants and contributions	752,746	258,683	349,373	264,360
Total governmental activities program revenues	<u>6,060,728</u>	<u>2,653,412</u>	<u>2,798,889</u>	<u>2,198,534</u>
Business-type activities:				
Charges for services:				
Solid waste	1,545,791	1,902,409	2,118,189	2,127,525
Water and sewer	4,974,057	4,607,750	4,620,521	4,826,409
Stormwater	311,182	337,507	535,429	708,504
Reuse	117,090	179,257	168,656	183,824
Operating grants and contributions	--	--	--	--
Capital grants and contributions	464,730	866,963	826,323	988,859
Total business-type activities program revenues	<u>7,412,850</u>	<u>7,893,886</u>	<u>8,269,118</u>	<u>8,835,121</u>
Total primary government program revenues	<u>13,473,578</u>	<u>10,547,298</u>	<u>11,068,007</u>	<u>11,033,655</u>
<b>Net (Expense)/Revenue</b>				
Government activities	( 5,799,186)	( 7,361,841)	( 9,250,202)	( 10,131,985)
Business type activities	910,994	1,044,237	1,284,335	1,209,002
Total primary government net expense	<u>\$ ( 4,888,192)</u>	<u>( 6,317,604)</u>	<u>( 7,965,867)</u>	<u>( 8,922,983)</u>

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



Fiscal Year					
2009	2010	2011	2012	2013	2014
(1)		(2)		(3)	
4,495,082	4,036,111	2,270,420	2,667,131	3,382,557	3,434,529
4,776,464	4,648,615	4,256,660	4,432,536	4,353,495	4,489,409
895,995	870,116	960,680	827,562	894,480	1,332,919
1,180,146	892,002	787,011	823,114	729,485	636,947
3,440,725	3,151,831	3,068,007	2,504,506	2,582,701	2,634,057
229,944	188,221	171,188	160,217	151,233	129,675
<u>15,018,356</u>	<u>13,786,896</u>	<u>11,513,966</u>	<u>11,415,066</u>	<u>12,093,951</u>	<u>12,657,536</u>
2,041,362	2,008,625	1,974,313	1,990,565	2,075,468	2,200,590
4,489,574	3,794,901	4,193,367	4,258,959	4,524,200	4,744,118
675,366	686,325	688,710	668,659	656,269	612,953
85,519	89,366	91,761	86,689	88,650	113,245
<u>7,291,821</u>	<u>6,579,217</u>	<u>6,948,151</u>	<u>7,004,872</u>	<u>7,344,587</u>	<u>7,670,906</u>
<u>22,310,177</u>	<u>20,366,113</u>	<u>18,462,117</u>	<u>18,419,938</u>	<u>19,438,538</u>	<u>20,328,442</u>
1,667,917	1,646,668	330,820	243,076	312,316	163,793
412,943	414,139	277,205	340,888	270,709	375,222
247,958	137,268	85,349	92,720	109,443	139,397
496,629	87,333	2,242	--	--	600
--	--	--	--	--	--
48,000	3,000	209,731	--	--	--
54,347	654,471	304,488	1,700,739	144,407	334,025
<u>2,927,794</u>	<u>2,942,879</u>	<u>1,209,835</u>	<u>2,377,423</u>	<u>836,875</u>	<u>1,013,037</u>
2,120,933	2,155,751	2,124,827	2,088,560	2,136,874	2,177,967
4,689,607	4,653,542	4,805,767	4,815,175	4,897,027	5,615,854
824,822	804,251	788,920	788,563	785,132	785,144
188,115	184,702	187,480	188,069	189,698	282,522
223,712	--	--	--	--	--
44,906	132,575	912,043	211,618	513,359	960,091
<u>8,092,095</u>	<u>7,930,821</u>	<u>8,819,037</u>	<u>8,091,985</u>	<u>8,522,090</u>	<u>9,821,578</u>
<u>11,019,889</u>	<u>10,873,700</u>	<u>10,028,872</u>	<u>10,469,408</u>	<u>9,358,965</u>	<u>10,834,615</u>
( 12,090,562)	( 10,844,017)	( 10,304,131)	( 9,037,643)	( 11,257,076)	( 11,644,499)
800,274	1,351,604	1,870,886	1,087,113	1,177,503	2,150,672
<u>( 11,290,288)</u>	<u>( 9,492,413)</u>	<u>( 8,433,245)</u>	<u>( 7,950,530)</u>	<u>( 10,079,573)</u>	<u>( 9,493,827)</u>

(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.

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

	Fiscal Year			
	2005	2006	2007	2008
<b>Net (Expense)/Revenue</b>				
Government activities	\$ ( 5,799,186)	( 7,361,841)	( 9,250,202)	( 10,131,985)
Business type activities	910,994	1,044,237	1,284,335	1,209,002
Total primary government net expense	<u>( 4,888,192)</u>	<u>( 6,317,604)</u>	<u>( 7,965,867)</u>	<u>( 8,922,983)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Government activities:				
Taxes				
Property taxes	2,770,129	3,299,629	4,428,513	4,663,292
Sales taxes	925,089	980,876	915,019	859,157
Utility taxes	725,086	750,455	817,117	821,401
Motor fuel taxes	861,918	868,596	1,104,761	1,170,680
Other taxes	360,813	368,696	372,673	363,776
Franchise fees	1,098,552	1,278,485	1,361,267	1,358,799
Investment earnings	141,493	288,388	393,731	205,031
Gain (loss) on sale of capital assets	--	180,547	--	--
Capital contributions from community	--	--	--	544,140
Transfers	810,670	1,068,154	68,392	47,209
Total governmental activities	<u>7,693,750</u>	<u>9,083,826</u>	<u>9,461,473</u>	<u>10,033,485</u>
Business-type activities:				
Investment earnings	102,896	279,253	198,802	114,263
Gain (loss) on sale of capital assets	33,438	26,867	--	--
Transfers	( 810,670)	( 1,068,154)	( 68,392)	( 47,209)
Total business-type activities	<u>( 674,336)</u>	<u>( 762,034)</u>	<u>130,410</u>	<u>67,054</u>
Total primary government	<u>7,019,414</u>	<u>8,321,792</u>	<u>9,591,883</u>	<u>10,100,539</u>
<b>Change in Net Assets</b>				
Governmental activities	1,894,564	1,721,985	211,271	( 98,500)
Business-type activities	236,658	282,203	1,414,745	1,276,056
Total primary government	<u>\$ 2,131,222</u>	<u>2,004,188</u>	<u>1,626,016</u>	<u>1,177,556</u>

<b>Fiscal Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
(1)		(2)		(3)	
( 12,090,562)	( 10,844,017)	( 10,304,131)	( 9,037,643)	( 11,257,076)	( 11,644,499)
800,274	1,351,604	1,870,886	1,087,113	1,177,503	2,150,672
<u>( 11,290,288)</u>	<u>( 9,492,413)</u>	<u>( 8,433,245)</u>	<u>( 7,950,530)</u>	<u>( 10,079,573)</u>	<u>( 9,493,827)</u>
9,951,558	8,191,906	6,315,246	6,107,019	5,802,343	6,252,171
807,927	809,534	861,772	793,591	848,863	912,455
841,254	903,826	909,987	910,783	986,029	1,088,481
1,205,131	1,219,376	1,227,138	1,202,520	1,194,620	1,298,344
333,337	316,025	917,678	886,666	864,389	853,806
1,410,284	1,265,842	818,570	840,158	811,682	856,531
338,298	253,740	196,277	178,264	26,515	107,545
--	--	--	--	--	--
--	--	--	--	--	--
262,209	( 1,390,556)	808,543	278,266	454,044	( 759,572)
<u>15,149,998</u>	<u>11,569,693</u>	<u>12,055,211</u>	<u>11,197,267</u>	<u>10,988,485</u>	<u>10,609,761</u>
22,231	29,487	29,989	28,288	25,671	11,326
--	--	--	--	--	--
( 262,209)	1,390,556	( 808,543)	( 278,266)	( 454,044)	759,572
<u>( 239,978)</u>	<u>1,420,043</u>	<u>( 778,554)</u>	<u>( 249,978)</u>	<u>( 428,373)</u>	<u>770,898</u>
<u>14,910,020</u>	<u>12,989,736</u>	<u>11,276,657</u>	<u>10,947,289</u>	<u>10,560,112</u>	<u>11,380,659</u>
3,059,436	725,676	1,751,080	2,159,624	( 268,591)	( 1,034,738)
560,296	2,771,647	1,092,332	837,135	749,130	2,921,570
<u>3,619,732</u>	<u>3,497,323</u>	<u>2,843,412</u>	<u>2,996,759</u>	<u>480,539</u>	<u>1,886,832</u>

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

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

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

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

	<b>Fiscal Year</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General fund				
Reserved	\$ 2,063,927	2,423,319	2,156,783	1,696,641
Unreserved	3,527,178	4,580,605	4,605,911	4,715,179
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total general fund	<u>5,591,105</u>	<u>7,003,924</u>	<u>6,762,694</u>	<u>6,411,820</u>
All other governmental funds				
Reserved	915,801	1,094,953	1,081,700	1,822,132
Unreserved, reported in:				
Special revenue funds	--	--	--	--
Capital projects funds	--	--	--	519
Nonspendable	--	--	--	--
Restricted	--	--	--	--
Committed	--	--	--	--
Assigned	--	--	--	--
Unassigned	--	--	--	--
Total all other governmental funds	<u>\$ 915,801</u>	<u>1,094,953</u>	<u>1,081,700</u>	<u>1,822,651</u>

<b>Fiscal Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
(1)		(2)			
1,473,190	1,474,449	--	--	--	--
5,381,549	6,078,172	--	--	--	--
--	--	459,956	345,962	277,823	319,834
--	--	1,041,681	797,181	654,934	477,674
--	--	2,008,234	1,964,498	1,964,498	1,983,593
--	--	123,674	461,271	804,869	343,795
--	--	4,022,971	4,047,702	3,867,975	4,077,272
<u>6,854,739</u>	<u>7,552,621</u>	<u>7,656,516</u>	<u>7,616,614</u>	<u>7,570,099</u>	<u>7,202,168</u>
3,954,371	3,096,331	--	--	--	--
3,877,606	3,666,272	--	--	--	--
519	670,772	--	--	--	--
--	--	2,654	--	--	--
--	--	7,881,417	5,256,670	4,509,519	3,320,385
--	--	876,753	941,849	583,906	281,583
--	--	--	--	--	--
--	--	--	--	--	--
<u>7,832,496</u>	<u>7,433,375</u>	<u>8,760,824</u>	<u>6,198,519</u>	<u>5,093,425</u>	<u>3,601,968</u>

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

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

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

	Fiscal Year			
	2005	2006	2007	2008
<b>Revenues</b>				
Taxes	\$ 6,741,587	7,546,737	8,999,350	9,237,105
Permits, fees and special assessments	967,918	1,194,215	347,625	255,191
Intergovernmental	804,270	281,549	389,436	272,658
Charges for services	539,469	912,807	1,419,841	1,304,733
Fines	71,741	103,741	167,979	82,813
Investments earnings	127,011	288,388	393,731	205,031
Impact Fees (1)	--	--	--	34,300
Miscellaneous	72,315	356,710	457,876	142,855
Total revenues	<u>9,324,311</u>	<u>10,684,147</u>	<u>12,175,838</u>	<u>11,534,686</u>
<b>Expenditures</b>				
General government	2,002,594	2,260,285	3,403,304	3,133,268
Public safety	3,359,313	3,979,078	4,397,477	4,352,240
Highways and streets	582,669	796,872	842,726	696,269
Intergovernmental services	976,362	1,067,776	1,169,792	1,192,966
Recreation	1,017,556	1,063,886	1,287,909	1,200,155
Capital outlay	2,991,300	1,368,806	1,621,230	1,359,257
Debt service				
Interest	41,013	80,693	89,836	126,700
Principal	126,298	16,883	64,476	419,929
Total expenditures	<u>11,097,105</u>	<u>10,634,279</u>	<u>12,876,750</u>	<u>12,480,784</u>
Excess of revenues over (under) expenditures	( 1,772,794)	49,868	( 700,912)	( 946,098)
<b>Other financing sources (uses)</b>				
Transfers in	975,632	1,068,154	631,475	666,907
Transfers out	( 164,962)	--	( 563,083)	( 820,698)
Loan proceeds	1,096,463	--	--	1,334,000
Capital leases	244,167	473,949	378,037	155,966
Reallocation of loan	--	--	--	--
Total other financing sources (uses)	<u>2,151,300</u>	<u>1,542,103</u>	<u>446,429</u>	<u>1,336,175</u>
Net change in fund balances	<u>\$ 378,506</u>	<u>1,591,971</u>	<u>( 254,483)</u>	<u>390,077</u>
Debt service as a percentage of noncapital expenditures	2.06%	1.05%	1.37%	4.92%

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

Fiscal Year						
2009	2010	2011	2012	2013	2014	
(2)						
14,549,491	12,706,509	10,231,821	9,900,579	9,696,244	10,405,257	
299,253	215,939 (3)	1,015,445	1,023,579	964,238	1,135,631	
102,347	657,471	514,219	1,700,739	102,941	334,025	
1,738,264	1,485,145	1,405,022	907,925	846,821	783,332	
113,690	161,769	29,843	101,317	61,545	58,255	
338,298	253,740	196,277	178,264	26,515	107,545	
177,611	245,878	4,045	12,611	21,292	65,417	
2,524,862	168,566	245,295	228,740	168,543	255,752	
<u>19,843,816</u>	<u>15,895,017</u>	<u>13,641,967</u>	<u>14,053,754</u>	<u>11,888,139</u>	<u>13,145,214</u>	
3,518,269	3,125,314	2,728,179	2,723,534	3,378,574	2,767,181	
4,571,897	4,313,113	4,196,600	4,215,246	4,159,702	4,264,229	
683,448	637,443	768,765	590,527	609,082	757,656	
3,395,195	2,865,768	2,958,752	2,359,788	2,421,266	2,483,372	
1,098,184	763,796	742,296	754,781	672,960	598,012	
533,100	1,770,178	869,311	6,044,196	1,679,365	2,636,068	
229,943	188,221	171,189	160,217	151,233	339,802	
697,993	625,867	543,020	466,938	526,340	347,493	
<u>14,728,029</u>	<u>14,289,700</u>	<u>12,978,112</u>	<u>17,315,227</u>	<u>13,598,522</u>	<u>14,193,813</u>	
5,115,787	1,605,317	663,855	( 3,261,473)	( 1,710,383)	( 1,048,599)	
1,702,110	597,074	1,402,298	1,602,970	2,081,969	1,358,442	
( 1,815,901)	( 1,987,630)	( 574,387)	( 1,324,704)	( 1,627,925)	( 2,118,014)	
--	--	--	--	--	--	
--	84,000	165,482	381,000	104,730	291,500	
--	-	-	-	-	(342,717)	
<u>( 113,791)</u>	<u>( 1,306,556)</u>	<u>993,393</u>	<u>659,266</u>	<u>558,774</u>	<u>( 810,789)</u>	
<u>5,001,996</u>	<u>298,761</u>	<u>1,657,248</u>	<u>( 2,602,207)</u>	<u>( 1,151,609)</u>	<u>( 1,859,388)</u>	
6.54%	6.50%	5.90%	5.56%	5.68%	5.95%	

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

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



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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Franchise Fees</b>	<b>Sales Tax</b>	<b>Utility Tax</b>	<b>Motor Fuel Tax</b>	<b>Other Taxes</b>	<b>Total</b>
2005	2,770,129	1,098,552	925,089	725,086	861,918	360,813	6,741,587
2006	3,299,629	1,278,485	980,876	750,455	868,596	368,696	7,546,737
2007	4,428,513	1,361,267	915,019	817,117	1,104,761	372,673	8,999,350
2008	4,663,292	1,358,799	859,157	821,401	1,170,680	363,776	9,237,105
2009 (1)	9,951,558	1,410,284	807,927	841,254	1,205,131	333,337	14,549,491
2010	8,191,906	1,265,842	809,534	903,826	1,219,376	316,025	12,706,509
2011	6,315,246	--	861,772	909,987	1,227,138	917,678	10,231,821
2012	6,107,019	--	793,591	910,783	1,202,520	886,666	9,900,579
2013	5,802,343	--	848,863	986,029	1,194,620	864,389	9,696,244
2014	6,252,171		912,455	1,088,481	1,298,344	853,806	10,405,257
Change:							
2005 - 2014	125.70%	-100.00%	-1.37%	50.12%	50.63%	136.63%	54.34%

(2)

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

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

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

Fiscal Year	Tax Year	Real Property <sup>(1)</sup>			Personal Property <sup>(2)</sup>
		Residential Property	Commercial Property	Other	
2006	2005	447,741,658	192,896,139	96,797,427	63,868,871
2007	2006	558,733,963	226,244,545	103,979,945	66,642,416
2008	2007	809,517,595	229,226,826	135,838,492	72,189,561
2009	2008	944,283,089	254,524,487	158,149,860	82,113,719
2010	2009	800,179,028	226,838,156	148,447,421	69,541,573
2011	2010	614,168,328	212,722,187	137,320,529	69,641,003
2012	2011	557,754,188	196,427,515	118,572,496	62,585,676
2013	2012	529,454,692	177,147,023	117,865,188	58,154,531
2014	2013	542,474,465	170,679,337	120,027,477	56,942,237
2015	2014	546,047,253	173,714,875	130,736,017	54,537,589

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).

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<b>Less Tax Exempt Real Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate <sup>(3)</sup></b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
247,945,161	553,358,934	5.1645	553,643,553	99.9%
294,990,076	660,610,793	5.1645	661,503,856	99.9%
362,763,582	884,008,892	4.6662	884,008,892	100.0%
410,465,307	1,028,605,848	4.6662	1,028,605,848	100.0%
315,710,987	929,295,191	4.6662	929,295,191	100.0%
275,055,525	758,796,522	4.6662	763,433,066	99.4%
248,654,218	686,685,657	5.1185	686,685,657	100.0%
229,863,094	652,758,340	5.2171	652,758,340	100.0%
233,788,946	656,334,570	5.7171	656,334,570	100.0%
225,659,674	679,376,060	5.7171	679,376,060	100.0%

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

<b>Fiscal Year</b>	<b>City Direct Rates (1)</b>	<b>Overlapping Rates</b>		
	<b>General Fund</b>	<b>(2)</b>	<b>County (2)</b>	<b>Total</b>
2005	5.16	7.93	8.46	21.55
2006	5.16	7.61	8.24	21.01
2007	4.67	7.66	7.06	19.39
2008	4.67	7.37	7.08	19.12
2009	4.67	7.54	7.10	19.31
2010	4.67	7.59	7.11	19.37
2011	5.12	7.96	6.99	20.07
2012	5.22	7.59	6.99	19.80
2013	5.71	7.57	6.98	20.26
2014	5.71	7.38	6.31	19.40

Source: (1) Office of the City Clerk

(2) Manatee County Tax Collector's Office

<http://www.manateepao.com/dnn/Tax-Roll-Data>

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

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Wal-Mart Stores East LP	\$ 14,043,948	1	2.07%	6,648,496	1	
Florida Power & Light Co	7,252,279	2	1.07%			0.00%
39638 LLC	6,923,821	3	1.02%			
Sanctuary Cove (Bradenton) ASLI VI LLLP	6,447,834	4	0.95%			
Palmetto Dunes LTD	6,373,709	5	0.94%	5,836,730	3	1.05%
VREC Space Box LLC	6,365,803	6	0.94%			
Pacific Tomato Growers	5,138,697	7	0.76%	3,020,556	10	0.55%
Palmetto Mobile Home Club INC	5,134,726	8	0.76%	3,518,709	8	
Tropical Isles Co-Op Inc	5,085,858	9	0.75%			0.00%
Publix Super Markets, Inc	4,500,000	10	0.66%			
Riverside Plaza of Manatee LLC				6,098,906	2	1.10%
Albertson, Inc				5,245,105	4	0.95%
Florida State of				4,975,694	5	0.90%
Laguna Rivera Ventures LLC				4,626,640	6	0.84%
Bergeron WD Palmetto LLC				3,789,210	7	0.68%
Colonial Mobile Manor LTD				3,662,150	8	0.66%
Formation Properties III LLC				3,419,079	9	0.62%
Bradenton Yacht Club Inc				3,033,250	10	0.55%
Totals	<u>\$ 67,266,675</u>		<u>9.92%</u>	<u>53,874,525</u>		<u>9.73%</u>

Note

Total taxable assessed value	<u>\$ 679,376,060</u>	<u>553,643,553</u>
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Source: Manatee County Property Top 100 Tax Payers/2014/Palmetto  
 Website: <http://www.manateepao.com/dnn/Downloads>



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

<b>Fiscal Year Ended September 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy (2)</b>		<b>Collections in Subsequent Years (2)</b>	<b>Total Collections to Date</b>	
		<b>Amount (1)</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2005	2,857,565	2,770,129	96.9%		2,770,129	96.9%
2006	3,416,336	3,299,629	96.6%	71	3,299,700	96.6%
2007	4,561,037	4,410,731	96.7%	411	4,411,142	96.7%
2008	4,800,476	4,663,292	97.1%	1,377	4,664,669	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%	21,424	4,224,494	97.4%
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%	2,116	3,388,602	99.0%
2013	3,415,249	3,292,442	96.4%		3,292,442	96.4%
2014	3,752,330	3,623,920	96.6%		3,623,920	96.6%

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

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

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

CITY OF PALMETTO, FLORIDA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Bank Qualified Loans	Capital Leases	Bank Qualified Loans	State Revolving Loan Funds	Capital Leases			
2005	\$ 1,700,030	493,819	9,027,369	2,488,449	169,485	13,879,152	3.22%	1,057
2006	1,691,139	781,800	7,294,838	2,333,138	206,816	12,307,731	2.82%	927
2007	1,774,878	808,551	6,896,548	2,184,580	527,171	12,191,728	2.16%	871
2008	3,009,708	806,064	10,542,967	2,057,650	159,122	16,575,511	2.81%	1,147
2009	6,630,671	442,606	10,136,732	1,926,841	73,292	19,210,142	3.30%	1,309
2010	6,290,948	240,462	9,712,117	1,792,033	26,465	18,062,025	3.10%	1,250
2011	5,945,722	208,150	9,268,053	1,653,105	50,444	17,125,474	3.43%	1,359
2012	5,595,143	472,791	8,805,056	1,509,929	39,162	16,422,081	3.06%	1,288
2013	5,238,163	408,161	8,319,269	1,362,376	1,464,786	16,792,755	3.06%	1,317
2014	4,547,953	489,532	9,388,019	1,210,313	1,632,738	17,268,554	2.71%	1,349



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

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<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Assessed Value <sup>2</sup></b>	<b>Gross Bonded Debt <sup>3,4</sup></b>	<b>Net Bonded Debt <sup>3</sup></b>	<b>Percentage of Actual Taxable Value of Property <sup>3</sup></b>	<b>Per Capita <sup>3</sup></b>
2005	13,132	553,648,553	--	--	0.00%	--
2006	13,272	661,503,856	--	--	0.00%	--
2007	14,002	884,008,892	--	--	0.00%	--
2008	14,447	1,028,605,848	--	--	0.00%	--
2009	14,447	929,295,191	--	--	0.00%	--
2010	14,447	763,433,066	--	--	0.00%	--
2011	12,606	686,685,657	--	--	0.00%	--
2012	12,755	652,758,340	--	--	0.00%	--
2013	12,755	656,334,570	--	--	0.00%	--
2014	12,799	679,376,060	--	--	0.00%	--

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

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

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

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

<sup>5</sup> In 2004, the City obtained a bank qualified loan to retire the bonded debt and fund capital projects. No additional bonded debt has been issued.

CITY OF PALMETTO, FLORIDA  
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
 AS OF SEPTEMBER 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Direct:</b>			
City of Palmetto	\$ 5,037,485	100%	\$ 5,037,485
		<b>Subtotal Direct Debt</b>	<u>5,037,485</u>
<b>Overlapping (2):</b>			
Manatee County	108,216,000	3.79%	4,103,312
Manatee County School Board	263,243,455	3.79%	<u>9,981,611</u>
		<b>Subtotal Overlapping Debt</b>	<u>14,084,923</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 19,122,408</u></u>

Source: Manatee County Government

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

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

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

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Fiscal Year	City Population(1)	Personal Income thousand \$(1)	Personal Income Per Capita(2)	Median Age(3)	School Enrollment(4)	Manatee County Unemployment Rate(5)
2005	13,132	431,215	32,837	37.6	42,350	3.4%
2006	13,272	435,813	32,837	37.6	42,572	3.1%
2007	14,002	564,323	40,303	37.6	42,572	4.2%
2008	14,447	589,784	40,824	38.7	42,307	6.9%
2009	14,447	582,980	40,353	36.8	42,075	11.3%
2010	14,447	582,980	40,353	44.6	42,700	12.6%
2011	12,606	499,828	39,650	45.7	43,516	10.9%
2012	12,755	537,049	42,105	45.8	45,050	9.0%
2013	12,755	549,447	43,077	45.8	45,800	7.5%
2014	12,799	638,197	49,863	46	46,800	6.1%

- Source: (1) University of Florida, Bureau of Economic and Business Research. Florida Estimates of Population - Table 1 Pg. 14  
(2) U.S. Bureau of Economic Analysis - 2012  
(3) Personal income is a calculated amount based on population and per capita person income utilizing North Port - Sarasota Bradenton Metropolitan Statistical Area  
(4) Manatee County School Board. School enrollment exceeds the City population because the school system serves the entire county via Manatee County CAFR pg 158  
(5) Florida Department of Labor and Employment Security via Manatee County CAFR pg 158

CITY OF PALMETTO, FLORIDA  
 PRINCIPAL EMPLOYERS IN MANATEE COUNTY  
 CURRENT YEAR AND NINE YEARS AGO

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment (1)	Employees	Rank	Percentage of Total County Employment (1)
Manatee County School Board	5,500	1	3.84%	4,528	1	3.24%
Beall's Inc.	1,924	2	1.34%	1,600	4	1.15%
Manatee County Government	1,748	3	1.22%	1,839	2	1.32%
Manatee Memorial Hospital	1,445	4	1.01%	1,300	5	0.93%
Tropicana Products, Inc	1,200	5	0.84%	1,800	3	1.29%
Manatee County Sheriff's Dept	1,120	6	0.78%	1,138	7	0.81%
Blake Medical Center	1,100	7	0.77%	1,200	6	0.86%
Publix	875	8	0.61%	--	--	0.00%
IMG Academies	564	9	0.39%	--	--	0.00%
State College of Florida Manatee/Sarasota	472	10	0.33%	--	--	0.00%
Wellcraft Marine	--	--	0.00%	1,133	8	0.81%
SYSCO West Coast Florida	--	--	0.00%	572	9	0.41%
City of Bradenton	--	--	0.00%	552	10	0.40%
<b>Total</b>	<u>15,948</u>		<u>11.16%</u>	<u>15,662</u>		<u>11.21%</u>
<b>Total Manatee County</b>	<u>143,093</u>			<u>139,673</u>		

Source:

(1) Data was unavailable specifically for the City of Palmetto. The above information is based on the county in which the city resides. Manatee County 2014 CAFR - Page 159-160

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

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**Full-time Equivalent Employees as of September 30,**

<b>Function</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General government	17.0	17.0	19.0	17.5	17.5	17.5	17.8	17.8	21.0
Intergovernmental	14.5	13.5	17.0	16.5	12.5	13.5	12.0	13.3	13.3
Public safety									
Police									
Officers	27.0	33.0	36.0	37.0	35.0	35.0	35.0	35.8	35.8
Civilians	19.3	22.8	24.3	25.8	19.8	20.8	19.0	20.8	20.8
Highways and streets									
Engineering	3.0	3.0	4.0	3.0	3.0	3.0	-	-	-
Maintenance	4.0	5.0	3.0	3.0	4.0	3.0	3.0	5.0	5.0
Sanitation	2.0	2.0	2.0	2.0	1.0	2.0	1.0	1.0	2.0
Culture and recreation	17.0	15.0	17.0	17.0	13.0	10.0	10.0	9.0	9.0
Water	15.0	15.0	15.0	15.0	13.0	13.0	14.0	12.0	11.0
Sewer	5.0	6.0	6.0	6.0	6.0	6.0	4.0	7.0	7.0
<b>Total</b>	<b>123.8</b>	<b>132.3</b>	<b>143.3</b>	<b>142.8</b>	<b>124.8</b>	<b>123.8</b>	<b>115.8</b>	<b>121.7</b>	<b>124.9</b>

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Source: Payroll Reports:Cost Center Analysis

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

Function	Fiscal Year			
	2005	2006	2007	2008
<b>Police (1)</b>				
Total arrests	N/A	547.00	504.00	511.00
Juvenile arrests	N/A	112.00	132.00	130.00
Traffic violations	2,207.00	2,823.00	2,050.00	2,003.00
Traffic warnings	840.00	869.00	924.00	860.00
<b>Water</b>				
New connections (2)	117.00	76.00	44.00	14.00
Average daily consumption (3) (million of gallons)	1.47	1.50	1.48	1.43
Average daily capacity (3) (million of gallons)	2.00	2.00	2.00	2.00
<b>Wastewater</b>				
New connections (2)	65.00	122.00	85.00	27.00
Average daily sewage treatment (3) (million of gallons)	1.50	1.28	0.95	0.89
Average daily capacity (3) (million of gallons)	2.40	2.40	2.40	2.40
<b>Reuse</b>				
New connections (2)	274.00	79.00	125.00	28.00
Average daily consumption (3) (million of gallons)	0.74	0.86	0.98	0.89
Average daily capacity (3) (million of gallons)	1.87	1.87	4.07	4.07

N/A Information is not available.

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

<b>Fiscal Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
567.00	478.00	473.00	470.00	547.00	986.00
112.00	93.00	100.00	99.00	74.00	149.00
2,450.00	1,993.00	1,419.00	2,120.00	1,882.00	1,950.00
1,380.00	713.00	1,039.00	1,844.00	1,168.00	1,045.00
17.00	62.00	10.00	19.00	32.00	11.00
1.29	1.31	1.31	1.28	1.38	1.39
2.00	2.00	2.00	2.00	2.00	2.00
28.00	58.00	11.00	13.00	15.00	11.00
1.18	1.14	1.07	1.20	1.32	1.25
2.40	2.40	2.40	2.40	2.40	2.40
42.00	-	20.00	39.00	315.00	-
1.02	0.91	0.92	0.96	1.07	1.12
4.07	4.07	4.07	3.25	3.25	3.32

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

Function	Fiscal Year			
	2005	2006	2007	2008
<b>Public Safety (1)</b>				
Police				
Stations	1.00	1.00	1.00	1.00
Patrol units	39.00	39.00	46.00	49.00
K-9 units	1.00	1.00	2.00	2.00
<b>Highways and Streets (2)</b>				
Streets (miles)	41.09	41.20	41.20	42.00
Traffic signals	11.00	11.00	11.00	11.00
Streetlights	728.00	864.00	864.00	864.00
<b>Culture and Recreation (3)</b>				
Parks acreage	64.74	64.74	64.74	64.74
Parks	12.00	12.00	12.00	12.00
Tennis courts	1.00	1.00	1.00	1.00
<b>Utility Infrastructure</b>				
Water mains (miles)	66.06	66.06	66.06	66.66
Sewer (miles)	46.00	46.00	46.00	47.60
Storm sewers (miles)	11.76	11.76	11.76	11.76
Reclaimed water (miles)	17.80	22.00	22.00	22.00

N/A      Information is not available.

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



Fiscal Year					
2009	2010	2011	2012	2013	2014
1.00	1.00	1.00	1.00	1.00	1.00
48.00	49.00	44.00	45.00	41.00	44.00
1.00	2.00	2.00	2.00	3.00	3.00
42.00	42.00	42.00	42.00	42.33	42.33
11.00	12.00	12.00	12.00	12.00	12.00
864.00	864.00	864.00	864.00	1,111.00	1,111.00
64.74	95.49	95.49	95.49	95.49	95.49
12.00	12.00	12.00	12.00	12.00	12.00
1.00	1.00	1.00	1.00	1.00	1.00
66.66	66.66	66.66	66.66	66.69	66.69
49.10	49.10	49.10	49.10	49.10	49.10
11.90	11.90	11.90	11.90	11.90	11.90
22.80	22.80	22.80	22.80	22.80	24.18



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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**

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 20, 2015. Our report includes a reference to the changes in accounting principal resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment to GASB No. 25* as of October 1, 2013.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Bradenton, Florida  
March 20, 2015

*Mauldin & Jenkins, LLC*

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**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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To the Honorable Mayor,  
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, 2014, and have issued our report thereon dated March 20, 2015.

**Auditor's Responsibility**

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

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated March 20, 2015, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report as recommendation 2013-01 was corrected during the current year and is not repeated in this year's report.

**Official Title and Legal Authority**

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

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### **Financial Condition**

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

### **Special District Component Units**

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### **Other Matters**

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

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

### **Purpose of this Letter**

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

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 20, 2015

**INDEPENDENT AUDITOR'S REPORT**

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To the Honorable Mayor,  
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, 2014. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

This report is intended solely for the information and use of 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.

*Mauldin & Jenkins, LLC*

Bradenton, Florida  
March 20, 2015



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