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June 30, 2021

Department of Financial Services Bureau of Accounting
200 E. Gain St.
Tallahassee FL 32399-0354

To whom it may concern;

The City of Palmetto Community Redevelopment Agency (CRA) Annual Comprehensive Financial Report (ACFR) will be delayed due to accounting issues related to the separation of close to accounts at the government wide level. The CRA has been a component unit of the City since 1985 therefore the accounting structure is blended with the City's general government. During the FY2020 city-wide audit and with the assistance of the auditors, staff has been working towards separating general government and CRA accounts. We anticipate having the CRA ACFR completed by the end of July.

In the meantime, the Community Redevelopment Agency has been audited as part of the city wide annual report. The following statements for the CRA are located in the City's ACFR as follows:

MD&A

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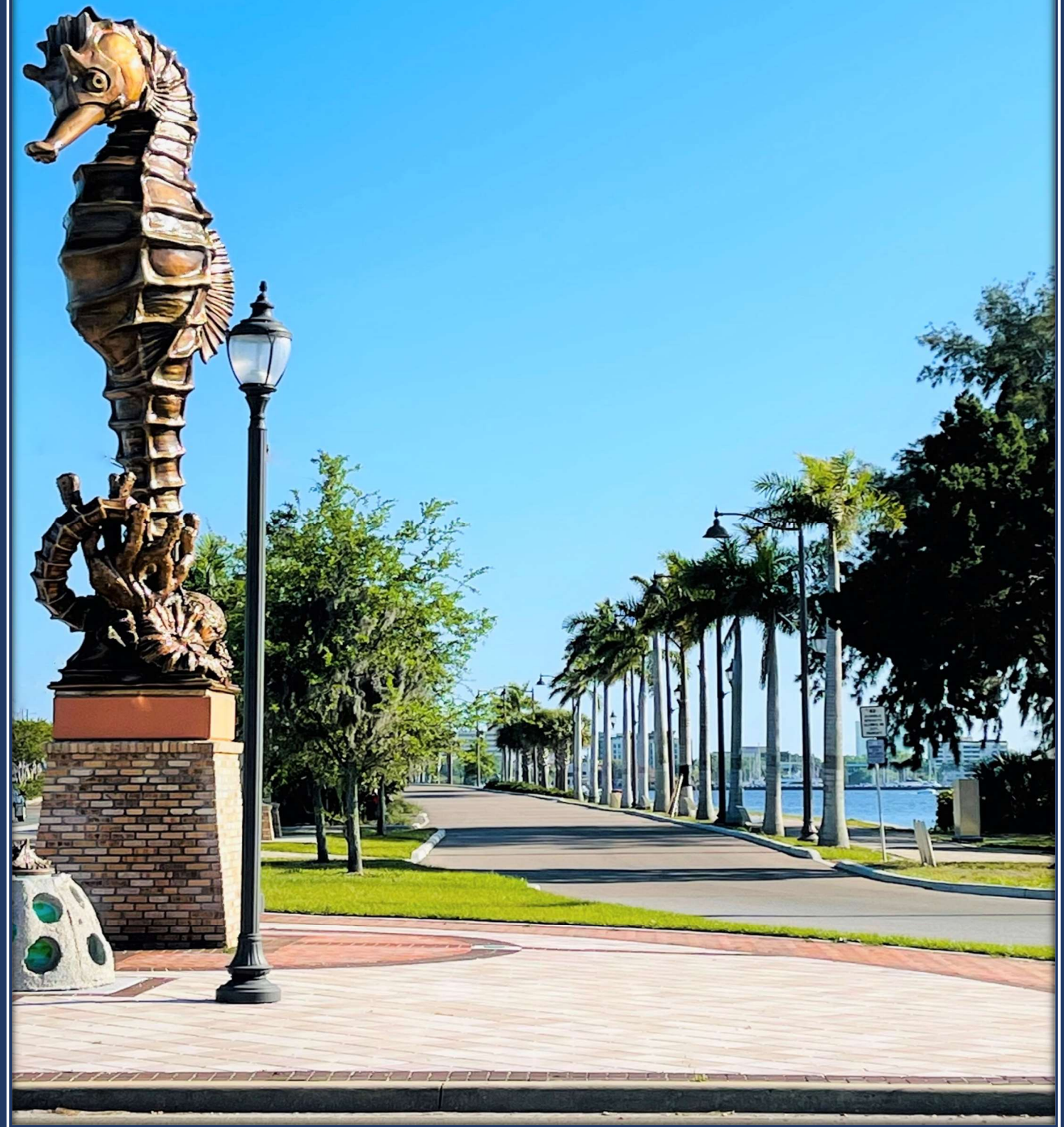
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Please contact me, at the number above, if you have any questions or concerns.

Cheryl A Miller, MBA, CGFO
Finance Director

cc: James R. Freeman, City Clerk
Jeff Gerhard, CS&L Auditing Firm

The City of Palmetto, Florida
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2020

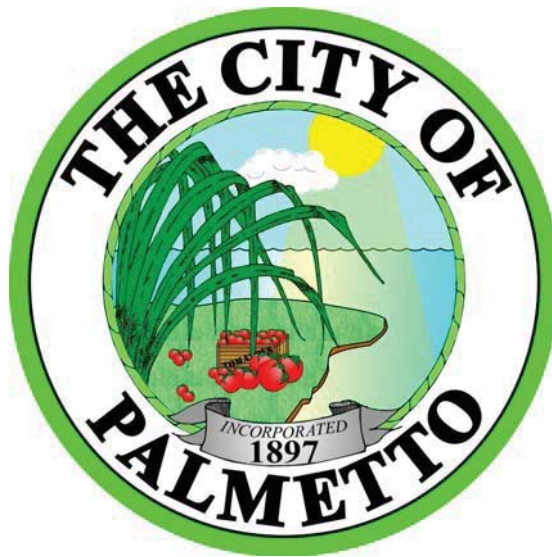


The Seahorse Statue, located at our southern gateway, was dedicated in 2020 as part of the City's remembrance to its historical value to our community. In the 1950s, '60s, and 70s, a traveler would remember seeing a giant seahorse at the souvenir shop with the same name at the foot of the old Green Bridge (Business US41). The landmark was removed in the early '80s to make way for the new bridge. Artist: Ron Berman

*Comprehensive Annual
Financial Report*

City of Palmetto, Florida

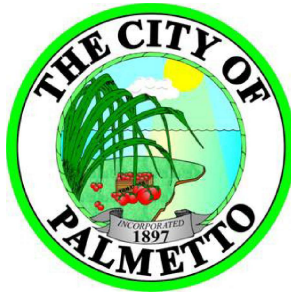
For the Fiscal Year Ended
September 30, 2020



Prepared By
The Finance Department

Cheryl A. Miller, CGFO
Finance Director

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City of Palmetto, Florida

September 30, 2020

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City of Palmetto, Florida

September 30, 2020

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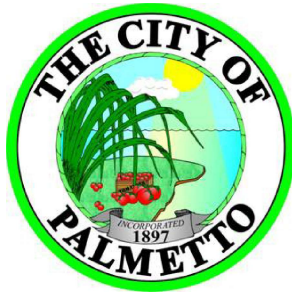
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516 8th Avenue West
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March 26, 2021

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, 2020.

This report consists of management's representations concerning the finances of the City of Palmetto, Florida. Consequently, management assumes full responsibility for the reliability and completeness of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse, and to compile sufficient, reliable information for the preparation of the City's financial statements in conformity with GAAP. The City of Palmetto has designed internal controls to provide reasonable, not absolute, assurance that the financial statements are free from any material misstatement. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) that the evaluation of the costs and benefits requires estimates and judgments by management. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain a comprehensive understanding of the City's financial activity have been included.

The City of Palmetto's basic financial statements have been audited by independent certified public accountants, Christopher, Smith, Leonard, Bristow & Stanell, P.A. The purpose of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2020, 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, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

In addition to meeting the requirements of the State Statutes, the audit was also designed to meet the requirements of the Florida Single Audit Act. The City did meet the required minimum threshold of \$750,000 of State expenditures during fiscal year 2020 and is required to perform a single audit. The auditor's report with respect to the State Single Audit is included in the management section.

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

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

THE CITY

The City of Palmetto, Florida was incorporated in 1897. The current charter was approved by the voters on November 8, 2016. Revisions to the charter included changing the residency requirements for elected officials, modifications to the selection process for electing a Vice Mayor and changing the time requirement for a charter review from every five years to every ten years. The government of the City consists of a Legislative Branch comprised of five elected Commissioners and an Executive Branch consisting of an elected Mayor. Three of the five Commissioners are elected by the electors of wards. The remaining two Commissioners are elected at-large by the electors of the entire City. The Mayor appoints all appointed officers of the City and the Commission has the power to confirm such appointments.

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

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

ECONOMIC CONDITION AND OUTLOOK

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

This past year has presented many challenges as the national COVID-19 pandemic placed additional pressures on several areas within the City. For several months, City public spaces and lobbies were closed to the public, much of the staff was working remotely and daily operations had to be modified to comply with CDC guidelines. In addition, revenues showed declines during several months as sales tax collections and other revenue streams were certainly affected by the pandemic. Despite the many challenges associated with COVID-19, 2020 still showed signs of strength and resiliency. The real estate market remained strong throughout the year, and sales tax collections rebounded nicely by mid-summer. In the coming year, it will be interesting to see if property values are affected in any way by the pandemic, however, if current property sales and prices are any indication, it would appear that there will be very little if any impact. There is no doubt that the pandemic has placed additional demands on the City to ensure that the health, safety, and welfare of the community are maintained. We were fortunate to receive some federal government grants to help defray many of the COVID-19 additional costs. In recent years, the State legislature continues to place financial pressures on local government via unfunded mandates, and home rule continues to come under attack. The increases to property values have helped to lessen this impact, but challenges still remain. Statewide unemployment has increase from 3.2 percent at the end of 2019 to 7.2 percent as of September 2020. Unemployment in the North Port, Bradenton, Sarasota Metropolitan Statistical Area (MSA) increased to 5.2 percent in September 2020, compared to 2.9 percent in September 2019. The COVID-19 pandemic was the driving force behind the increase in unemployment, but Florida has rebounded much quicker than most other states.

The City and its community leaders have made the commitment to work together and help achieve our goal of making the City of Palmetto a great place to live. Through our Community Redevelopment Agency (CRA), we have implemented a variety of programs to promote growth and economic development. Examples include downtown commercial core incentives for improvements to business properties coupled with additional hiring incentives for local businesses to complete the enhancements. In addition to developer incentives, storefront grants are available for commercial businesses, and the residential rehabilitation program that was started in 2010 continues to offer assistance to qualifying properties. More recently, the CRA created a Tax Incremental Financing (TIF) rebate incentive to encourage development for larger projects. In FY2020, the CRA awarded their first rebate for the new convention center hotel. The hotel is expected to bring approximately 50 plus new jobs to the area and an overall budget of \$70 million.

Although the economy has been on a very positive run for the last several years, Palmetto continues to be faced with increasing costs, increasing demand for services, aging infrastructure and unfunded mandates by state and federal governments. Fortunately, in November 2016, residents of Manatee County passed an additional ½ cent sales tax. This tax will generate approximately

\$15 million dollars over the next 15 years and the revenue will be used to fund much needed capital infrastructure in areas such as transportation, public safety, and parks. As stated above, the Florida Legislature continues to propose and pass legislation that puts additional pressure on local government. Reductions in state revenue dollars continue to make it difficult for cities across the state. Increasing property values during the last eight years have helped offset declines in other areas, but tax revenues are still slightly below their peak of 2009. Since 2014, the final assessed taxable value has increased by 39.3% percent. This equates to an average annual increase of 6.5% over the period from 2014 to 2020.

Capital funding presents a big challenge for the City but the additional ½ cent sales tax will go a long way towards improving our aging infrastructure. Beginning in FY2020, the City implemented a new utility rate structure to ensure the current rates support the costs to provide service. In addition, the City will continue to aggressively seek grant funds to help offset the costs for infrastructure projects. In fact, the City was awarded a \$1.5 million Community Development Block Grant (CDBG) for economic development through the State of Florida for infrastructure improvements next to the new convention center hotel. We are starting to see the benefits of this additional funding as many infrastructure projects are in the design phase or under construction. Major current and future initiatives for fiscal year 2020 and fiscal year 2021 include:

- Completion of Equalization Tank at our Wastewater Treatment Plant to eliminate sanitary sewer overflow
- Continued development of the multimodal corridor via our partnership with FDOT
- Design and Construction for a new Police Department Headquarters continues with groundbreaking in 2021
- Street paving throughout the City
- Continued investment in the City's inflow and infiltration (I&I) to minimize sewage spills
- Development of CRA property for mixed use along the riverfront.
- Manatee County and the Palmetto CRA partnered, and construction is underway, towards a community pool at Lincoln Park
- New program to create sustainable housing in the CRA district
- Continued development of Connor Park from a Brownfield grant project
- Extending 7th Street W in conjunction with the new convention center hotel
- Planning of a new roundabout in 2022 at 23rd street and BUS/41 in cooperation with FDOT

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palmetto for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. This was the fifteenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and

efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate. The City also received the GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning October 1, 2019, the same period covered by this Comprehensive Annual Financial Report. This was the eleventh consecutive year that the City received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in all the required categories including policy documentation, financial planning, organization, and as a communications medium.

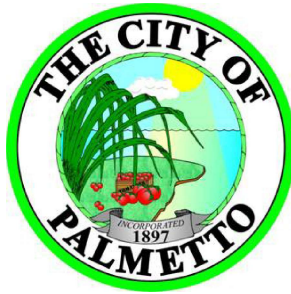
The preparation of the Comprehensive Annual Financial Report was accomplished through the diligent efforts of the City Clerk's Office, the Finance Department and other City staff. I would like to express my appreciation to the firm of Christopher, Smith, Leonard, Bristow & Stanell, P.A. for their cooperation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

Sincerely,



Shirley Groover Bryant, Mayor
City of Palmetto

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Palmetto
Florida**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO



**City of Palmetto, Florida
Fiscal Year Ended September 30, 2020
List of Principal Officials**

Elected Officials

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

Office of the City Clerk

| | |
|------------------|----------------------|
| James R. Freeman | City Clerk |
| Vanessa Cochran | Assistant City Clerk |
| Cheryl A. Miller | Finance Director |

Public Works

| | |
|----------------|---------------------------------|
| Mohammed Rayan | Director |
| Matt Bloome | Deputy Director of Public Works |
| Grace Johnson | Public Works Coordinator |
| Karla Owens | Development Services Director |

Police Department

| | |
|-----------------|--------------|
| Scott Tyler | Police Chief |
| Mike Stinson | Captain |
| Lorenzo Waiters | Captain |

Community Redevelopment Agency

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

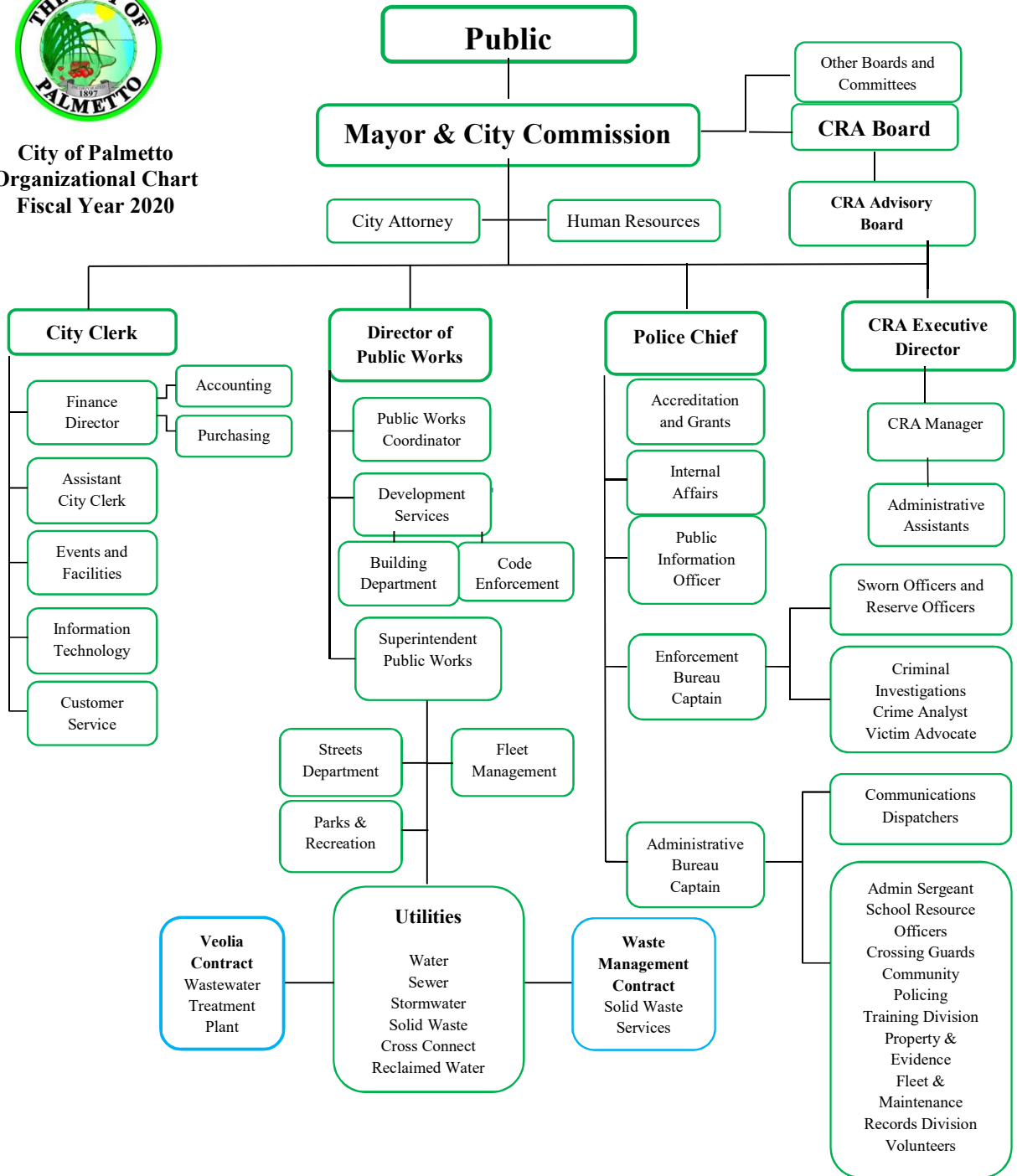
City Attorney

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

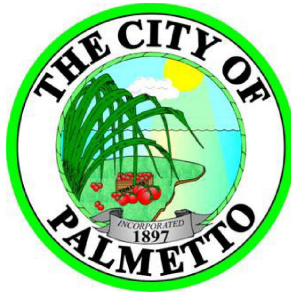


**City of Palmetto
Organizational Chart
Fiscal Year 2020**

ORGANIZATIONAL CHART



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida (the "City"), as of and for the year ended September 30, 2020, 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida, as of September 30, 2020, 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.

BRADENTON
SARASOTA
TAMPA

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101 East Kennedy Boulevard, Suite 1460

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Sarasota, FL 34236
Tampa, FL 33602

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550, *Local Governmental Entity Audits*, Rules of the Auditor General of the State of Florida, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

March 26, 2021
Bradenton, Florida

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palmetto, Florida (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Mayor's letter of transmittal preceding this report and the City's financial statements beginning on page 26.

FINANCIAL HIGHLIGHTS

At the close of the fiscal year ending September 30, 2020:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$98,086,175 (*net position*). Of this amount, \$15,652,849 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City reported an increase in total net position of \$9,282,495 compared to \$7,547,128 in fiscal year 2019. Increased revenues outpaced nearly stable expenses resulting in a healthier net position at the end of fiscal year 2020. The City's total net position increased by \$9,282,495, or 10.45%, in comparison to the prior year.
- Total revenues increased \$1,382,653 or 4.61% in comparison to the prior year. Property taxes and charges for services, increased \$663,237 and \$1,038,973 respectively. The increase of property taxes was due to a 7.61% increase in property values and the increase in charges for services was associated with the continuing build out of a major community. Other increases include utility rate increases for water, sewer, stormwater and reuse.
- Total expenses decreased \$352,714 or 1.57% in comparison to prior year. Governmental activities reported a net decrease in expenses of \$452,398 due in part to the completion of a large road project, debt interest payments and cost savings in other departments. Business-type activities expenses increased \$99,684 due to a decrease in personnel staffing in stormwater which were offset by a minor increases in water, sewer and reuse.
- The City's governmental funds reported combined ending fund balances of \$19,437,194, an increase of \$1,337,366 in comparison with the prior year ending balance. Approximately 31.43% of this total amount, \$6,110,072 (*unassigned fund balance*), is available for spending at the City's discretion and is 49.68% of the total general fund expenditures. Restricted fund balance of \$10,009,201 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 \$2,741,863 includes \$2,079,406 for the trailer park trust.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

The government-wide financial statements are found on pages 26 through 28 of this report.

Fund financial statements

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

Governmental funds

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

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted to cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a short period of time, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year, but do not include long-term debt, leases, compensated absences or other similar long-term liabilities. The difference between a fund's total assets, outflows, inflows and liabilities is labeled as 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, 2020 was the Capital Projects fund.

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

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Proprietary funds

Proprietary fund financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in fund net position, and a statement of cash flows. These statements are prepared on an accounting basis that is similar to the basis used to prepare the government-wide financial statements. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. The City does not report any internal service funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, reuse, solid waste collection and storm water utility system.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the major enterprise funds which are the solid waste collection, water and sewer utility, storm water utility system, and reuse utility. The City does not have any non-major proprietary funds during the year-ended September 30, 2020.

The proprietary fund financial statements can be found beginning on page 32 of this report.

Fiduciary funds

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

The fiduciary fund financial statements can be found on pages 36 and 37 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 39 of this report.

Other information

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

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

The non-major Capital Projects Fund and combining statements for the fiduciary funds, which are not required supplementary information, begin on page 117.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$98,086,175 at the close of the most recent fiscal year.

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

City of Palmetto's Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | | | | | | |
| Current and other assets | \$ 14,490,538 | \$ 15,126,507 | \$ 8,503,977 | \$ 7,923,584 | \$ 22,994,515 | \$ 23,050,091 |
| Restricted assets | 5,587,486 | 4,278,809 | 4,056,491 | 4,152,049 | 9,643,977 | 8,430,858 |
| Capital assets, net of depreciation | 45,119,058 | 41,501,445 | 41,962,287 | 35,483,833 | 87,081,345 | 76,985,278 |
| Total assets | 65,197,082 | 60,906,761 | 54,522,755 | 47,559,466 | 119,719,837 | 108,466,227 |
| Deferred outflows of resources | 688,287 | 347,873 | 374,037 | 391,423 | 1,062,324 | 739,296 |
| Liabilities | | | | | | |
| Current and other liabilities | 668,240 | 974,578 | 1,831,226 | 2,201,847 | 2,499,466 | 3,176,425 |
| Non-current liabilities | 5,683,817 | 6,837,431 | 13,310,592 | 9,513,388 | 18,994,409 | 16,350,819 |
| Total liabilities | 6,352,057 | 7,812,009 | 15,141,818 | 11,715,235 | 21,493,875 | 19,527,244 |
| Deferred inflows of resources | 1,069,583 | 800,439 | 132,528 | 74,160 | 1,202,111 | 874,599 |
| Net Position | | | | | | |
| Net investment in capital assets | 42,038,825 | 38,025,148 | 29,161,052 | 26,379,526 | 71,199,877 | 64,404,674 |
| Restricted | 9,963,795 | 9,505,182 | 1,269,654 | 653,354 | 11,233,449 | 10,158,536 |
| Unrestricted | 6,461,109 | 5,111,856 | 9,191,740 | 9,128,614 | 15,652,849 | 14,240,470 |
| Total net position | \$ 58,463,729 | \$ 52,642,186 | \$ 39,622,446 | \$ 36,161,494 | \$ 98,086,175 | \$ 88,803,680 |

The overall net position of the City increased in 2020 as a result of increases in revenues and less of an increase in operating expenses. Changes in net position over time can be one of the best and most useful indicators of financial position. The total net position of the City increased from fiscal year 2019 by \$9,282,495 or 10.45%. The net position of governmental activities increased by \$5,821,543, or 11.06% due to the purchase of land, an increase of approximately \$663,237 in property taxes, \$546,931 in charges for services and smaller increases in nearly every other revenue type. Net position of business-type activities increased by \$3,460,952, or 9.57% primarily as a result of an increase in state and federal grants for capital projects. The overall net operating income of the business-type activities is \$3,321,274.

A significant portion of the City's net position, \$71,199,877 or 72.59% reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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An additional portion of the City's net position, \$11,233,449 or 11.45% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$15,652,849 or 15.96% may be used to meet the City's ongoing obligations to citizens and creditors. The unrestricted net position includes the fund balance of the Trailer Park Trust (Governmental Activities) of \$2,079,406, which may be used upon approval of the City Commission after a duly advertised public hearing.

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

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

City of Palmetto's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| Charges for services | \$ 2,007,640 | \$ 1,460,709 | \$ 11,592,555 | \$ 11,100,513 | \$ 13,600,195 | \$ 12,561,222 |
| Operating grants and contributions | 62,720 | 110,862 | -- | -- | 62,720 | 110,862 |
| Capital grants and contributions | 101,093 | 82,790 | 1,011,727 | 834,777 | 1,112,820 | 917,567 |
| General revenue | | | | | | |
| Property taxes | 9,379,278 | 8,716,041 | -- | -- | 9,379,278 | 8,716,041 |
| Other taxes | 5,652,218 | 5,749,016 | -- | -- | 5,652,218 | 5,749,016 |
| Other | 1,420,729 | 1,731,083 | 154,425 | 213,941 | 1,575,154 | 1,945,024 |
| Total revenues | 18,623,678 | 17,850,501 | 12,758,707 | 12,149,231 | 31,382,385 | 29,999,732 |
| Expenses | | | | | | |
| Governmental Activities: | | | | | | |
| General government | 4,187,453 | 4,029,064 | -- | -- | 4,187,453 | 4,029,064 |
| Public Safety | 4,248,695 | 4,450,463 | -- | -- | 4,248,695 | 4,450,463 |
| Highways and streets | 1,355,491 | 1,529,769 | -- | -- | 1,355,491 | 1,529,769 |
| Recreation | 684,068 | 679,524 | -- | -- | 684,068 | 679,524 |
| Economic and physical environment | 3,028,424 | 3,134,261 | -- | -- | 3,028,424 | 3,134,261 |
| Interest on long-term debt | 72,095 | 205,543 | -- | -- | 72,095 | 205,543 |
| Business-type Activities: | | | | | | |
| Solid waste | -- | -- | 2,180,346 | 2,067,018 | 2,180,346 | 2,067,018 |
| Water and sewer | -- | -- | 5,543,719 | 5,500,925 | 5,543,719 | 5,500,925 |
| Stormwater | -- | -- | 517,802 | 686,512 | 517,802 | 686,512 |
| Reuse | -- | -- | 281,797 | 169,525 | 281,797 | 169,525 |
| Total expenses | 13,576,226 | 14,028,624 | 8,523,664 | 8,423,980 | 22,099,890 | 22,452,604 |
| Increase (decrease) in net position before transfers | 5,047,452 | 3,821,877 | 4,235,043 | 3,725,251 | 9,282,495 | 7,547,128 |
| Transfers | 774,091 | 393,673 | (774,091) | (393,673) | -- | -- |
| Change in net position | 5,821,543 | 4,215,550 | 3,460,952 | 3,331,578 | 9,282,495 | 7,547,128 |
| Net position - beginning | 52,642,186 | 48,426,636 | 36,161,494 | 32,829,916 | 88,803,680 | 81,256,552 |
| Net position - ending | \$ 58,463,729 | \$ 52,642,186 | \$ 39,622,446 | \$ 36,161,494 | \$ 98,086,175 | \$ 88,803,680 |

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Governmental activities

Total revenues for governmental activities increased by \$773,177 or 4.33% when compared to the prior year. The net increase in revenues for the current year is the result of the following:

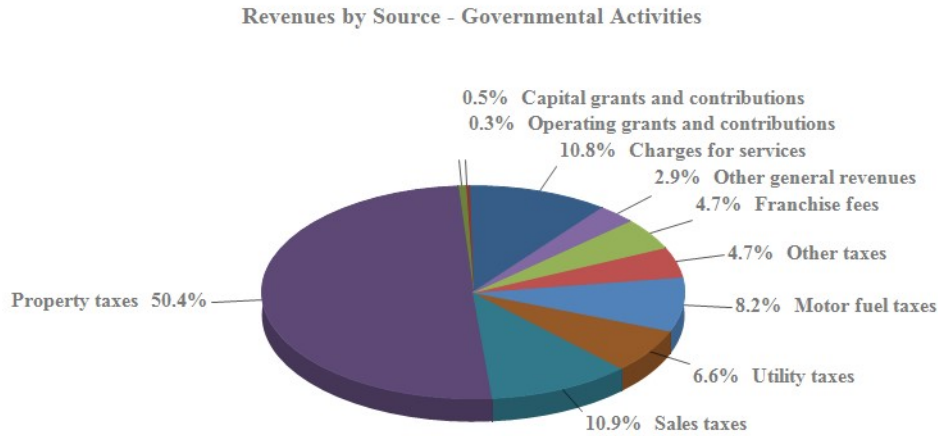
- City property tax revenues increased by \$663,237 or 7.61% due to an increase in property values. These increases affect both the property taxes collected by the City and the tax increment financing (TIF) monies received by the CRA from the City and Manatee County. This was the seventh year property values have increased, and it appears the trend will continue in the future.
- Charges for services applicable to governmental activities increased by \$546,931 or 37.44% due the increase in permits and impact fees collected for the continued build out a major community.
- Other general revenues decreased by \$310,354 or 17.93% compared to the prior year is largely attributed to an decrease in interest and investment earnings and franchise fee revenue.

Total expenses for governmental activities decreased by \$452,398 or 3.22% in comparison to the prior year. The decrease in the current year expenses is attributed to:

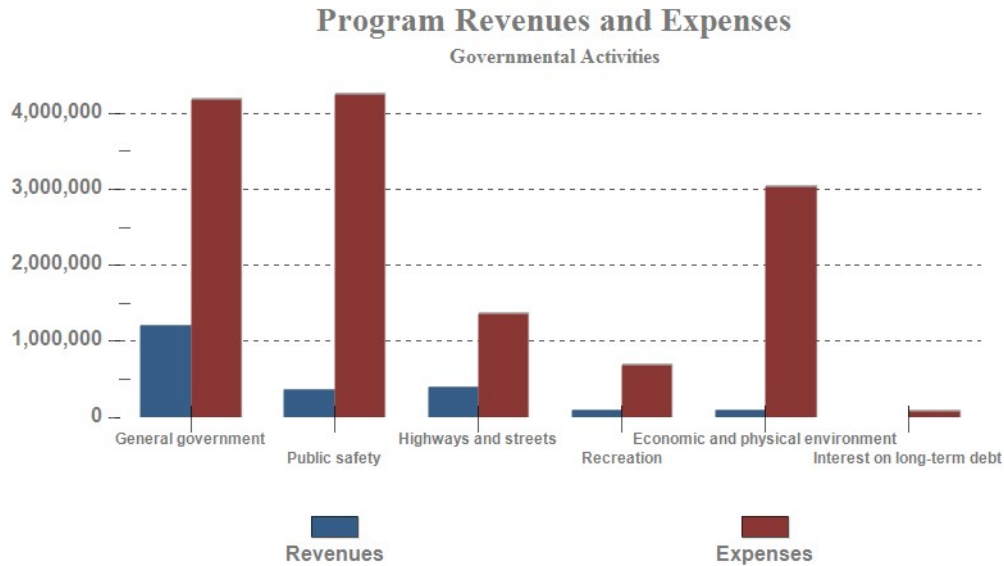
- General government increased by \$158,389 or 3.93% in comparison to the prior years' governmental expenses. This increase includes \$143,227 in increased tax increment funds to CRA for increased property values and minor increases throughout general government.
- Public safety decreased by \$201,768 or 4.53% in comparison to the prior years' governmental expenses. The decrease includes of \$273,553 in personnel, pension, consulting and travel expenses. Community development contract service slightly increased as part of the build out of a major community .
- Highways and streets decreased by \$174,278 or (11.39%) and accounts for 38.5% of the overall decrease in governmental expenses and can be attributed to an decrease of personnel costs of \$30,000 due to high levels of attrition and the decrease of costs relating to several road maintenance projects carried over from the prior year.
- Decreases in economic and physical environmental services accounted for \$105,837 or (3.38%), and was offset by increases in other expense categories. This overall decrease is related to the cancellation of the annual Fourth of July event and other city-wide events due to COVID19.
- Decreases in interest on long-term debt accounted for \$133,448 or (64.92%), and accounts for 29.5% of the overall decrease in governmental expenses. The decrease is due to the refinancing of a variable interest rate loan.

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



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



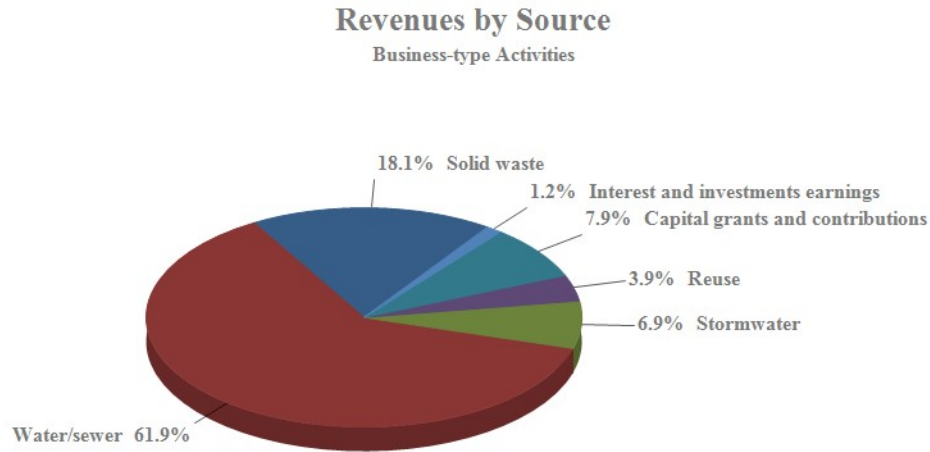
Business-type Activities

Total revenues increased by \$609,476 or 5.02% for the current year. This revenue increase was largely associated with increases in capital grants totaling \$176,950 and charges for services of \$492,042. The increase in capital grants reimbursement for fiscal year 2020 was related to a capital improvement project and partially funded by the Florida Community Development Block Grant (CDBG) and an increase for charges for services. The City completed a new user rate study in fiscal year 2019 and implemented the rates in fiscal year 2020. The first year of utility rates increased for water (4%), sewer (4%), stormwater (10%) and reuse (7%). In years two through ten, the rates will be for water (2%), sewer (2%), stormwater (5%) and reuse (3.5%). A small increase occurred in fiscal year 2020 related to the solid waste rates based on the franchise agreement CPI changes.

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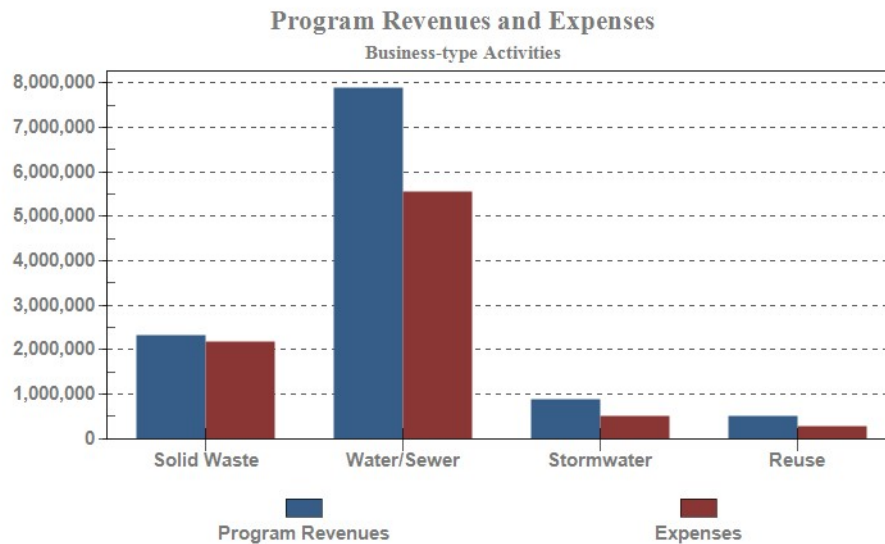
Total expenses increased by \$99,684 or 1.18% when compared to the previous year. Increased expenses in solid waste of \$113,328 was due an annual increase in the tipping fees and filling a vacant position. A slight increase in the Water/Sewer Department of \$42,794 for general expenses. Decreases in Stormwater were due to the absence of prior year utility adjustment and changes in personnel of \$168,710. Reuse expenses increased by \$112,272 as a result of overall maintenance and changes in personnel. Greater detail and explanation is provided in the Proprietary funds section.

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



* Zero Data, Operating grants and contributions

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



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FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

The fund financial statements for the governmental funds are provided on pages 29 and 30. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financial requirements. In particular, *unassigned fund* balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's funds reported combined ending fund balances of \$19,437,194 an increase of \$1,337,366 compared to the prior year. Approximately 31.43% of this amount, or \$6,110,072, constitutes *unassigned fund balance*, which is available for spending at the City's discretion subject to budgetary constraints. The total fund balance increase resulted from positive net change in General fund of \$1,959,532, Road and Bridge fund of \$158,397 and Capital Projects Fund of \$21,361 offset by a decrease in the CRA of \$(801,924).

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 \$13,755,018, as compared with \$11,795,486 in the previous year.

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

- Unassigned fund balance is \$6,110,072 as compared to \$5,167,811 the previous year. The \$942,261 increase was due in part to an increase to general revenues such as property taxes offset by a much smaller increase in expenditures. The current unassigned fund balance is 5.99 months of budgeted 2021 expenditures.
- Assigned fund balance decreased by \$99,139 to \$294,066. This decrease was attributed to carried forward encumbrances and a portion of the available fund balance being assigned to fund 2020 capital projects. The City's fund balance policy allows that unassigned balances above five months of the expenditure budget can be used to fund capital projects.
- Committed fund balance is \$2,079,406, all of which is associated with the Trailer Park Trust.
- Restricted fund balance is \$4,989,482 which includes \$1,684,278 for the Building department, \$2,420,315 for the infrastructure half-cent sales tax, \$758,732 for impact fees and \$126,157 in Law Enforcement, Lease Proceeds and Cemetery Reserve. The Building department restricted fund balance was increased \$494,216 as a result of fiscal year 2020 operations. This is the sixth straight year reserves have increased due an upturn in construction.
- Nonspendable fund balance related to inventory is \$281,992.

Revenues for the General Fund increased by \$574,823 or 4.63%. The increases in revenue was associated with property taxes and permits, fees and special assessments. The property taxes increased \$361,739 from higher property values and permits increased by \$314,031. Intergovernmental decreased by \$41,632 from the completion of several federal and state grants. Decreases in interest earnings, miscellaneous revenues, and other taxes, due to COVID-19 totaled \$93,246.

Expenditures for the General Fund increased by \$496,285 or 4.21%. The increase of expenditures relates to capital purchases of \$197,944, consulting services in building department of \$85,635 and TIF funds to the CRA of \$143,227. The total net change increased the unassigned fund balance by \$942,261, because revenue increases outpaced increases in expenditures.

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Revenues for the CRA, a blended component unit of the City, increased \$9,542 or 0.23% compared to the previous year. TIF dollars from the City and County accounted for \$301,498 of additional revenue and was offset by a decrease of \$274,716 for the completion of the brownfield grant and reimbursement for services in the prior year. Total expenditures increased by \$1,271,907 or 34.64%. The majority of increased expenditures were attributable to the purchase of land.

Revenues in the Road and Bridge fund increased by \$120,700 or 6.61% compared to the previous year. Revenues associated with motor fuel tax in Road and Bridge accounted for the majority of the increase. Expenditures decreased by \$273,599 in the Road and Bridge fund due to the absence of a carryforward of repair and maintenance expense in fiscal year 2019 of \$267,764 that was not present in 2020. In addition, there was a slight reduction in personal expense of \$18,230.

Revenues in the Capital Project fund increased by \$382,570 for the Surface Upgrade project at 2nd Avenue West and 10th Street W and 5th Avenue W. and 7th Street W. Expenditures increased in Capital Projects funds by \$200,125 as a result of Community Redevelopment Block Grant - System 4 Project and Surface Upgrades at 5th Avenue W and 7th Street W.

Proprietary funds

The fund financial statements for the City's proprietary funds, provided on pages 32 through 36, provide essentially the same type of information found in the government-wide financial statements.

At the end of the current fiscal year, the City's proprietary funds reported combined ending net position of \$39,622,446, an increase of \$3,460,952 in comparison with the prior year. Total operating revenues associated with the proprietary funds were \$11,592,555. Total operating revenues, increased by \$492,042 or 4.43% compared to the previous year. The reasons for the increased revenues are explained below.

The Solid Waste fund had operating income of \$133,932 for the year, and an increase in net position of \$78,790. Revenues increased by \$93,174 or 4.20% due to the increase in the rates and operating expenses increased by \$113,544 or 5.49%. Net position increased by \$78,790 after interest and transfers out. The total net position at the end of the current fiscal year, is \$902,695 of which, 98.41% is unrestricted.

The Water and Sewer fund had operating income of \$2,526,342 for the year, and an increase in net position of \$2,828,702. Revenues increased slightly by \$277,692 or 3.64% in accordance with the scheduled rate increase, and operating expenses increased slightly by \$58,395 or 1.10% as a result of increase in depreciation expense for several major capital project closeouts a offset by a slight decrease in general operating expenses. The unrestricted net position at the end of current fiscal year is \$7,142,703 and total net position is \$25,502,695.

The Stormwater fund had operating income of \$412,436 and an increase in net position of \$378,367. The stormwater user fee structure for residential and commercial customers increased in accordance with the scheduled rate increase, for the first time since 2008, while operating expenses decreased by \$148,943 or 24.14% for changes in personnel and an absence of a utility adjustment in the prior year. The unrestricted net position at the end of current fiscal year is \$558,365 and the total net position is \$6,374,906.

The Reuse fund had operating income of \$248,564 and an increase in net position of \$175,093. The expenses increased by \$124,331 or 101.40% as a result of an increase in general operating expenses and utility maintenance. At the end of the current fiscal year the unrestricted net position reflects a balance of \$602,288 and the total net position is \$6,842,150.

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(Unaudited)

GENERAL FUND BUDGET AND ACTUAL

Differences between the original budget and the final amended budget can be found on page 101. Revenues associated with the original and final amended budget were increased by \$1,959,561. The increase in budgeted revenue included increases associated with taxes of \$1,104,502. More specifically, \$1,014,692 of infrastructure half-cent sales tax was not initially added as capital expenditures as it had not been identified at the beginning of the year. In addition, the increase in budgeted revenues increased \$528,798 in permit, fees, and assessments and \$206,504 in impact fees associated with the continuing build out of a major community. Other taxes, impact fees, interest earnings and miscellaneous revenues were also increased by smaller amounts and offset by decreases to intergovernmental, fines, and charges for services. The original General Fund budget anticipated decreasing the General Fund's fund balance by \$73,436 for use of fund balance to fund approved capital outlay and contingencies.

The General fund total expense budget was increased by \$1,979,497 of which the largest adjustments totaling \$1,601,138 related to infrastructure half-cent sales tax capital projects which had not been identified at the beginning of the year. Encumbrance carryforward from fiscal year 2020 was \$683,812. Transfers out were increased by \$45,000 to fund capital projects. The final amended budget anticipated decreasing the General Fund's fund balance by \$50,696 after transfers. This was largely due to the additional capital expense added during the year that surpassed the additional increase in revenues. However, the final result of a net increase \$1,959,532 was even better due to lower actual expenses compared to the final budget.

Actual revenues excluding other financing sources were more than final budgetary estimates by \$115,573. Actual revenues for investment earnings were in excess of budget. However, these revenues were offset by unfavorable budget to actual receipts in fines and forfeitures, intergovernmental revenues and charges for services. Actual expenditures were less than budgetary estimates by \$1,924,655 and can be attributed to position vacancies throughout the City as well as conservative spending City-wide.

CAPITAL ASSETS AND DEBT

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$87,081,345 (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 \$10,096,067 or 13.11%. Factors contributing to the increase in capital assets include improvements to WWTP EQ Basin construction, CDBG grant System 4 project, the purchase of land for the Community Redevelopment Agency, two new police vehicles, with associated in car video, two message boards, two vehicles for various departments, fuel trailer, and three mowers through a capital lease for a total of \$483,300.

The 2020 Capital Improvement Plan (CIP) was approved by the Commission on October 21, 2019 in the amount of \$12,942,152 for fiscal year 2020.

The CRA also budgeted approximately \$4,797,364 for other capital improvements within the CRA district.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020
(Unaudited)

The following projects in 2020 had expenditures greater than \$50,000:

City Capital Projects

- Equalization Basin - \$5,173,793 for the construction of a Equalization Basis for the Waste Water Treatment Plant.
- Community Development Block Grant - System 4 \$1,594,734 for utility infrastructure and road improvement.
- Inflows and Infiltration - \$307,520 in ongoing upgrades. The project will continue in 2021.
- Paving & Resurfacing - \$516,610 for paving throughout the City.
- New Police Department Building - \$113,431 for architectural and engineering services related to the construction of a new Police Building.
- Chloramine Project - \$104,644 for the renovation and infrastructure needed to facilitate the introduction of a Chloramine injection system.
- Waste Water Treatment Plant Upgrades - \$134,973 for improvements made to the infrastructure at the plant.
- Ward 1 Phase III - \$51,305 for engineering services in preparation of the future comprehensive utility improvement project.
- Dredging Projects - \$110,918 for dredging work performed at various locations throughout the City.
- PARS Expansion - \$93,418 for the installation of reclaim water lines.
- FPL Improvements - \$252,031 for the installation of energy efficient equipment.
- 15th Ave Utility Replacements - \$377,370 for the comprehensive utility improvement project.

CRA

- Connor Park - \$105,719 for engineering and architectural work necessary to complete the brownfield remediation at the Edenfield site in preparation for the construction of Connor Park.
- Seahorse Piazza - \$122,563 for the construction of the Seahorse sculpture at Riverside Park.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|---------------------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 10,526,695 | \$ 7,808,908 | \$ 279,415 | \$ 279,415 | \$ 10,806,110 | \$ 8,088,323 |
| Buildings | 1,128,106 | 784,704 | 415,490 | 300,612 | 1,543,596 | 1,085,316 |
| Improvements other than buildings | -- | -- | 31,474,138 | 27,624,201 | 31,474,138 | 27,624,201 |
| Machinery and equipment | 2,244,644 | 2,331,560 | 1,878,401 | 1,653,839 | 4,123,045 | 3,985,399 |
| Infrastructure | 28,897,137 | 26,873,044 | -- | -- | 28,897,137 | 26,873,044 |
| Construction in progress | 2,322,476 | 3,703,229 | 7,914,843 | 5,625,766 | 10,237,319 | 9,328,995 |
| Total | \$ 45,119,058 | \$ 41,501,445 | \$ 41,962,287 | \$ 35,483,833 | \$ 87,081,345 | \$ 76,985,278 |

Additional information on the City's capital assets is presented in Note IV, F beginning on page 62 of this report.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020
(Unaudited)

Long-term Liabilities

At the end of the current fiscal year, the City had long-term liabilities outstanding of \$18,994,406. Long-term liabilities includes compensated absences of \$704,190, net pension liability of \$1,507,060, and other post-employment benefits of \$497,119 as well as the City's bank loans and capital leases as shown in the table below. The City's debt is comprised of a \$1.25 million loan in fiscal year 2014, a \$7.1 million loan in fiscal year 2019, and four State of Florida revolving fund loans. All loans were used to fund capital improvement projects throughout the City. The loans are secured by a primary pledge of the Water, Sewer, Reuse and Storm Water revenues, with a secondary pledge of the non-ad valorem General Fund revenues. The City has \$1,580,098 in outstanding capital leases as of September 30, 2020.

During fiscal year 2019, the City refunded the 2004, 2005 and 2007 loan and terminated the associated Interest Rate Swap Agreements with the \$7.1 million dollar loan noted above. The City also recognized a loss on refunding which will amortized over the life of the debt.

In fiscal year 2006, the Community Redevelopment Association (CRA) obtained a loan for \$4,395,000 to fund capital improvement projects within the CRA district and retire \$1,500,000 of debt issued in 2004. The current balance is \$1,298,848 as of September 30, 2020. The loan is secured by a primary pledge of Tax Increment Funds (TIF) and is included in the City's outstanding debt.

City of Palmetto's Loans and Capital Leases Payable

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|----------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Bank Qualified Loans | | | | | | |
| 2014 Loan | \$ -- | \$ -- | \$ 815,195 | \$ 892,767 | \$ 815,195 | \$ 892,767 |
| 2019 Loan | 1,096,889 | 1,284,862 | 4,711,611 | 5,519,037 | 5,808,500 | 6,803,899 |
| SRF Loans | -- | -- | 6,783,396 | 2,017,512 | 6,783,396 | 2,017,512 |
| CRA Loan | 1,298,848 | 1,518,598 | -- | -- | 1,298,848 | 1,518,598 |
| Total Loans | <u>2,395,737</u> | <u>2,803,460</u> | <u>12,310,202</u> | <u>8,429,316</u> | <u>14,705,939</u> | <u>11,232,776</u> |
| Capital Leases | <u>760,896</u> | <u>763,322</u> | <u>819,202</u> | <u>714,365</u> | <u>1,580,098</u> | <u>1,477,687</u> |
| Total Loans and Leases | <u>\$ 3,156,633</u> | <u>\$ 3,566,782</u> | <u>\$ 13,129,404</u> | <u>\$ 9,143,681</u> | <u>\$ 16,286,037</u> | <u>\$ 12,710,463</u> |

See Note IV, G, and H on pages 65 through 75.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate for the North Port/Sarasota/Bradenton area for September was 5.20%, which is lower than the State's unemployment rate of 7.20% for the same time period. The national unemployment rate for the same time period is 7.80% percent (source: Bureau of Labor Statistics).

According to the 2010 Census, the City's population was 12,606. As of April 2020, the population is estimated at 13,661 a 8.37% percent increase since the 2010 census (source: Bureau of Economic and Business Research).

The 2020 taxable value of commercial and residential property increased from \$914,138,167 in fiscal year 2019 to \$978,938,293 for fiscal year 2020. This represents a 7.09 percent increase in taxable value and is largely attributed to the increased property values that are being experienced statewide. This increase of 7.09 percent was slightly less than the 7.33 percent increased realized a year ago. After several years of declining property values, fiscal year 2020 was the eighth year in a row that the City saw values increase. We expect that trend to continue based on economic data and the overall health of the real estate market within the City and will continue to monitor the economic forecast from the state. Since the City's taxable value peaked in fiscal year 2008, values decreased by 36 percent during a four year slide ending in FY2012. Since that time, property values have been increasing each year and the fiscal year 2020 are close to the peak values of fiscal year 2008. The City has made adjustments along the way to meet the challenges of the economic downturn. We are well poised and encouraged by the direction of our economy here in Palmetto.

CITY OF PALMETTO, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2020
(Unaudited)

The General Fund property tax millage of \$5.9671 for fiscal year 2020 has remained the same since FY2016 when the millage increased by .25 mills. Prior to FY2016, the City passed millage increases in FY2012, 2013 and 2014 of .4523 mills, .10 mills and .50 mills respectively. These increases were driven by the declining property values during this timeframe.

The fiscal year 2020 pension contribution amounts as a percentage of each payroll dollar for the Police and General Employees Pension Plans was 21.63% and 18.47% respectively. This represented an decrease of 5.20% for the Police Plan and a decrease of 3.95% for the General Employees' Pension Plan. The decreases in the both pension plans was due to the favorable actuarial gains associated with plan assumption. With the rising health care costs, the City changed carrier to United Healthcare, resulting in a more affordable premium. However, it seems health care costs are continuing to rise and it will become much more difficult to control these costs without reevaluating our benefit levels to employees.

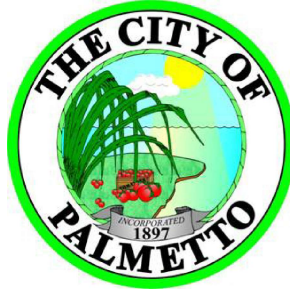
Funding for capital projects continues to present a challenge to the City. The cost of construction materials, concrete and steel, have escalated creating a challenge as we move forward with major construction projects. However, in fiscal year 2020 the utility rate study was implemented and will provide much needed funding. In addition, the City continues to seek grants whenever possible to leverage City dollars. The plans for the convention center hotel has been approved with incentives being provided by the CRA and the CDBG economic development grant for \$1.5 million awarded in FY2019. During fiscal year 2017, the City was awarded a Community Development Block Grant (CDBG) in the amount of \$750,000 for infrastructure improvements in west Palmetto which is now complete. Construction of the equalization basin at our Wastewater Treatment plant will be completed in the Summer of 2021. This project is being funded with a loan from the Florida State Revolving Fund an overall cost of \$6.8 million. In addition, the City will begin the construction of the new police department in Summer of 2021 utilizing funds from the capital infrastructure sales tax fund.

REQUESTS FOR INFORMATION

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

City of Palmetto, Florida

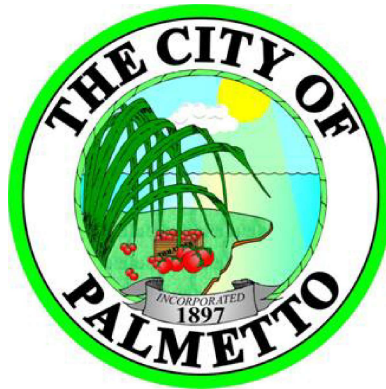
For the Year Ended September 30, 2020



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CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
As of September 30, 2020

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 10,341,696 | \$ 5,297,192 | \$ 15,638,888 |
| Receivables, net of allowance for uncollectible | 558,986 | 3,372,585 | 3,931,571 |
| Due from other governments | 329,435 | -- | 329,435 |
| Investments | 2,812,629 | -- | 2,812,629 |
| Internal balances | 165,800 | (165,800) | -- |
| Inventory | 281,992 | -- | 281,992 |
| Restricted assets | | | |
| Cash and cash equivalents | 5,587,486 | 4,056,491 | 9,643,977 |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 10,526,695 | 279,415 | 10,806,110 |
| Buildings | 1,128,106 | 415,490 | 1,543,596 |
| Improvements other than buildings | -- | 31,474,138 | 31,474,138 |
| Machinery and equipment | 2,244,644 | 1,878,401 | 4,123,045 |
| Infrastructure | 28,897,137 | -- | 28,897,137 |
| Construction in progress | 2,322,476 | 7,914,843 | 10,237,319 |
| Total assets | <u>65,197,082</u> | <u>54,522,755</u> | <u>119,719,837</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred outflows of pension resources | 475,449 | 19,314 | 494,763 |
| Deferred outflows of other post-employment benefits | 136,438 | 26,551 | 162,989 |
| Deferred outflows of loss on refunding | 76,400 | 328,172 | 404,572 |
| Total deferred outflow of resources | <u>688,287</u> | <u>374,037</u> | <u>1,062,324</u> |
| LIABILITIES | | | |
| Accounts payable and other accrued liabilities | 369,391 | 1,098,030 | 1,467,421 |
| Accrued interest | 9,084 | 46,945 | 56,029 |
| Unearned revenue | 285,740 | -- | 285,740 |
| Customer deposits | 4,025 | 686,251 | 690,276 |
| Noncurrent liabilities | | | |
| Due within one year | 880,741 | 1,743,203 | 2,623,944 |
| Due in more than one year | 4,803,076 | 11,567,389 | 16,370,465 |
| Total liabilities | <u>6,352,057</u> | <u>15,141,818</u> | <u>21,493,875</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of pension earnings | 1,063,364 | 131,339 | 1,194,703 |
| Deferred inflows from other post-employment benefits | 6,219 | 1,189 | 7,408 |
| Total deferred inflows of resources | <u>1,069,583</u> | <u>132,528</u> | <u>1,202,111</u> |
| NET POSITION | | | |
| Net investment in capital assets | 42,038,825 | 29,161,052 | 71,199,877 |
| Restricted for: | | | |
| Capital projects | 2,648,342 | -- | 2,648,342 |
| Debt service | -- | 344,957 | 344,957 |
| Building program | 1,684,278 | -- | 1,684,278 |
| Law enforcement | 77,225 | -- | 77,225 |
| Impact fees | 1,456,995 | 924,697 | 2,381,692 |
| Community redevelopment | 3,277,028 | -- | 3,277,028 |
| Transportation | 819,927 | -- | 819,927 |
| Unrestricted | 6,461,109 | 9,191,740 | 15,652,849 |
| Total net position | <u>\$ 58,463,729</u> | <u>\$ 39,622,446</u> | <u>\$ 98,086,175</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, 2020

| Function/Programs | Expenses | Indirect Expenses Allocation |
|-----------------------------------|--------------------------|---|
| Primary Government: | | |
| Governmental activities: | | |
| General government | \$ 4,187,453 | \$ -- |
| Public safety | 4,828,457 | (579,762) |
| Highways and streets | 1,355,491 | -- |
| Recreation | 684,068 | -- |
| Economic and physical environment | 2,448,662 | 579,762 |
| Interest on long-term debt | 72,095 | -- |
| Total governmental activities | <u>13,576,226</u> | <u>--</u> |
| Business-type activities: | | |
| Solid waste | 2,180,346 | -- |
| Water and sewer | 5,543,719 | -- |
| Stormwater | 517,802 | -- |
| Reuse | 281,797 | -- |
| Total business-type activities | <u>8,523,664</u> | <u>--</u> |
| Total primary government | <u>\$ 22,099,890</u> | <u>\$ --</u> |

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

| Charges for Services | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position | | |
|--------------------------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | Governmental Activities | Business-type Activities | |
| \$ 1,174,634 | \$ 36,807 | \$ -- | \$ (2,976,012) | \$ -- | \$ (2,976,012) |
| 345,746 | 25,913 | -- | (3,877,036) | -- | (3,877,036) |
| 397,761 | -- | -- | (957,730) | -- | (957,730) |
| 89,499 | -- | -- | (594,569) | -- | (594,569) |
| -- | -- | 101,093 | (2,927,331) | -- | (2,927,331) |
| -- | -- | -- | (72,095) | -- | (72,095) |
| <u>2,007,640</u> | <u>62,720</u> | <u>101,093</u> | <u>(11,404,773)</u> | <u>--</u> | <u>(11,404,773)</u> |
| 2,313,825 | -- | 7,184 | -- | 140,663 | 140,663 |
| 7,902,819 | -- | 1,004,543 | -- | 3,363,643 | 3,363,643 |
| 880,405 | -- | -- | -- | 362,603 | 362,603 |
| 495,506 | -- | -- | -- | 213,709 | 213,709 |
| <u>11,592,555</u> | <u>--</u> | <u>1,011,727</u> | <u>--</u> | <u>4,080,618</u> | <u>4,080,618</u> |
| <u>\$ 13,600,195</u> | <u>\$ 62,720</u> | <u>\$ 1,112,820</u> | <u>\$ (11,404,773)</u> | <u>\$ 4,080,618</u> | <u>\$ (7,324,155)</u> |
| General Revenues: | | | | | |
| Property taxes | | | \$ 9,379,278 | \$ -- | \$ 9,379,278 |
| Sales taxes | | | 2,024,823 | -- | 2,024,823 |
| Utility taxes | | | 1,227,589 | -- | 1,227,589 |
| Motor fuel taxes | | | 1,529,630 | -- | 1,529,630 |
| Other taxes | | | 870,176 | -- | 870,176 |
| Franchise fees | | | 882,651 | -- | 882,651 |
| Interest and investment earnings | | | 425,435 | 154,425 | 579,860 |
| Other general revenues | | | 112,643 | -- | 112,643 |
| Transfers | | | 774,091 | (774,091) | -- |
| Total general revenues and transfers | | | <u>17,226,316</u> | <u>(619,666)</u> | <u>16,606,650</u> |
| Change in net position | | | <u>5,821,543</u> | <u>3,460,952</u> | <u>9,282,495</u> |
| Net position - beginning | | | <u>52,642,186</u> | <u>36,161,494</u> | <u>88,803,680</u> |
| Net position - ending | | | <u>\$ 58,463,729</u> | <u>\$ 39,622,446</u> | <u>\$ 98,086,175</u> |

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

CITY OF PALMETTO, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

| | <u>General</u> | <u>Community Redevelopment Agency</u> | <u>Road and Bridge</u> | <u>Capital Projects (Nonmajor)</u> | <u>Total Governmental Funds</u> |
|--|----------------------|---|----------------------------|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,598,275 | \$ 3,272,450 | \$ 808,514 | \$ 662,457 | \$ 10,341,696 |
| Receivables, net of allowance for uncollectible | 350,460 | 34,371 | 146,412 | 27,743 | 558,986 |
| Advances to other funds | 165,800 | -- | -- | -- | 165,800 |
| Due from other governments | 213,627 | -- | 115,808 | -- | 329,435 |
| Investments | 2,812,629 | -- | -- | -- | 2,812,629 |
| Inventory | 281,992 | -- | -- | -- | 281,992 |
| Cash - restricted | 4,882,563 | -- | 704,923 | -- | 5,587,486 |
| Total assets | <u>\$ 14,305,346</u> | <u>\$ 3,306,821</u> | <u>\$ 1,775,657</u> | <u>\$ 690,200</u> | <u>\$ 20,078,024</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued liabilities | \$ 348,801 | \$ 17,950 | \$ 11,724 | \$ -- | \$ 378,475 |
| Unearned revenue | 73,740 | -- | -- | -- | 73,740 |
| Customer deposits payable | 1,725 | 2,300 | -- | -- | 4,025 |
| Total liabilities | <u>424,266</u> | <u>20,250</u> | <u>11,724</u> | <u>--</u> | <u>456,240</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | <u>126,062</u> | <u>9,543</u> | <u>21,242</u> | <u>27,743</u> | <u>184,590</u> |
| FUND BALANCES | | | | | |
| Nonspendable - Inventory | 281,992 | -- | -- | -- | 281,992 |
| Restricted | 4,989,482 | 3,277,028 | 1,742,691 | -- | 10,009,201 |
| Committed | 2,079,406 | -- | -- | 662,457 | 2,741,863 |
| Assigned | 294,066 | -- | -- | -- | 294,066 |
| Unassigned | 6,110,072 | -- | -- | -- | 6,110,072 |
| Total fund balances | <u>13,755,018</u> | <u>3,277,028</u> | <u>1,742,691</u> | <u>662,457</u> | <u>19,437,194</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 14,305,346</u> | <u>\$ 3,306,821</u> | <u>\$ 1,775,657</u> | <u>\$ 690,200</u> | |
| Adjustments for primary government total net position | | | | | |
| General capital assets, net of accumulated depreciation | | | | | \$ 45,119,058 |
| Unearned revenue | | | | | (212,000) |
| Unavailable revenue | | | | | 184,590 |
| Deferred outflows of pension resources | | | | | 475,449 |
| Deferred outflows of other post-employment benefits | | | | | 136,438 |
| Deferred outflows of loss on refunding | | | | | 76,400 |
| Deferred inflows of pension earnings | | | | | (1,063,364) |
| Deferred inflows from other post-employment benefits | | | | | (6,219) |
| Long term debt for capital leases; compensated absences, net pension liabilities, OPEB and loans | | | | | <u>(5,683,817)</u> |
| Total net position for governmental activities (page 26) | | | | | <u>\$ 58,463,729</u> |

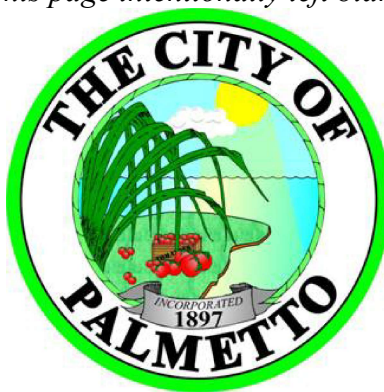
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

| | <u>General</u> | <u>Community Redevelopment Agency</u> | <u>Road and Bridge</u> | <u>Capital Projects (Nonmajor)</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---|----------------------------|--|---|
| REVENUES | | | | | |
| Taxes | | | | | |
| Property | \$ 5,264,944 | \$ 4,114,334 | \$ -- | \$ -- | \$ 9,379,278 |
| Sales | 2,024,823 | -- | -- | -- | 2,024,823 |
| Utility | 1,227,589 | -- | -- | -- | 1,227,589 |
| Motor fuel | 11,832 | -- | 1,517,798 | -- | 1,529,630 |
| Other | 870,176 | -- | -- | -- | 870,176 |
| Permits, fees, and special assessments | 1,977,998 | -- | -- | -- | 1,977,998 |
| Intergovernmental revenues | 71,699 | 12,552 | -- | 409,010 | 493,261 |
| Fines and forfeitures | 47,005 | -- | -- | -- | 47,005 |
| Charges for services | 823,470 | -- | 132,610 | -- | 956,080 |
| Interest earnings | 320,859 | 76,773 | 27,803 | -- | 425,435 |
| Miscellaneous | 148,073 | 7,760 | 2,997 | -- | 158,830 |
| Impact fees | 206,504 | -- | 265,151 | -- | 471,655 |
| Total revenues | <u>12,994,972</u> | <u>4,211,419</u> | <u>1,946,359</u> | <u>409,010</u> | <u>19,561,760</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 3,826,284 | -- | -- | -- | 3,826,284 |
| Public safety | 5,048,610 | -- | -- | -- | 5,048,610 |
| Highways and streets | -- | -- | 859,195 | -- | 859,195 |
| Recreation | 658,915 | -- | -- | -- | 658,915 |
| Economic and physical environment | 1,352,797 | 1,551,915 | -- | -- | 2,904,712 |
| Capital outlay | | | | | |
| Streets | 495,499 | -- | 151,419 | 747,835 | 1,394,753 |
| Other | 635,391 | 3,145,167 | -- | 43,214 | 3,823,772 |
| Debt service principal and interest | 280,481 | 246,779 | 294,650 | -- | 821,910 |
| Total expenditures | <u>12,297,977</u> | <u>4,943,861</u> | <u>1,305,264</u> | <u>791,049</u> | <u>19,338,151</u> |
| Excess (deficiency) of revenues over expenditures | <u>696,995</u> | <u>(732,442)</u> | <u>641,095</u> | <u>(382,039)</u> | <u>223,609</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 1,052,861 | -- | -- | 403,400 | 1,456,261 |
| Transfers out | (45,000) | (69,482) | (567,688) | -- | (682,170) |
| Capital leases | 254,676 | -- | 84,990 | -- | 339,666 |
| Total other financing sources (uses) | <u>1,262,537</u> | <u>(69,482)</u> | <u>(482,698)</u> | <u>403,400</u> | <u>1,113,757</u> |
| Net change in fund balances | 1,959,532 | (801,924) | 158,397 | 21,361 | 1,337,366 |
| Fund balances, beginning | 11,795,486 | 4,078,952 | 1,584,294 | 641,096 | 18,099,828 |
| Fund balances, ending | <u>\$ 13,755,018</u> | <u>\$ 3,277,028</u> | <u>\$ 1,742,691</u> | <u>\$ 662,457</u> | <u>\$ 19,437,194</u> |

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

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CITY OF PALMETTO, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

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

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds | \$ 1,337,366 |
| 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. | 3,617,613 |
| The issuance of long-term debt (i.e. loans and capital leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds and does not effect net assets. This amount is the net effect of these differences in the treatment of long-term debt and related payments. | 396,064 |
| 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. | 828,820 |
| Some revenues reported in the statement of activities do not increase current financial resources. | <u>(358,320)</u> |
| Changes in net assets of governmental activities | <u><u>\$ 5,821,543</u></u> |

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

| | Business-type Activities - Enterprise Funds | | | | |
|--|--|------------------------|--------------------|--------------------|---------------------|
| | Solid Waste | Water and Sewer | Stormwater | Reuse | Total |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 835,602 | \$ 3,409,184 | \$ 362,174 | \$ 690,232 | \$ 5,297,192 |
| Receivables, net of allowance for uncollectible | 239,755 | 2,986,583 | 86,761 | 59,486 | 3,372,585 |
| Total current assets | <u>1,075,357</u> | <u>6,395,767</u> | <u>448,935</u> | <u>749,718</u> | <u>8,669,777</u> |
| Noncurrent assets | | | | | |
| Cash - restricted | | | | | |
| Cash - capital projects | -- | 1,903,291 | 163,653 | 33,642 | 2,100,586 |
| Loan covenant accounts | -- | 166,600 | 177,065 | 1,292 | 344,957 |
| Impact fees | -- | 924,697 | -- | -- | 924,697 |
| Customer deposits | -- | 686,251 | -- | -- | 686,251 |
| Total cash - restricted | <u>--</u> | <u>3,680,839</u> | <u>340,718</u> | <u>34,934</u> | <u>4,056,491</u> |
| Capital assets: | | | | | |
| Land | -- | 4,815 | 274,600 | -- | 279,415 |
| Buildings | 6,847 | 804,076 | 10,842 | 5,135 | 826,900 |
| Improvements other than buildings | -- | 33,751,155 | 10,027,700 | 7,944,896 | 51,723,751 |
| Machinery and equipment | 231,856 | 4,680,301 | 180,587 | 13,390 | 5,106,134 |
| Construction in progress | -- | 7,871,593 | 29,250 | 14,000 | 7,914,843 |
| Less: accumulated depreciation | <u>(205,803)</u> | <u>(19,037,073)</u> | <u>(3,622,938)</u> | <u>(1,022,942)</u> | <u>(23,888,756)</u> |
| Total capital assets (net of accumulated depreciation) | <u>32,900</u> | <u>28,074,867</u> | <u>6,900,041</u> | <u>6,954,479</u> | <u>41,962,287</u> |
| Total noncurrent assets | <u>32,900</u> | <u>31,755,706</u> | <u>7,240,759</u> | <u>6,989,413</u> | <u>46,018,778</u> |
| Total assets | <u>1,108,257</u> | <u>38,151,473</u> | <u>7,689,694</u> | <u>7,739,131</u> | <u>54,688,555</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred outflows of pension earnings | 2,359 | 12,788 | 3,307 | 860 | 19,314 |
| Deferred outflows of other post-employment benefit | 3,213 | 17,597 | 4,615 | 1,126 | 26,551 |
| Deferred outflows of loss on refunding | -- | 196,631 | 79,244 | 52,297 | 328,172 |
| Total deferred outflows of resources | <u>5,572</u> | <u>227,016</u> | <u>87,166</u> | <u>54,283</u> | <u>374,037</u> |

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

| | Business-type Activities - Enterprise Funds | | | | |
|--|--|------------------------|---------------------|---------------------|----------------------|
| | Solid Waste | Water and Sewer | Stormwater | Reuse | Total |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 152,456 | 939,871 | 3,114 | 2,589 | 1,098,030 |
| Accrued interest payable | -- | 33,780 | 8,877 | 4,288 | 46,945 |
| Advances from other funds | -- | -- | -- | 165,800 | 165,800 |
| Compensated absences | 1,987 | 9,316 | 1,053 | -- | 12,356 |
| Capital leases payable-current | 9,033 | 269,079 | 9,145 | 407 | 287,664 |
| Loans payable-current | -- | 925,851 | 381,517 | 135,815 | 1,443,183 |
| Total current liabilities payable from unrestricted assets | <u>163,476</u> | <u>2,177,897</u> | <u>403,706</u> | <u>308,899</u> | <u>3,053,978</u> |
| Current liabilities payable from restricted assets: | | | | | |
| Customer deposits payable | -- | 686,251 | -- | -- | 686,251 |
| Total current liabilities | <u>163,476</u> | <u>2,864,148</u> | <u>403,706</u> | <u>308,899</u> | <u>3,740,229</u> |
| Noncurrent liabilities | | | | | |
| Loans payable | -- | 9,300,600 | 939,164 | 627,256 | 10,867,020 |
| Other post-employment benefits | 9,490 | 52,919 | 14,200 | 2,163 | 78,772 |
| Net pension liability | 6,473 | 35,082 | 9,074 | 2,359 | 52,988 |
| Compensated absences | 5,962 | 27,947 | 3,160 | -- | 37,069 |
| Capital leases payable | 9,556 | 507,273 | 9,983 | 4,728 | 531,540 |
| Total noncurrent liabilities | <u>31,481</u> | <u>9,923,821</u> | <u>975,581</u> | <u>636,506</u> | <u>11,567,389</u> |
| Total liabilities | <u>194,957</u> | <u>12,787,969</u> | <u>1,379,287</u> | <u>945,405</u> | <u>15,307,618</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows of pension earnings | 16,045 | 86,956 | 22,491 | 5,847 | 131,339 |
| Deferred inflows of other post-employment benefits | 132 | 869 | 176 | 12 | 1,189 |
| Total deferred inflows of resources | <u>16,177</u> | <u>87,825</u> | <u>22,667</u> | <u>5,859</u> | <u>132,528</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 14,311 | 17,268,695 | 5,639,476 | 6,238,570 | 29,161,052 |
| Restricted for: | | | | | |
| Debt service | -- | 166,600 | 177,065 | 1,292 | 344,957 |
| Impact fees | -- | 924,697 | -- | -- | 924,697 |
| Unrestricted | <u>888,384</u> | <u>7,142,703</u> | <u>558,365</u> | <u>602,288</u> | <u>9,191,740</u> |
| Total net position | <u>\$ 902,695</u> | <u>\$ 25,502,695</u> | <u>\$ 6,374,906</u> | <u>\$ 6,842,150</u> | <u>\$ 39,622,446</u> |

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

CITY OF PALMETTO, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

| | Business-type Activities - Enterprise Funds | | | | |
|--|--|------------------------|---------------------|---------------------|----------------------|
| | Solid Waste | Water and Sewer | Stormwater | Reuse | Total |
| Operating Revenues | | | | | |
| Charges for sales and services | | | | | |
| Garbage and trash pickup | \$ 2,277,037 | \$ -- | \$ -- | \$ -- | \$ 2,277,037 |
| Water sales | -- | 4,251,164 | -- | -- | 4,251,164 |
| Sewer charges | -- | 3,503,480 | -- | -- | 3,503,480 |
| Stormwater fees | -- | -- | 877,172 | -- | 877,172 |
| Reuse fees | -- | -- | -- | 493,129 | 493,129 |
| Installation and connection fees | -- | 38,100 | -- | -- | 38,100 |
| Penalties and check charges | 6,461 | 30,139 | 2,619 | 2,289 | 41,508 |
| Miscellaneous | 30,327 | 79,936 | 614 | 88 | 110,965 |
| Total operating revenues | <u>2,313,825</u> | <u>7,902,819</u> | <u>880,405</u> | <u>495,506</u> | <u>11,592,555</u> |
| Operating Expenses | | | | | |
| Cost of sales and services | 2,173,515 | 4,412,320 | 250,997 | 81,694 | 6,918,526 |
| Depreciation | 6,378 | 964,157 | 216,972 | 165,248 | 1,352,755 |
| Total operating expenses | <u>2,179,893</u> | <u>5,376,477</u> | <u>467,969</u> | <u>246,942</u> | <u>8,271,281</u> |
| Operating income (loss) | <u>133,932</u> | <u>2,526,342</u> | <u>412,436</u> | <u>248,564</u> | <u>3,321,274</u> |
| Nonoperating Revenues (Expenses) | | | | | |
| Interest earnings | 14,419 | 117,945 | 8,605 | 13,456 | 154,425 |
| Interest expense | (453) | (167,242) | (49,833) | (34,855) | (252,383) |
| Total nonoperating revenues (expenses) | <u>13,966</u> | <u>(49,297)</u> | <u>(41,228)</u> | <u>(21,399)</u> | <u>(97,958)</u> |
| Income (loss) before capital contributions and transfers | 147,898 | 2,477,045 | 371,208 | 227,165 | 3,223,316 |
| Impact fees | -- | 484,139 | -- | -- | 484,139 |
| Capital contributions-grants | 7,184 | 520,404 | -- | -- | 527,588 |
| Transfers in | -- | -- | 129,707 | -- | 129,707 |
| Transfers out | (76,292) | (652,886) | (122,548) | (52,072) | (903,798) |
| Change in net position | 78,790 | 2,828,702 | 378,367 | 175,093 | 3,460,952 |
| Total net position - beginning | 823,905 | 22,673,993 | 5,996,539 | 6,667,057 | 36,161,494 |
| Total net position - ending | <u>\$ 902,695</u> | <u>\$ 25,502,695</u> | <u>\$ 6,374,906</u> | <u>\$ 6,842,150</u> | <u>\$ 39,622,446</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, 2020

| | <u>Solid Waste</u> | <u>Water and Sewer</u> | <u>Stormwater</u> | <u>Reuse</u> | <u>Total Proprietary</u> |
|---|------------------------|----------------------------|-------------------|-------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 2,267,221 | \$ 7,283,645 | \$ 868,631 | \$ 481,823 | \$ 10,901,320 |
| Payments to suppliers | (2,008,903) | (3,486,741) | (58,896) | (18,941) | (5,573,481) |
| Payments to employees | (168,483) | (948,877) | (245,087) | (58,670) | (1,421,117) |
| Net cash provided (used) by operating activities | <u>89,835</u> | <u>2,848,027</u> | <u>564,648</u> | <u>404,212</u> | <u>3,906,722</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Advances (to)/from other funds | -- | -- | -- | (52,079) | (52,079) |
| Transfers from other funds | -- | -- | 129,707 | -- | 129,707 |
| Transfers to other funds | (76,292) | (652,886) | (122,548) | (52,072) | (903,798) |
| Net cash provided (used) by noncapital and related financing activities | <u>(76,292)</u> | <u>(652,886)</u> | <u>7,159</u> | <u>(104,151)</u> | <u>(826,170)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | -- | (7,373,806) | (140,168) | (413,580) | (7,927,554) |
| Proceeds from issuance of debt | -- | 4,958,414 | -- | -- | 4,958,414 |
| Impact fee capital contributions | -- | 484,139 | -- | -- | 484,139 |
| Grant capital contributions | 7,184 | 520,404 | -- | -- | 527,588 |
| Payments on capital lease obligations | (8,269) | (255,413) | (27,144) | -- | (290,826) |
| Principal paid on capital debt | -- | (571,716) | (372,512) | (133,299) | (1,077,527) |
| Interest paid on capital debt | (453) | (121,642) | (38,724) | (25,933) | (186,752) |
| Net cash provided (used) by capital and related financing activities | <u>(1,538)</u> | <u>(2,359,620)</u> | <u>(578,548)</u> | <u>(572,812)</u> | <u>(3,512,518)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and dividends received | 14,419 | 117,945 | 8,605 | 13,456 | 154,425 |
| Net cash provided (used) by investing activities | <u>14,419</u> | <u>117,945</u> | <u>8,605</u> | <u>13,456</u> | <u>154,425</u> |
| Net increase (decrease) in cash and cash equivalents | 26,424 | (46,534) | 1,864 | (259,295) | (277,541) |
| Cash and cash equivalents - October 1, 2019 | 809,178 | 7,136,557 | 701,028 | 984,461 | 9,631,224 |
| Cash and cash equivalents - September 30, 2020 | <u>\$ 835,602</u> | <u>\$ 7,090,023</u> | <u>\$ 702,892</u> | <u>\$ 725,166</u> | <u>\$ 9,353,683</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | |
| Operating income (loss) | \$ 133,932 | \$ 2,526,342 | \$ 412,436 | \$ 248,564 | \$ 3,321,274 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 6,378 | 964,157 | 216,972 | 165,248 | 1,352,755 |
| Non-cash pension expense (recovery) | (14,445) | (106,341) | (37,552) | 1,826 | (156,512) |
| Non-cash other post-employment expense (recovery) | 668 | 3,613 | 934 | 243 | 5,458 |
| (Increase) decrease in accounts receivable | (46,604) | (638,236) | (11,774) | (13,683) | (710,297) |
| Increase (decrease) in accounts payable and accrued liabilities | 9,906 | 79,430 | (16,368) | 2,014 | 74,982 |
| Increase (decrease) in customer deposits | -- | 19,062 | -- | -- | 19,062 |
| Total adjustments | <u>(44,097)</u> | <u>321,685</u> | <u>152,212</u> | <u>155,648</u> | <u>585,448</u> |
| Net cash provided (used) by operating activities | <u>\$ 89,835</u> | <u>\$ 2,848,027</u> | <u>\$ 564,648</u> | <u>\$ 404,212</u> | <u>\$ 3,906,722</u> |
| Detail of cash and equivalents at September 30, 2020: | | | | | |
| Cash and equivalents | \$ 835,602 | \$ 3,409,184 | \$ 362,174 | \$ 690,232 | \$ 5,297,192 |
| Restricted cash: | | | | | |
| Cash - Capital Projects | -- | 1,903,291 | 163,653 | 33,642 | 2,100,586 |
| Loan covenant accounts | -- | 166,600 | 177,065 | 1,292 | 344,957 |
| Impact fees | -- | 924,697 | -- | -- | 924,697 |
| Customer deposits | -- | 686,251 | -- | -- | 686,251 |
| Total | <u>\$ 835,602</u> | <u>\$ 7,090,023</u> | <u>\$ 702,892</u> | <u>\$ 725,166</u> | <u>\$ 9,353,683</u> |
| NONCASH CAPITAL ACTIVITIES | | | | | |
| Borrowing under capital lease | \$ 6,847 | \$ 372,841 | \$ 10,842 | \$ 5,135 | \$ 395,665 |

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, 2020

| | Pension Trust | | Agency Fund |
|-----------------------------------|----------------------|----|--------------------|
| | Funds | | Fund |
| ASSETS | | | |
| Cash and cash equivalents | \$ 805 | \$ | 14,025 |
| Accounts receivable | 13,633 | | -- |
| Interest and dividends receivable | 29,091 | | -- |
| Prepaid benefits | 138,960 | | -- |
| Investments, at fair value | | | |
| Money market funds | 631,366 | | -- |
| U. S. government securities | 2,406,353 | | -- |
| Corporate bonds | 1,656,734 | | -- |
| Corporate stocks | 8,316,984 | | -- |
| Mutual funds | 14,503,063 | | -- |
| Alternative investments | 2,980,676 | | -- |
| Total investments | <u>30,495,176</u> | | <u>--</u> |
| Total assets | <u>30,677,665</u> | | <u>14,025</u> |
| LIABILITIES | | | |
| Accounts payable | -- | | 14,025 |
| Total liabilities | <u>--</u> | | <u>14,025</u> |
| NET POSITION | | | |
| Restricted for pension benefits | <u>\$ 30,677,665</u> | \$ | <u>--</u> |

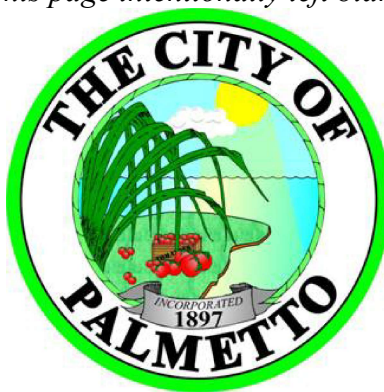
The notes to the financial statements are an integral part of this statement.

CITY OF PALMETTO, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2020

| | Pension Trust Funds |
|---|--------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 1,033,328 |
| Plan members | 260,507 |
| State (from the General Fund) | 133,879 |
| Miscellaneous | 661 |
| Total contributions: | 1,428,375 |
| Investment Earnings | |
| Interest | 92,668 |
| Dividends | 519,019 |
| Net increase in the fair value of investments | 1,740,523 |
| Total investment earnings | 2,352,210 |
| Less investment expense | (143,167) |
| Net investment earnings | 2,209,043 |
| Total additions | 3,637,418 |
| DEDUCTIONS | |
| Benefits | 1,923,010 |
| Refunds of contributions | 81,379 |
| Administrative expenses | 60,408 |
| Total deductions | 2,064,797 |
| Change in net position | 1,572,621 |
| Net position, beginning | 29,105,044 |
| Net position, ending | \$ 30,677,665 |

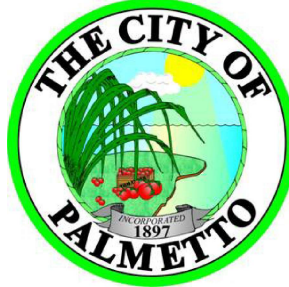
The notes to the financial statements are an integral part of this statement.

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City of Palmetto, Florida

September 30, 2020



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CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Palmetto, Florida, (the City) was incorporated June 15, 1897, by referendum and amended in 2004 and 2010. The City was created under Chapter 11059, Laws of Florida, as amended, and may exercise any power for municipal purposes as set forth in Chapter 166, Florida Statutes. The City is located on the west coast of Florida in Manatee County and is comprised of seven square miles with a population of 13,661. The current charter provides for an elected mayor and a five-member commission, all serving four year terms. The City provides municipal services such as public safety (police), roads and streets, recreation, public improvements, planning and zoning, and general administrative services. The City also has enterprise operations consisting of solid waste (garbage and trash collection), water, sewer, reclaimed water and stormwater.

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

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

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements by allocation of these activities on a fund basis based on the predominant users of the services. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for their support.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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

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

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

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Governmental funds report the following major funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as general administration, police protection, public works administration and parks and landscape are provided by the General Fund. The City allocates charges for indirect services provided by General Fund departments based on a cost allocation plan. The funds are reported as interfund transfers to the General Fund. Reported with the General Fund are two "sub-funds". The Trailer Park Trust is a "sub-fund" which is separated for the convenience of the City in tracking certain investments and reports committed fund balance. The second sub-fund is the Infrastructure Half-Cent Sales Tax Fund which is used to record revenues and expenses from the county-wide half-cent sales tax approved by voters in November, 2016. The sales tax is to be used for capital improvements for public safety, transportation and parks and recreation and reports restricted fund balance.

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

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

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

Proprietary funds report the following major funds:

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

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are from charges to customers for sales and services in the solid waste, water and sewer, stormwater and reuse funds. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position or Equity

1. Deposits and Investments

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Fair Value

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

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

The three categories within the hierarchy are as follows:

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

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

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

See Note IV for additional information regarding fair value.

3. Investments Measured at the Net Asset Value

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Receivables

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

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

5. Interfund Transactions

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

6. Inventories and Prepaid Items

Inventories are adjusted to annual counts and are valued at cost, which approximates market, using the average cost method. Inventory is accounted for using the consumption method, whereby inventories are recorded as expenditures when they are used rather than purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

7. Restricted Assets

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

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

8. Compensated Absences

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Compensated Absences (Continued)

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

9. Capital Assets

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

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

Donated capital assets are recorded at estimated fair value at the date of donation. Donated capital assets, works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Currently, the City is not involved with service concession arrangements. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The loss on funding is a result of the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized using the straight-line method in the government-wide and proprietary fund financial statements over the shorter of the life of the old bonds or the life of the new bonds. The City reports a deferred outflow related to the City's pension and other post-employment benefit plans representing changes in the net pension and other post-employment benefit liabilities that are not included in pension and other post-employment benefit expense and must be amortized in a systematic and rational manner.

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

11. Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Manatee County Property Appraiser as of the prior January 1. The property tax revenue for fiscal year 2020 was based on taxable assessed property values totaling \$978,938,293.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2019-2020 fiscal year, the City levied taxes of \$5.9671 mills for the General Fund.

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Property Tax Calendar (Continued)

The property tax cycle is summarized as follows:

| | |
|-----------------------|--|
| June 1 | Preliminary taxable valuation |
| July 1 | Certification of valuations |
| September 14 | Tentative tax levy set and first public hearing |
| September 28 | Tax levy and budget adopted |
| October 1 | Fiscal year begins for which tax is to be levied |
| November 1 - March 31 | Property taxes are due with various discount rates |
| April 1 | Taxes are delinquent and property is subject to lien |
| May 1 | Delinquent tax certificates may be sold |

12. Special Assessments

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

13. Long-term Obligations

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

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

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

14. Net Position/Fund Balance

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Net Position/Fund Balance (Continued)

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

Fund Balance: Generally, fund balance represents the difference between the assets and deferred outflows and liabilities and deferred inflows under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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

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

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

1. *General government capital assets, net of accumulated depreciation*: Capital assets are not included as part of total assets in the fund statements and need to be reported as capital assets in the government-wide statement of net position. The details of this \$45,119,058 difference are as follows:

| | |
|---|-----------------------------|
| Capital assets (net of accumulated depreciation) | |
| Land | \$ 10,526,695 |
| Buildings | 1,128,106 |
| Machinery and equipment | 2,244,644 |
| Infrastructure | 28,897,137 |
| Construction in progress | <u>2,322,476</u> |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u><u>\$ 45,119,058</u></u> |

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

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

3. *Deferred inflows*: Revenues that are an acquisition of net position and applicable to a future reporting period and therefore unavailable for use in the governmental funds. The details of this \$184,590 difference are as follows:

| | |
|---|--------------------------|
| Unavailable revenue - Code Enforcement | \$ 80,281 |
| Unavailable revenue - Special Assessments | 58,714 |
| Unavailable revenue for grants which were earned in the governmental activities but did not meet the 60 day requirement in the governmental funds | <u>45,595</u> |
| Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i> | <u><u>\$ 184,590</u></u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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

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

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

| | |
|--|----------------|
| Deferred outflows of pension resources | \$ 475,449 |
| Deferred outflows of other post-employment benefits | \$ 136,438 |
| Deferred inflows of pension earnings | \$ (1,063,364) |
| Deferred inflows from other post-employment benefits | \$ (6,219) |

5. *Long-term debt for capital leases, compensated absences, net pension liabilities, OPEB and loans: Long-term liabilities, including loans payable, are not due and payable in the current period and therefore are not reported in the governmental fund statements.* The details of this \$5,683,817 difference are as follows:

| | |
|---|-------------------------------------|
| 2019 loan payable | \$ (1,096,889) |
| CRA loan payable | (1,298,848) |
| Capital leases payable | (760,896) |
| Compensated absences | (654,765) |
| Other post employment benefits | (418,347) |
| Net pension liability | <u>(1,454,072)</u> |
| Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities | <u><u>\$ (5,683,817)</u></u> |

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

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

1. *Governmental funds report capital outlays as expenditures:* In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$3,617,613 difference are as follows:

| | |
|---|-----------------------------------|
| Capital outlay | \$ 5,198,884 |
| Depreciation expense | <u>(1,581,271)</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u><u>\$ 3,617,613</u></u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

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

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

2. *The issuance and repayment of long-term debt (i.e. loans and capital leases):* The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is reported as debt service payments in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The details of this \$396,064 difference are as follows:

| | |
|--|---------------------------------|
| Principal payments on long-term bank loans | \$ 407,723 |
| Payments on capital leases | 342,092 |
| Capital lease additions | (339,666) |
| Loss on refunding | <u>(14,085)</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i> | <u><u>\$ 396,064</u></u> |

3. *Some expenses reported in the statement of activities do not require the use of current financial resources:* These expenses are not reported as expenditures in governmental funds. The details of this \$828,820 difference are as follows:

| | |
|--|---------------------------------|
| Changes in other post-employment benefits | \$ (27,961) |
| Change in net pension liability, deferred inflows and deferred outflows | 770,832 |
| Changes in compensated absences | <u>85,949</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i> | <u><u>\$ 828,820</u></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 \$358,320 difference are as follows:

| | |
|--|-----------------------------------|
| Change in unavailable revenue | \$ <u>(358,320)</u> |
| Net adjustment to increase <i>net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities</i> | <u><u>\$ (358,320)</u></u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

1. No later than the first regular City Commission meeting of September, the City Clerk submits to the City Commission, a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing the expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution. The budget resolution restricts total expenditures by fund. Expenditures for any year may not exceed current year fund appropriations plus accumulated fund equity.
4. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the departmental cost center level. Transfers of appropriations between cost centers or funds require the approval of the City Commission. The transfer of appropriations between line items within the same departmental cost center can be accomplished with Department Head and City Clerk approval.
5. All unencumbered and unexpended appropriations lapse at fiscal year end. Encumbered appropriations (i.e., purchase orders, contracts) outstanding at year end are reported as committed or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.
6. The City Commission has the power to revise its budget appropriations by resolution from time to time during the fiscal year; however, no revision may be made by transferring any encumbered funds unless such funds are first released or discharged from any such encumbrance. Budgeted amounts are as originally adopted or amended by the City. Supplemental appropriations made during the fiscal year are included in the "Final Budget" columns on the statement of revenues, expenditures, and changes in fund balances – budget and actual.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2020, expenditures did not exceed appropriations at the departmental level, the legal level of budgetary control.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

At September 30, 2020, the carrying amount of the City's primary government deposits was \$28,110,324. This amount includes interest bearing time deposits consisting of collateralized certificates of deposit and FDIC insured certificates of deposit valued at \$8,292,670, two money market accounts valued at \$1,744,507, the SBA investment of \$5,040,067, the FMIT investment of \$201,852, loan covenant accounts of \$344,957, the operating account of \$9,626,136, lease proceeds \$45,406, petty cash \$2,100 and \$2,812,629 from the Trailer Park Trust fund that may be used only on approval by City Commission. The bank balance for the operating accounts was \$10,243,385. All deposits are insured by either the Federal Depository Insurance Corporation or by the Multiple Financial Institution Collateral Pool established by Chapter 280 of the Florida Statutes. Chapter 280 requires all financial institutions holding municipal deposits to pledge securities with the State or third party custodians equal to a percentage between 25% and 200% determined by the State's Chief Financial Officer and based on information from nationally recognized financial rating services and established financial performance guidelines for the banking institutions. New and financially troubled institutions are required to pledge securities equal to 125% of municipal deposits with the State or third party custodians.

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

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

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

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

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 8.37% for the Police Pension Plan and 7.09% for the General Employees' Pension Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The pension plans did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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

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

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

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. From October 1, 2019 through September 30, 2020, no such disclosure has been made.

As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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

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

As of September 30, 2020, the City had the following cash and investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|---------------------------------------|----------------------|----------------------------------|---------------------|---------------------|-------------------|
| | | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| Cash and Short Term Investments | \$ 12,394,472 | \$ 12,394,472 | \$ -- | \$ -- | \$ -- |
| Investment Pools | 13,332,737 | 11,810,617 | 1,522,120 | -- | -- |
| US Agencies | 5,420,834 | 3,319,307 | 840,119 | 484,663 | 776,745 |
| Corporate Bonds | 1,656,734 | 257,770 | 394,943 | 807,496 | 196,525 |
| Common Stock | 8,316,984 | 8,316,984 | -- | -- | -- |
| Mutual Funds - Fixed Income | 2,938,900 | 2,938,900 | -- | -- | -- |
| Mutual Funds - Equity | 11,564,163 | 11,564,163 | -- | -- | -- |
| Alternative Investments - Real Estate | 2,980,676 | 2,980,676 | -- | -- | -- |
| Total cash and investments | \$ 58,605,500 | \$ 53,582,889 | \$ 2,757,182 | \$ 1,292,159 | \$ 973,270 |

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. The dollar weighted average days to maturity of the SBA at September 30, 2020 is 48 days, and the weighted average life is 63 days.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

2. *Credit Risk: City Investments.* Credit quality risk results from potential default of investments that are not financially sound. The City invests a large amount of its surplus funds pursuant to Chapter 280 of the Florida Statutes whereby the City is made whole by all participating banks should a principal loss be incurred by the City. This statute limits investing activities to the SBA, certificates of deposits, registered SEC and money market mutual funds, and intergovernmental investment pools. Investments of these types insure the security of the City's surplus funds. The City has invested funds in two investment pool's, both of which are currently rated by Standard and Poor's at AAAM as of September 30, 2020. These funds include \$5,040,067 in the SBA and \$1,721,878 in Florida Safe. The City also has \$8,292,670 in certificates of deposit and term series held by qualified participating depositories. Investments in the Florida Municipal Investment Trust (FMIT) are rated by Fitch for the 1-3 Year High Quality Bond Fund at AAAf/S2, and the Intermediate High Quality Bond Fund at AAAf/S3 as of September 30, 2020. The City has investments in these bond funds of \$201,852 and \$2,812,629, respectively.

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

General Employees' Pension Plan

| Investments | Fair Value | Credit Rating (Moody's) | Percent Distribution |
|---------------------------------------|----------------------|--|---------------------------------|
| Cash and Short Term Investments | \$ 401,252 | | 2.52 % |
| U.S. Government Securities | 1,336,089 | | 8.37 % |
| Corporate Bonds | | | |
| | 50,088 | Aa3 | 0.31 % |
| | 140,886 | A1 | 0.88 % |
| | 51,980 | A3 | 0.33 % |
| | 744,804 | Not rated | 4.67 % |
| Corporate Stock | 7,287,966 | | 45.68 % |
| Mutual Funds - Fixed Income | 800,102 | Not rated | 5.02 % |
| Mutual Funds - Equity | 3,676,571 | | 23.04 % |
| Alternative Investments - Real Estate | 1,464,669 | | 9.18 % |
| Total cash and investments | \$ 15,954,407 | | 100.00 % |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

| | Police Pension Plan | | |
|---------------------------------------|----------------------------|--------------------------------|-----------------------------|
| Investments | Fair Value | Credit Rating (Moody's) | Percent Distribution |
| Cash and Short Term Investments | \$ 230,114 | | 1.58 % |
| U.S. Governmental Securities | | | |
| | 323,574 | | 2.22 % |
| | 746,690 | | 5.14 % |
| Corporate Bonds | | | |
| | 19,968 | Aaa | 0.14 % |
| | 14,965 | Aa1 | 0.10 % |
| | 66,050 | Aa3 | 0.45 % |
| | 64,089 | A1 | 0.44 % |
| | 244,378 | A2 | 1.68 % |
| | 150,985 | A3 | 1.04 % |
| | 88,504 | Baa1 | 0.61 % |
| | 20,037 | Baa2 | 0.14 % |
| Corporate Stock | 1,029,018 | | 7.08 % |
| Mutual Funds - Fixed Income | 2,138,798 | Not rated | 14.71 % |
| Mutual Funds - Equity | 7,887,592 | | 54.24 % |
| Alternative Investments - Real Estate | 1,516,007 | | 10.43 % |
| Total cash and investments | \$ 14,540,769 | | 100.00 % |

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles which are measured on a recurring basis. The City and the Pension Plans have the following recurring fair value measurements as of September 30, 2020 :

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|----------------------|---|--|--|
| Investments by fair value level: | | | | |
| Common Stocks | \$ 8,316,984 | \$ 8,316,984 | \$ -- | \$ -- |
| Mutual Funds | 14,503,063 | 14,503,063 | -- | -- |
| Money Market Funds | 631,366 | 631,366 | -- | -- |
| Debt Securities: | | | | |
| U.S. Treasury Notes | 1,583,736 | -- | 1,583,736 | -- |
| U.S. Government Agencies | 3,837,098 | -- | 3,837,098 | -- |
| Corporate Bonds | 1,656,734 | -- | 1,656,734 | -- |
| Total investments by fair value level | <u>30,528,981</u> | <u>23,451,413</u> | <u>7,077,568</u> | <u>--</u> |
| Instruments measured at the net asset value (NAV): | | | | |
| Real Estate: | | | | |
| UBS Trumbull Property Fund | 1,464,669 | | | |
| Principal U.S. Property Account | 1,516,007 | | | |
| Total investments measured at NAV | <u>2,980,676</u> | | | |
| Total investments | <u>\$ 33,509,657</u> | <u>\$ 23,451,413</u> | <u>\$ 7,077,568</u> | <u>\$ --</u> |

Investment derivative instruments:

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Fair Value (Continued)

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

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (If Currently Eligible)</u> | <u>Redemption Notice Period</u> |
|--|----------------------------|---------------------------------|---|--|
| Real Estate: | | | | |
| UBS Trumbull Property Fund | \$ 1,464,669 | \$ -- | Quarterly | 60 Days Prior to Quarter End Daily, but Subject to Deferment |
| Principal U.S. Property Account | <u>1,516,007</u> | -- | Monthly | |
| Total investments measured at NAV | <u><u>\$ 2,980,676</u></u> | | | |

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Receivables

Receivables and allowances for uncollectible accounts as of September 30, 2020 totals \$3,974,295 for the City at the fund level as shown below:

| | Governmental Funds | | | | | Fiduciary Funds |
|------------------------------------|---------------------------|------------------|--------------------------|-------------------------|-------------------|------------------------|
| | General | CRA | Road & Bridge | Capital Projects | Total | Pension Trust |
| Accounts receivable | \$ 107,999 | \$ 9,543 | \$ 116,920 | \$ -- | \$ 234,462 | \$ 13,633 |
| Special assessments | 37,472 | -- | 21,241 | -- | 58,713 | -- |
| Intergovernmental | 106,935 | -- | -- | -- | 106,935 | -- |
| Interest and dividends | 52,268 | 24,828 | 8,251 | -- | 85,347 | 29,091 |
| Grants | 45,786 | -- | -- | 27,743 | 73,529 | -- |
| Gross Receivables | 350,460 | 34,371 | 146,412 | 27,743 | 558,986 | 42,724 |
| Less: Allowances for Uncollectible | -- | -- | -- | -- | -- | -- |
| Net Total Receivables | \$ 350,460 | \$ 34,371 | \$ 146,412 | \$ 27,743 | \$ 558,986 | \$ 42,724 |

| | Enterprise Funds | | | | |
|------------------------------------|-------------------------|-----------------------------|------------------------|-------------------|---------------------|
| | Solid Waste Fund | Water and Sewer Fund | Stormwater Fund | Reuse Fund | Total |
| Accounts receivable | \$ 343,771 | \$ 3,267,520 | \$ 127,843 | \$ 81,919 | \$ 3,821,053 |
| Special assessments | -- | 769 | -- | -- | 769 |
| Interest and dividends receivable | 4,295 | 42,302 | 2,794 | 5,098 | 54,489 |
| Gross Receivables | 348,066 | 3,310,591 | 130,637 | 87,017 | 3,876,311 |
| Less: Allowances for Uncollectible | (108,311) | (324,008) | (43,876) | (27,531) | (503,726) |
| Net Total Receivables | \$ 239,755 | \$ 2,986,583 | \$ 86,761 | \$ 59,486 | \$ 3,372,585 |

D. Inter-fund Receivables, Payables and Transfers

1. Advances To/From Other Funds

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

During fiscal year 2014, the Trailer Park Trust fund advanced the Reuse fund \$500,000 to provide funding for the ASR Well project. This advance is being repaid to the Trailer Park Trust fund over ten years with 3% interest. The outstanding balance of the advance as of September 30, 2020 is \$165,800 and is reported with the General Fund in the financial statements.

| Receivable fund | Payable fund | Amount |
|---------------------------------|---------------------|---------------|
| General Fund/Trailer Park Trust | Reuse | \$ 165,800 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

2. Interfund Transfers

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

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

The composition of interfund transfers as of September 30, 2020, is as follows:

| | Transfers Out | Transfers In General Fund | Transfers In Capital Projects Fund | Transfers In Stormwater Fund | Total Transfers |
|----------------------|----------------------|--|---|---|----------------------------|
| General Fund | | \$ -- | \$ 45,000 | \$ -- | \$ 45,000 |
| CRA Fund | | 69,482 | -- | -- | 69,482 |
| Road and Bridge Fund | | 170,495 | 358,400 | 38,793 | 567,688 |
| Solid Waste Fund | | 76,292 | -- | -- | 76,292 |
| Water and Sewer Fund | | 561,972 | -- | 90,914 | 652,886 |
| Stormwater Fund | | 122,548 | -- | -- | 122,548 |
| Reuse Fund | | 52,072 | -- | -- | 52,072 |
| Total | | <u>\$ 1,052,861</u> | <u>\$ 403,400</u> | <u>\$ 129,707</u> | <u>\$ 1,585,968</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Restricted Assets

The balances of the restricted asset accounts are as follows:

| | Governmental Funds | | |
|---|---------------------------|-------------------|---------------------|
| | Road and | | Total |
| | General | Bridge | |
| Building department reserve | \$ 1,684,278 | \$ -- | \$ 1,684,278 |
| Capital improvement lease proceeds | 45,247 | 159 | 45,406 |
| Law enforcement | 77,225 | -- | 77,225 |
| Impact fees | 758,733 | 698,263 | 1,456,996 |
| Customer deposits | 1,725 | -- | 1,725 |
| Contributions - capital improvements | 2,315,355 | 6,501 | 2,321,856 |
| Total Governmental Restricted Assets | \$ 4,882,563 | \$ 704,923 | \$ 5,587,486 |

| | Proprietary Funds | | | Total |
|--|--------------------------|-------------------|------------------|---------------------|
| | Water and | Stormwater | Reuse | |
| | Sewer | | | |
| Cash - capital projects | \$ 1,903,291 | \$ 163,653 | \$ 33,642 | \$ 2,100,586 |
| Loan covenant accounts | 166,600 | 177,065 | 1,292 | 344,957 |
| Impact fees | 924,697 | -- | -- | 924,697 |
| Customer deposits | 686,251 | -- | -- | 686,251 |
| Total Proprietary Restricted Assets | \$ 3,680,839 | \$ 340,718 | \$ 34,934 | \$ 4,056,491 |
| Total Restricted Assets | | | | \$ 9,643,977 |

F. Capital Assets

Governments possess many different types of assets that may be considered intangible assets, including easements and right of ways. GASB 51 requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. The City has certain easements and right of ways that meet these requirements and have classified these assets as land in the governmental activities. These assets were not increased in fiscal year 2020 and total \$108,721.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital Assets (Continued)

Capital asset activity, for the year ended September 30, 2020, was as follows:

| Primary Government | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|----------------------|-----------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,808,908 | \$ 2,717,787 | \$ -- | \$ 10,526,695 |
| Construction in progress | 3,703,229 | 703,875 | (2,084,628) | 2,322,476 |
| Total capital assets, not being depreciated: | <u>11,512,137</u> | <u>3,421,662</u> | <u>(2,084,628)</u> | <u>12,849,171</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 3,034,997 | 441,337 | (9,951) | 3,466,383 |
| Machinery and equipment | 8,836,295 | 503,841 | (101,097) | 9,239,039 |
| Infrastructure | 42,309,122 | 2,936,312 | -- | 45,245,434 |
| Total capital assets, being depreciated: | <u>54,180,414</u> | <u>3,881,490</u> | <u>(111,048)</u> | <u>57,950,856</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (2,250,293) | (92,544) | 4,560 | (2,338,277) |
| Machinery and equipment | (6,504,735) | (576,508) | 86,848 | (6,994,395) |
| Infrastructure | (15,436,078) | (912,219) | -- | (16,348,297) |
| Total accumulated depreciation | <u>(24,191,106)</u> | <u>(1,581,271)</u> | <u>91,408</u> | <u>(25,680,969)</u> |
| Total capital assets, being depreciated, net | <u>29,989,308</u> | <u>2,300,219</u> | <u>(19,640)</u> | <u>32,269,887</u> |
| Governmental activities capital assets, net | <u>\$ 41,501,445</u> | <u>\$ 5,721,881</u> | <u>\$ (2,104,268)</u> | <u>\$ 45,119,058</u> |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 279,415 | \$ -- | \$ -- | \$ 279,415 |
| Construction in progress | 5,625,766 | 5,894,318 | (3,605,241) | 7,914,843 |
| Total capital assets, not being depreciated: | <u>5,905,181</u> | <u>5,894,318</u> | <u>(3,605,241)</u> | <u>8,194,258</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 693,882 | 133,018 | -- | 826,900 |
| Improvements other than buildings | 46,962,462 | 4,761,289 | -- | 51,723,751 |
| Machinery and equipment | 4,462,925 | 647,825 | (4,616) | 5,106,134 |
| Total capital assets, being depreciated: | <u>52,119,269</u> | <u>5,542,132</u> | <u>(4,616)</u> | <u>57,656,785</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (393,270) | (18,140) | -- | (411,410) |
| Improvements other than buildings | (19,338,261) | (911,352) | -- | (20,249,613) |
| Machinery and equipment | (2,809,086) | (423,263) | 4,616 | (3,227,733) |
| Total accumulated depreciation | <u>(22,540,617)</u> | <u>(1,352,755)</u> | <u>4,616</u> | <u>(23,888,756)</u> |
| Total capital assets being, depreciated, net | <u>29,578,652</u> | <u>4,189,377</u> | <u>--</u> | <u>33,768,029</u> |
| Business-type activities capital assets, net | <u>\$ 35,483,833</u> | <u>\$ 10,083,695</u> | <u>\$ (3,605,241)</u> | <u>\$ 41,962,287</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Capital Assets (Continued)

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

| | |
|--|----------------------------|
| Governmental activities: | |
| General government | \$ 493,231 |
| Public safety | 238,432 |
| Streets and roads | 503,599 |
| Intergovernmental services | 268,876 |
| Recreation | <u>77,133</u> |
| Total depreciation for governmental activities | <u><u>\$ 1,581,271</u></u> |
| | |
| Business-type activities: | |
| Solid waste | \$ 6,378 |
| Water and sewer | 964,157 |
| Stormwater | 216,972 |
| Reuse | <u>165,248</u> |
| Total depreciation expense for business-type activities | <u><u>\$ 1,352,755</u></u> |

Construction Commitments

The City has various active construction projects. At September 30, 2020, the City's commitments with contractors, with the CRA listed separately for illustration purposes, are as follows:

| Capital Projects | Spent-to- Date | Remaining Commitment |
|-------------------------------|----------------------------|---------------------------------|
| Equalization Basin | \$ 6,999,531 | \$ 353,055 |
| 15th Avenue | 377,370 | 26,781 |
| Street Paving | 364,289 | 16,370 |
| I&I Project | 307,520 | 175,760 |
| Fire Protection Upgrades | 185,778 | 1,407 |
| Chloramine Project | 104,644 | 143,506 |
| Ward I Phase III | 51,305 | 82,200 |
| Hydrant Park | 44,062 | -- |
| Recreational Trail | <u>14,996</u> | <u>--</u> |
| Total capital projects | <u><u>\$ 8,449,495</u></u> | <u><u>\$ 799,079</u></u> |
| | | |
| CRA Projects | Spent-to- Date | Remaining Commitment |
| Sutton/Lamb Park Improvements | \$ 1,243,688 | \$ -- |
| Seahorse Project | 210,548 | 3,430 |
| Riverside Drive Improvements | 167,700 | 3,350 |
| Connor Park | 161,204 | 60,161 |
| Linear Park Trail | <u>4,685</u> | <u>--</u> |
| Total CRA projects | <u><u>\$ 1,787,825</u></u> | <u><u>\$ 66,941</u></u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Capital Leases

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

The assets acquired through capital leases as of September 30, 2020, are as follows:

| | Year Ended September 30, 2020 | | |
|-------------------------------|----------------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| Asset: | | | |
| Machinery & Equipment by Type | | | |
| Police Vehicles & Equipment | \$ 652,413 | \$ -- | \$ 652,413 |
| Light Duty & Equipment | 678,293 | 1,787,836 | 2,466,129 |
| Heavy Duty & Equipment | 296,093 | 585,288 | 881,381 |
| Total Leased Assets | 1,626,799 | 2,373,124 | 3,999,923 |
| Less Accumulated Depreciation | (194,391) | (309,685) | (504,076) |
| Total Leases | <u>\$ 1,432,408</u> | <u>\$ 2,063,439</u> | <u>\$ 3,495,847</u> |

During the fiscal year ending September 30, 2020, lease payments were made totaling \$665,287 which includes principal payments of \$632,917 and \$32,370 in interest. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

| | Year Ending September 30 | Governmental Activities | Business-type Activities | Total |
|---|-----------------------------|----------------------------|-----------------------------|---------------------|
| 2021 | | \$ 321,672 | \$ 302,237 | \$ 623,909 |
| 2022 | | 216,074 | 247,996 | 464,070 |
| 2023 | | 138,393 | 161,677 | 300,070 |
| 2024 | | 42,423 | 49,343 | 91,765 |
| 2025 | | 13,438 | 16,268 | 29,707 |
| 2026 | | 9,588 | 11,606 | 21,194 |
| 2027 | | 9,876 | 11,956 | 21,832 |
| 2028 | | 10,174 | 12,316 | 22,490 |
| 2029 | | 10,481 | 12,688 | 23,168 |
| 2030 | | 10,797 | 13,070 | 23,867 |
| 2031 | | 11,122 | 13,464 | 24,586 |
| 2032 | | 9,190 | 11,127 | 20,317 |
| Total minimum lease payments | | 803,227 | 863,748 | 1,666,975 |
| Less: amount representing interest | | (42,331) | (44,546) | (86,877) |
| Present value of minimum lease payments | | <u>\$ 760,896</u> | <u>\$ 819,202</u> | <u>\$ 1,580,098</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities

1. State Revolving Fund Loans

Reuse Loan

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

As of September 30, 2020, the City had drawn down loan funds totaling \$134,200 representing the administrative and planning allowances. The loan balance at year end was \$12,236. Pledged revenues include water and sewer fund operating revenues, installation and connection fees, impact fees, and any local option sales tax revenues. The original amortization of the loan was to be repaid in forty semiannual payments of \$14,100 including interest which accrued semiannually at 3.18% (annual rate) of the unpaid balance. Payments began June 15, 2003 with the final maturity date of December 15, 2022. During fiscal year 2007, it was determined that no additional funding was necessary from the loan and it was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$2,565.

The loan requires the City to maintain rates and charges for services that are pledged equal to or exceeding 1.20 times the sum of the semiannual loan payments due in each fiscal year. In addition, the City is required to satisfy the coverage requirements of all senior and parity debt obligations. Default by the City may result in accelerating the repayment schedule or increasing the interest rate by as much as three percent per annum on the unpaid principal, as well as the right of collections from pledged revenues.

During the fiscal year ending September 30, 2020, loan payments were made totaling \$5,087 which includes principal payments of \$4,630 and \$457 in interest. Annual installments for the fiscal years ending September 30, are as follows:

| Year | Business-Type Activities | | |
|--------------|---------------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2021 | \$ 4,779 | \$ 351 | \$ 5,130 |
| 2022 | 4,932 | 198 | 5,130 |
| 2023 | 2,525 | 39 | 2,564 |
| Total | \$ 12,236 | \$ 588 | \$ 12,824 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

Stormwater Loan

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

As of September 30, 2020, the City had drawn down available loan funds totaling \$2,872,229. The loan balance at year end was \$182,962. Pledged revenues are stormwater fees. The original amortization of the loan was to be repaid in forty semiannual payments of \$100,744 including interest which accrues semiannually at 3.03% (annual rate) of the unpaid balance. Payments began October 15, 2001 with the final maturity date of April 15, 2021. During fiscal year 2007, it was determined that all projects approved for funding through this loan were complete and no additional funding was necessary. The loan was finalized and the outstanding balance re-amortized. The interest rate and repayment term of the loan was not changed; however, the semiannual payment amount was changed to \$93,565. The loan requires the City to make monthly loan deposits in a debt service account equal to the semiannual loan payment.

The loan requires the City to maintain rates and charges for services furnished by the stormwater utility system which will be sufficient to provide, in each fiscal year, pledged revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments due in each fiscal year. In addition, the City is required to satisfy the coverage requirements of all senior and parity debt obligations. Default by the City may result in accelerating the repayment schedule or increasing the interest rate on the unpaid principal of the loan to as much as 3.333 times the loan interest rate, as well as the right of collections from pledged revenues.

During the fiscal year ending September 30, 2020, loan payments were made totaling \$184,654 which includes principal payments of \$177,542 and \$7,112 in interest. Annual installments for the fiscal years ending September 30, are as follows:

| Year | Business-Type Activities | | |
|--------------|---------------------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2021 | \$ 182,962 | \$ 4,168 | \$ 187,130 |
| Total | \$ 182,962 | \$ 4,168 | \$ 187,130 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

Water/Sewer Loan - Design

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

As of September 30, 2020, the City had drawn down loan funds totaling \$369,094. The loan balance at the end of the year was \$339,750. Pledged revenues for the repayment of the loan are net water and sewer system revenues after payment of debt on the City's prior liens. The original amortization of the loan was to be repaid in forty semiannual payments of \$11,220 including interest which accrued semiannually at 1.13% (annual rate) of the unpaid balance. Payments began December 15, 2018 with the final maturity date of June 15, 2038. During fiscal year 2020, it was determined that the design phase of the project 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 \$10,456. The loan requires the City to make monthly loan deposits in a debt service account equal to the semiannual loan payment.

The loan requires the City to maintain rates and charges for services furnished by the water and sewer systems which will be sufficient to provide, in each fiscal year, pledged revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments due in each fiscal year. Default by the City may result in accelerating the repayment schedule or increasing the financing rate on the unpaid principal of the loan to as much as 1.667 times the financing rate as well as the right of collection from pledged revenues.

During the fiscal year ending September 30, 2020, loan payments were made totaling \$21,652 which includes principal payments of \$10,358 and \$11,294 in interest.

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

| Year | Business-Type Activities | | |
|--------------|--------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2021 | \$ 17,122 | \$ 3,791 | \$ 20,913 |
| 2022 | 17,316 | 3,597 | 20,913 |
| 2023 | 17,512 | 3,401 | 20,913 |
| 2024 | 17,710 | 3,203 | 20,913 |
| 2025 | 17,911 | 3,002 | 20,913 |
| 2026 | 18,114 | 2,799 | 20,913 |
| 2027 | 18,319 | 2,594 | 20,913 |
| 2028 | 18,527 | 2,386 | 20,913 |
| 2029 | 18,737 | 2,176 | 20,913 |
| 2030 | 18,949 | 1,964 | 20,913 |
| 2031 | 19,164 | 1,749 | 20,913 |
| 2032 | 19,381 | 1,532 | 20,913 |
| 2033 | 19,601 | 1,312 | 20,913 |
| 2034 | 19,823 | 1,090 | 20,913 |
| 2035 | 20,048 | 865 | 20,913 |
| 2036 | 20,275 | 638 | 20,913 |
| 2037 | 20,504 | 409 | 20,913 |
| 2038 | 20,737 | 176 | 20,913 |
| Total | \$ 339,750 | \$ 36,684 | \$ 376,434 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

Water/Sewer Loan - Construction

The City received funding in the amount of \$4,337,428 under the State of Florida Department of Environmental Protection Revolving Loan Program to assist in funding costs related to the construction of an equalization basin at the City's Waste Water Treatment Plant.

As of September 30, 2020, the City had drawn down loan funds totaling \$6,248,448. Pledged revenues for the repayment of the loan are net water and sewer system revenues after payment of debt on the City's prior liens. The original amortization of the loan was to be repaid in forty semiannual payments of \$119,810 including interest which accrued semiannually at 0.75% (annual rate) of the unpaid balance.

An amendment to the original loan in the amount of \$2,577,817 was approved during fiscal year 2019 for a revised loan total of \$6,915,245. The updated amortization of the loan will be result in repayment in forty semiannual payments of \$190,028 with interest accrued semiannually at the annual rates of 0.75% and 0.63% respectively for the original and amended funding amounts.

Per the loan agreement, payments are to begin November 15, 2020 with the final maturity date of May 15, 2040, however based upon the current level of disbursements and the set payment amount the current amortization schedule reflects a final payment in fiscal year 2037. After the final disbursement of loan proceeds, the loan principal will be adjusted to reflect the actual dates and amounts of disbursements. Beginning May 15, 2020, the loan requires the City to make monthly loan deposits in a debt service account equal to the semiannual loan payment.

The loan requires the City to maintain rates and charges for the services furnished by the water and sewer systems which will be sufficient to provide, in each fiscal year, pledged revenues equal to or exceeding 1.15 times the sum of the semiannual loan payments due in such fiscal year. Default by the City may result in accelerating the repayment schedule or increasing the financing rate on the unpaid principal of the loan to as much as 1.667 times the financing rate, as well as the right of collections from pledged revenues.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

Annual installments for the fiscal years ending September 30, are estimated based on the amount outstanding as of September 30, 2020 as follows:

| Year | Business-Type Activities | | |
|--------------|---------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | \$ 336,084 | \$ 43,972 | \$ 380,056 |
| 2022 | 338,486 | 41,570 | 380,056 |
| 2023 | 340,904 | 39,152 | 380,056 |
| 2024 | 343,340 | 36,716 | 380,056 |
| 2025 | 345,794 | 34,262 | 380,056 |
| 2026 | 348,265 | 31,791 | 380,056 |
| 2026 | 350,753 | 29,303 | 380,056 |
| 2027 | 353,260 | 26,796 | 380,056 |
| 2028 | 355,784 | 24,272 | 380,056 |
| 2029 | 358,326 | 21,730 | 380,056 |
| 2030 | 360,887 | 19,169 | 380,056 |
| 2031 | 363,466 | 16,590 | 380,056 |
| 2032 | 366,063 | 13,993 | 380,056 |
| 2033 | 368,679 | 11,377 | 380,056 |
| 2034 | 371,313 | 8,743 | 380,056 |
| 2035 | 373,966 | 6,090 | 380,056 |
| 2036 | 376,639 | 3,417 | 380,056 |
| 2037 | 196,439 | 726 | 197,165 |
| Total | \$ 6,248,448 | \$ 409,669 | \$ 6,658,117 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

2. Capital Improvement Revenue Loans

2014 Water/Sewer Loan

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

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

Default by the City may result in the collection of pledged revenues in addition to any amounts due bearing the interest rate at a default rate equal to the current interest plus 2% per annum.

During the fiscal year ending September 30, 2020, loan payments were made totaling \$103,534 which includes principal payments of \$77,572 and \$25,962 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

| Year | Business-Type Activities | | |
|--------------|--------------------------|-------------------|-------------------|
| | Principal | Interest | Debt Service |
| 2021 | \$ 79,965 | \$ 23,955 | \$ 103,920 |
| 2022 | 82,432 | 21,488 | 103,920 |
| 2023 | 84,975 | 18,945 | 103,920 |
| 2024 | 87,597 | 16,323 | 103,920 |
| 2025 | 90,299 | 13,621 | 103,920 |
| 2026 | 93,085 | 10,835 | 103,920 |
| 2027 | 95,957 | 7,963 | 103,920 |
| 2028 | 98,917 | 5,003 | 103,920 |
| 2029 | 101,968 | 1,951 | 103,919 |
| Total | \$ 815,195 | \$ 120,084 | \$ 935,279 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

Refunding Revenue Note, Series 2019

On June 7, 2019 the City adopted Resolution No. 2019-20 authorizing a loan by the City of \$7,151,300 through the Key Government Finance, Inc. (KeyBank) to finance the refunding of the 2004, 2005, and 2007 Bank of America Loans and to terminate the associated Interest Rate Swap Agreements. The principal of and interest on the Note shall be secured by a covenant to budget and appropriate legally available Non-Ad Valorem Revenues.

The interest rate on the loan is fixed at 2.230%, payable in semiannual installments beginning in July 2019 through January 2028. The loan proceeds were allocated according to the remaining principal balances and associated costs of the refunded loans.

The refunding of the 2004, 2005, and 2007 loans resulted in a loss on refunding of \$504,015. The loss on refunding is the difference between the reacquisition price and the net carrying amount of the old debt. The loss on refunding is recognized on the statement of net position as a deferred outflow and amortized using a straight-line approach over the shorter of the remaining life of the old debt or the life of the new debt. Amortization of the deferred outflow is recognized as interest expense and totaled \$74,584 during the year ended September 30, 2020.

The note requires that non-ad valorem revenues shall cover the projected aggregate maximum annual debt service on the loan and on all other debt by at least 1.5 times. Additionally the projected aggregate maximum annual debt service on all debt shall not exceed 20% of the governmental and proprietary funds revenues exclusive of ad valorem tax revenues restricted to pay off debt service and any proceeds from debt. Default by the City may result in the collection of pledged revenues. Upon the occurrence of an event of default not being cured within 90 days of the effective date, the interest rate on the past due basic payments and the interest rate on the note will be calculated at a default rate equal to 3% over the fixed interest rate.

The allocation at September 30, 2020, was 18.88% to governmental activities and 81.12% to business-type activities.

During the fiscal year ending September 30, 2020 loan payments were made totaling \$1,108,743 which includes principal payments of \$995,399 and \$113,344 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

| Year | Governmental Activities | | Business-Type Activities | | City-Wide | | |
|--------------|-------------------------|------------------|--------------------------|-------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2021 | \$ 191,429 | \$ 23,393 | \$ 822,271 | \$ 100,485 | \$ 1,013,700 | \$ 123,878 | \$ 1,137,578 |
| 2022 | 194,943 | 19,105 | 837,358 | 82,066 | 1,032,301 | 101,171 | 1,133,472 |
| 2023 | 198,472 | 14,739 | 852,528 | 63,306 | 1,051,000 | 78,045 | 1,129,045 |
| 2024 | 181,911 | 10,404 | 781,389 | 44,692 | 963,300 | 55,096 | 1,018,396 |
| 2025 | 164,708 | 6,443 | 707,491 | 27,678 | 872,199 | 34,121 | 906,320 |
| 2026 | 72,855 | 3,284 | 312,944 | 14,102 | 385,799 | 17,386 | 403,185 |
| 2027 | 74,102 | 1,652 | 318,298 | 7,094 | 392,400 | 8,746 | 401,146 |
| 2028 | 18,469 | 206 | 79,332 | 885 | 97,801 | 1,091 | 98,892 |
| Total | <u>\$ 1,096,889</u> | <u>\$ 79,226</u> | <u>\$ 4,711,611</u> | <u>\$ 340,308</u> | <u>\$ 5,808,500</u> | <u>\$ 419,534</u> | <u>\$ 6,228,034</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

CRA Loan Agreement 2006

On July 18, 2006, the City adopted Resolution No. 06-01 authorizing a loan by the CRA of \$4,395,000 through the Bank of America, N.A. to finance the purchase of property for CRA use, improvements to infrastructure and buildings within the CRA District and to refinance the 2004 CRA Capital Improvement Revenue Loan. The loan is payable from and secured by a pledge and lien upon the pledged Tax Increment Funding revenues.

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

The loan requires the City to maintain a ratio of tax increment revenues received by the CRA less operating expenses (exclusive of interest, depreciation and other non-cash expenses) to scheduled payments of principal and interest on all debt of at least 1.10:1.00. Upon default by the City, the bank may declare all obligations of the CRA to be immediately due and payable.

During the fiscal year ending September 30, 2020, loan payments were made totaling \$246,779 which includes principal payments of \$219,750 and \$27,029 in interest. Annual estimated installments for the fiscal years ending September 30, are as follows:

| Year | Governmental Activities | | |
|--------------|-------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | \$ 219,750 | \$ 61,805 | \$ 281,555 |
| 2022 | 219,750 | 50,817 | 270,567 |
| 2023 | 219,750 | 39,830 | 259,580 |
| 2024 | 219,750 | 28,842 | 248,592 |
| 2025 | 219,750 | 17,855 | 237,605 |
| 2026 | 200,098 | 6,867 | 206,965 |
| Total | \$ 1,298,848 | \$ 206,016 | \$ 1,504,864 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

3. 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, 2020, there were two series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$16,681,511.

4. 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, 2020, no amounts were earned that are required to be rebated to the U.S. Treasury for 2020.

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Long Term Liabilities (Continued)

The following is a summary of changes in long-term liabilities for the year ended September 30, 2020:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|------------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Long-term direct borrowings | | | | | |
| 2019 Loan | \$ 1,284,862 | \$ -- | \$ 187,973 | \$ 1,096,889 | \$ 191,429 |
| CRA Loan | 1,518,598 | -- | 219,750 | 1,298,848 | 219,750 |
| Total Long-term direct borrowings | 2,803,460 | -- | 407,723 | 2,395,737 | 411,179 |
| Other post-employment benefits | 263,338 | 189,319 | 34,310 | 418,347 | -- |
| Net pension liability | 2,266,597 | 42,477 | 855,002 | 1,454,072 | -- |
| Capital leases | 763,322 | 339,666 | 342,092 | 760,896 | 305,871 |
| Compensated absences | 740,714 | 350,130 | 436,079 | 654,765 | 163,691 |
| Governmental activities long-term liabilities | <u>\$ 6,837,431</u> | <u>\$ 921,592</u> | <u>\$ 2,075,206</u> | <u>\$ 5,683,817</u> | <u>\$ 880,741</u> |
| | | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
| Business-type activities: | | | | | |
| Long-term direct borrowings | | | | | |
| 2014 Loan | \$ 892,767 | \$ -- | \$ 77,572 | \$ 815,195 | \$ 79,965 |
| 2019 Loan | 5,519,037 | -- | 807,426 | 4,711,611 | 822,271 |
| Total long-term direct borrowings | 6,411,804 | -- | 884,998 | 5,526,806 | 902,236 |
| State revolving loans | | | | | |
| Stormwater | 360,504 | -- | 177,542 | 182,962 | 182,962 |
| Reuse | 16,866 | -- | 4,630 | 12,236 | 4,779 |
| Water - Design | 350,100 | 8 | 10,358 | 339,750 | 17,122 |
| Water - Construction | 1,290,042 | 4,958,406 | -- | 6,248,448 | 336,084 |
| Total state revolving loans | 2,017,512 | 4,958,414 | 192,530 | 6,783,396 | 540,947 |
| Total loans payable | 8,429,316 | 4,958,414 | 1,077,528 | 12,310,202 | 1,443,183 |
| Other post-employment benefits | 48,515 | 30,257 | -- | 78,772 | -- |
| Net pension liability | 249,554 | -- | 196,566 | 52,988 | -- |
| Capital leases | 714,365 | 395,663 | 290,825 | 819,202 | 287,664 |
| Compensated absences | 71,638 | 42,049 | 64,262 | 49,425 | 12,356 |
| Total business-type activities long-term liabilities | <u>\$ 9,513,388</u> | <u>\$ 5,426,383</u> | <u>\$ 1,629,181</u> | <u>\$ 13,310,589</u> | <u>\$ 1,743,203</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balances

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

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

General Fund

| | |
|--------------------------|-------------------|
| Nonspendable - Inventory | <u>\$ 281,992</u> |
|--------------------------|-------------------|

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

General Fund

| | |
|--|------------------|
| Building Department - used to fund operations | \$ 1,684,278 |
| Infrastructure half-cent sales tax - voter approved to be used for capital improvements | 2,420,315 |
| Impact fees - used to fund growth in general government, law enforcement and parks and recreation | 758,732 |
| Proceeds from the Hazel Smith Estate for the beautification and maintenance of the City's cemetery | 3,685 |
| Special law enforcement reserve | 77,225 |
| Lease proceeds - for capital assets | <u>45,247</u> |
| General Fund subtotal | <u>4,989,482</u> |

Community Redevelopment Agency Fund

| | |
|---|------------------|
| Used to alleviate slum and blight in the City per Florida Statute 163 | <u>3,277,028</u> |
| Community Redevelopment Agency Fund subtotal | <u>3,277,028</u> |

Road and Bridge Fund

| | |
|--|----------------------|
| Per Florida Statutes, this fund is restricted to the operations, maintenance and capital improvement of the City's roadways. | |
| Capital improvements | 218,000 |
| Impact fees - for the growth in transportation | 698,263 |
| Bocage legal settlement | 6,501 |
| General operating expenses | <u>819,927</u> |
| Road and Bridge Fund subtotal | <u>1,742,691</u> |
| Total Restricted Fund Balances | <u>\$ 10,009,201</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

I. Fund Balances (Continued)

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

General Fund

| | |
|--|---------------------|
| Trailer Park Trust - City Commission approval required | \$ <u>2,079,406</u> |
| General Fund subtotal | <u>2,079,406</u> |

Capital Projects Fund

| | |
|---------------------------------------|----------------------------|
| Capital Projects | <u>662,457</u> |
| Capital Projects Fund subtotal | <u>662,457</u> |
| Total Committed Fund Balances | <u>\$ <u>2,741,863</u></u> |

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

General Fund

| | |
|--|--------------------------|
| Funding for Capital Improvements Program | \$ 57,500 |
| Tree reserve - used to replant trees in the City | 25,764 |
| One-time operating expenses | <u>210,802</u> |
| Total Assigned Fund Balance | <u>\$ <u>294,066</u></u> |

- **Unassigned** – The City’s policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity in the event of an economic downturn or natural disaster. Through resolution, the City Commission has adopted a financial standard to maintain a General Fund unassigned fund balance of three to six months of budgeted expenditures.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE IV - DETAILED NOTES ON ALL FUNDS (CONTINUED)

J. Encumbered Commitments

The following table lists the outstanding encumbrances at September 30, 2020. These encumbrances are reported in the financial statements based on the specific purpose of the resources that have been provided.

| | Governmental Activities | | | | Total |
|---------------------------------------|--------------------------------|-------------------|-----------------------------|------------------------------|-------------------|
| | General Fund | CRA Fund | Road and Bridge Fund | Capital Projects Fund | |
| Operating Encumbrances | \$ 156,302 | \$ 66,208 | \$ 33,502 | \$ -- | \$ 256,012 |
| Operating Capital Projects | -- | 68,334 | -- | -- | 68,334 |
| Capital Improvement Projects (CIP) | 527,510 | -- | -- | 85,550 | 613,060 |
| Total Encumbrances Outstanding | \$ 683,812 | \$ 134,542 | \$ 33,502 | \$ 85,550 | \$ 937,406 |

| | Business-Type Activities | | | | Total |
|---------------------------------------|---------------------------------|-----------------------------|------------------------|-------------------|---------------------|
| | Solid Waste Fund | Water and Sewer Fund | Stormwater Fund | Reuse Fund | |
| Operating Encumbrances | \$ -- | \$ 102,587 | \$ -- | \$ -- | \$ 102,587 |
| Capital Improvement Projects (CIP) | -- | 1,035,976 | -- | -- | 1,035,976 |
| Total Encumbrances Outstanding | \$ -- | \$ 1,138,563 | \$ -- | \$ -- | \$ 1,138,563 |
| Total Outstanding Encumbrances | | | | | \$ 2,075,969 |

NOTE V - OTHER INFORMATION

A. Risk Management

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

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

1. Unemployment Insurance

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

2. Worker's Compensation

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

B. Employee Pension Plans

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

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

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

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

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

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan

Plan Administration

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

Plan Membership

| | Valuation as of October 1, 2019 | Valuation as of October 1, 2020 |
|--|--|--|
| Retirees, beneficiaries, and DROP participants benefits | 56 | 52 |
| Terminated employees entitled to, but not yet receiving benefits | 8 | 10 |
| Active plan members | 80 | 73 |
| Total | 144 | 135 |

Normal Retirement and Vesting

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

Early Retirement

Plan members with 10 years of credited service, or 5 years for participants hire prior to January 1, 1995, are eligible to retire at age 55 with a reduction of the accrued benefit of 3% per each year that the benefit commencement date precedes the Normal Retirement Date.

Disability

The Plan provides disability benefits of 2.5% of average final compensation times the years of credited service, providing 10 year of credited service has been attained, or 5 years for participants hired prior to January 1, 1995. This benefit is payable as of the date the Board determines such entitlement.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

Termination of Employment

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

Death Benefits

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

Contributions

Participants are required to contribute 5% of their annual salary to the Plan. The City contributes an amount to make the fund actuarially sound. The City's contribution rate for fiscal year 2020 was 18.47%.

Deferred Retirement Option Program (DROP)

Effective October 18, 2004, the City approved an ordinance creating a deferred retirement option plan (DROP). In lieu of terminating employment, any member may elect to defer receipt of such service retirement pension and to participate in the DROP. A member's participation in the DROP may not exceed sixty months beginning at the time the member becomes eligible for Normal Retirement. A member may participate only once. An account is established for each member participating in the DROP. The member's DROP account consists of the monthly retirement benefit the member would have received had they terminated their employment and the earnings on those amounts. DROP accounts earn interest as elected by the plan member at an effective rate of 6.5% per annum, compounded monthly, or at the actual net rate of investment return realized by the plan. As of September 30, 2020, three employees are participating in the DROP program with a balance of \$56,253.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2020, were as follows:

| | |
|--|--------------------------|
| Total pension liability | \$ 16,268,154 |
| Plan fiduciary net position | <u>(16,045,522)</u> |
| City's net pension liability | <u>\$ 222,632</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 98.63 % |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019, updated to September 30, 2020 using the following actuarial assumptions:

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

Mortality rates were based as follows:

Mortality Rate Healthy Active Lives: Female: PubG.H-2010 for Employees. Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Mortality Rate Healthy Retiree Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives: PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

Changes in Actuarial Assumptions

For measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for non-special-risk lives, with appropriate risk and collar adjustments made based on plan demographics.

Investment Policy Assumptions

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2020 the inflation rate assumption of the investment advisor was 1.80%. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocations</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|---------------------------|---|
| Domestic equity | 50.00 % | 5.62 % |
| International equity | 10.00 % | 4.20 % |
| Fixed income | 15.00 % | 1.45 % |
| Global fixed income | 5.00 % | 1.42 % |
| Hedge funds | 7.50 % | 2.02 % |
| Real estate | 12.50 % | 5.19 % |
| Total | 100.00 % | |

Concentrations

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

Rate of Return

For the year ended September 30, 2020 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 7.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

CHANGES IN NET PENSION LIABILITY

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Reporting Period Ending September 30, 2019 | \$ 16,405,241 | \$ 15,327,211 | \$ 1,078,030 |
| Changes for a Year: | | | |
| Service cost | 391,459 | -- | 391,459 |
| Interest | 1,136,455 | -- | 1,136,455 |
| Differences between expected and actual experience | (276,753) | -- | (276,753) |
| Changes of assumptions | (265,003) | -- | (265,003) |
| Changes of benefit terms | -- | -- | -- |
| Contributions - Employer | -- | 626,893 | (626,893) |
| Contributions - Employee | -- | 169,707 | (169,707) |
| Net investment income | -- | 1,074,774 | (1,074,774) |
| Benefit payments, including refunds of employee contributions | (1,123,245) | (1,123,245) | -- |
| Administrative expense | -- | (29,818) | 29,818 |
| Net changes | <u>(137,087)</u> | <u>718,311</u> | <u>(855,398)</u> |
| Reporting Period Ending September 30, 2020 | <u>\$ 16,268,154</u> | <u>\$ 16,045,522</u> | <u>\$ 222,632</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.00%) or 1.0% higher (8.00%) than the current rate:

| | 1.0% Decrease 6.00% | Current Discount Rate 7.00% | 1.0% Increase 8.00% |
|------------------------------|------------------------------------|--|------------------------------------|
| City's net pension liability | \$ 2,040,944 | \$ 222,632 | \$ (1,301,716) |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

C. Palmetto General Employees' Pension Plan (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pension

For the year ended September 30, 2020, the City recognized pension expense of \$(68,731). On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Net difference between expected and actual expense | \$ -- | \$ 353,072 |
| Changes of assumptions | -- | 198,753 |
| Net difference between projected and actual earnings on pension plan investments | 81,150 | -- |
| Total | \$ 81,150 | \$ 551,825 |

The outcome of the deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the applicable year. There were no subsequent contributions for the year ended September 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended September 30: | |
|---------------------------------|---------------------|
| 2021 | \$ (358,501) |
| 2022 | (96,811) |
| 2023 | (12,494) |
| 2024 | (2,869) |
| 2025 | -- |
| Thereafter | -- |
| Total | \$ (470,675) |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan

Plan Administration

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

Plan Membership

| | Valuation As of October 1, 2019 | Valuation As of October 1, 2020 |
|---|--|--|
| Retirees, beneficiaries, and DROP participants receiving benefits | 32 | 35 |
| Terminated employees entitled to, but not yet receiving benefits | 9 | 15 |
| Active plan members | 33 | 28 |
| Total | 74 | 78 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Normal Retirement and Vesting

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

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

Early Retirement

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

Disability

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

Termination of Employment

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Death Benefits

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

Contributions

Participants are required to contribute 5% of their annual salary to the Plan. Other contributions are received from the State of Florida and the City. The State of Florida contribution results from the City's share of insurance tax. The City contributes an amount to make the fund actuarially sound. The City's contribution rate was 21.63% for fiscal year 2020.

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, 2020, one employee is participating in the DROP program with a balance of \$26,881.

Net Pension Liability of the City

The City's net pension liability was measured as of September 30, 2020. The total pension liability used to calculate the net pension liability was determined as of that date. The components of the net pension liability of the City at September 30, 2020, and reported for fiscal year 2020, were as follows:

| | |
|--|----------------------------|
| Total pension liability | \$ 15,915,533 |
| Plan fiduciary net position | <u>(14,631,105)</u> |
| City's net pension liability | <u>\$ 1,284,428</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 91.93 % |

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019, updated to September 30, 2020 using the following actuarial assumptions:

| | |
|---------------------------|---------------|
| Inflation | 2.50% |
| Salary increases | Service Based |
| Discount rate | 7.00% |
| Investment rate of return | 7.00% |

Mortality rates were based on as follows:

Mortality Rate Healthy Active Lives: Female: PubS.H-2010 (Below Median) for Employees, set forward one year. Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives: Female: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives: 80% PubG.H-2010 for Disabled Retirees/ 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

Changes in Actuarial Assumptions

For measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special-risk lives, with appropriate risk and collar adjustments made based on plan demographics.

Investment Policy Assumptions

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2020, the inflation rate assumption of the investment advisor was 2.50%.

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

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|---------------------------|----------------------|---|
| Domestic equity | 45.00 % | 7.50 % |
| International equity | 15.00 % | 8.50 % |
| Broad market fixed income | 15.00 % | 2.50 % |
| Fixed income (Non-Core) | 5.00 % | 2.50 % |
| Global fixed income | 5.00 % | 3.50 % |
| Real estate | 10.00 % | 4.50 % |
| GTAA | 5.00 % | 3.50 % |
| Total | 100.00 % | |

Concentrations

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

Rate of Return

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

CHANGES IN NET PENSION LIABILITY

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Position Liability (a) - (b) |
|---|--|--|---|
| Reporting Period Ending September 30, 2019 | \$ 15,215,552 | \$ 13,777,431 | \$ 1,438,121 |
| Changes for a Year: | | | |
| Service cost | 396,835 | -- | 396,835 |
| Interest | 1,062,027 | -- | 1,062,027 |
| Differences between expected and actual experience | 439,144 | -- | 439,144 |
| Changes of assumptions | (316,881) | -- | (316,881) |
| Changes of benefits terms | -- | -- | -- |
| Contributions - Employer | -- | 406,200 | (406,200) |
| Contributions - State | -- | 133,879 | (133,879) |
| Contributions - Employee | -- | 90,800 | (90,800) |
| Net investment income | -- | 1,134,529 | (1,134,529) |
| Benefit payments, including refunds of employee contributions | (881,144) | (881,144) | -- |
| Administrative expense | -- | (30,590) | 30,590 |
| Net changes | <u>699,981</u> | <u>853,674</u> | <u>(153,693)</u> |
| Reporting Period Ending September 30, 2020 | <u>\$ 15,915,533</u> | <u>\$ 14,631,105</u> | <u>\$ 1,284,428</u> |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.00%) or 1.0% higher (8.00%) than the current rate:

| | 1.0% Decrease 6.00% | Current Discount Rate 7.00% | 1.0% Increase 8.00% |
|------------------------------|------------------------------------|--|------------------------------------|
| City's net pension liability | \$ 3,099,616 | \$ 1,284,428 | \$ (236,781) |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

D. Palmetto Police Pension Plan (Continued)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognizes pension expense of \$308,357 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 372,828 | \$ 356,778 |
| Changes of assumptions | 40,785 | 237,660 |
| Net difference between projected and actual earnings on pension plan investments | -- | 48,439 |
| | \$ 413,613 | \$ 642,877 |

The outcome of the deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date is recognized as a reduction of the pension expense in the applicable year. There were no subsequent contributions for the year ended September 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30: | |
|---------------------------------|---------------------|
| 2021 | \$ (152,571) |
| 2022 | (138,710) |
| 2023 | 98,005 |
| 2024 | (35,988) |
| 2025 | -- |
| Thereafter | -- |
| Total | \$ (229,264) |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

E. Aggregate Information for City Pension Plans

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

| | Deferred Outflows of Resources | Net Pension Liability | Deferred Inflows | Pension Expense |
|--|---|----------------------------------|-----------------------------|----------------------------|
| Palmetto General Employees' Pension Plan | \$ 81,150 | \$ 222,632 | \$ 551,825 | \$ (68,731) |
| Palmetto Police Pension Plan | 413,613 | 1,284,428 | 642,877 | 308,357 |
| | <u>\$ 494,763</u> | <u>\$ 1,507,060</u> | <u>\$ 1,194,702</u> | <u>\$ 239,626</u> |

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

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

| | Palmetto Police Officers' Pension Plan | Palmetto General Employees' Pension Plan | Total Fiduciary Funds |
|-----------------------------------|---|---|--------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 399 | \$ 406 | \$ 805 |
| Accounts receivable | 13,633 | -- | 13,633 |
| Interest and dividends receivable | 7,842 | 21,249 | 29,091 |
| Prepaid benefits | 69,095 | 69,865 | 138,960 |
| Investments | | | |
| Money market funds | 230,114 | 401,252 | 631,366 |
| U. S. government securities | 1,070,264 | 1,336,089 | 2,406,353 |
| Corporate bonds | 668,976 | 987,758 | 1,656,734 |
| Corporate stocks | 1,029,018 | 7,287,966 | 8,316,984 |
| Mutual funds | 10,026,390 | 4,476,673 | 14,503,063 |
| Alternative investments | 1,516,007 | 1,464,669 | 2,980,676 |
| Total Investments | <u>14,540,769</u> | <u>15,954,407</u> | <u>30,495,176</u> |
| Total Assets | <u>14,631,738</u> | <u>16,045,927</u> | <u>30,677,665</u> |
| Liabilities | | | |
| Total liabilities | <u>--</u> | <u>--</u> | <u>--</u> |
| Net Position | | | |
| Restricted for pension benefits | <u>\$ 14,631,738</u> | <u>\$ 16,045,927</u> | <u>\$ 30,677,665</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

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

| | Palmetto Police Officers' Pension Plan | Palmetto General Employees' Pension Plan | Total Fiduciary Funds |
|---|---|---|--------------------------------------|
| Additions | | | |
| Contributions | | | |
| Employer | \$ 406,434 | \$ 626,894 | \$ 1,033,328 |
| Plan members | 90,800 | 169,707 | 260,507 |
| State (from the General Fund) | 133,879 | -- | 133,879 |
| Miscellaneous | 775 | (114) | 661 |
| Total contributions | <u>631,888</u> | <u>796,487</u> | <u>1,428,375</u> |
| Investment earnings | | | |
| Interest | 43,978 | 48,690 | 92,668 |
| Dividends | 294,217 | 224,802 | 519,019 |
| Net increase in the fair value of investments | 833,664 | 906,859 | 1,740,523 |
| Total investment earnings | <u>1,171,859</u> | <u>1,180,351</u> | <u>2,352,210</u> |
| Investment expense | <u>(37,704)</u> | <u>(105,463)</u> | <u>(143,167)</u> |
| Net investment earnings | <u>1,134,155</u> | <u>1,074,888</u> | <u>2,209,043</u> |
| Total additions | <u>1,766,043</u> | <u>1,871,375</u> | <u>3,637,418</u> |
| Deductions | | | |
| Benefits | 870,103 | 1,052,907 | 1,923,010 |
| Refunds of contributions | 11,041 | 70,338 | 81,379 |
| Administrative expenses | 30,590 | 29,818 | 60,408 |
| Total deductions | <u>911,734</u> | <u>1,153,063</u> | <u>2,064,797</u> |
| Change in net position | 854,309 | 718,312 | 1,572,621 |
| Net position, beginning of year | <u>13,777,429</u> | <u>15,327,615</u> | <u>29,105,044</u> |
| Net position, end of year | <u>\$ 14,631,738</u> | <u>\$ 16,045,927</u> | <u>\$ 30,677,665</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits

Plan Administration

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

Employees covered by benefit terms: At October 1, 2019 the date of the actuarial valuation, the following employees were covered by the benefit terms:

| | Measurement period As of September 30, 2020 |
|--|--|
| Inactive employees or beneficiaries currently receiving benefit payments | 7 |
| Active employees | 118 |
| Covered spouses | 1 |
| | 126 |

Benefits Provided

A retired employee and his or her spouse are eligible to continue health insurance identical to active employees if they meet the eligibility for retirement under the applicable Plan. The retiree is responsible for paying the entire monthly premium for health coverage including premiums for covered spouse or eligible dependents. Retiree coverage ceases upon coverage under another group policy (i.e. Medicare eligibility). Therefore, there is no liability to the City for these benefits.

Total OPEB Liability

The City's total OPEB liability, as of September 30, 2020, was measured using a discount rate of 2.14%. The measurement for the OPEB expense was October 1, 2019 to September 30, 2020. The City's total OPEB liability was measured as of September 30, 2020.

Actuarial assumptions. The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------------|-------------------|
| Inflation rate | 2.50% |
| Salary increase rate | Varies by Service |
| Discount rate | 2.14% |
| Initial healthcare cost trend rate | 7.50% |
| Ultimate trend rate | 4.00% |
| Years to ultimate | 55 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits (Continued)

All mortality rates were based on the Pub-2010 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2019 Florida Retirement System (FRS) valuation report. All tables include fully generational adjustments for mortality improvements using gender-specific improvement scale MP-2018.

Mortality Rate Healthy Active Lives:

For female (non-special risk) lives, the headcount-weighted PubG-2010 female below-median income employee table was used. For female special risk lives, the headcount-weighted PubS-2010 female employee table, set forward one year, was used.

For male (non-special risk) lives, the headcount-weighted PubG-2010 male below-median income employee table, set back one year, was used. For male special risk lives, the headcount-weighted PubS-2010 male below-median income employee table, set forward one year, was used.

Mortality Rate Healthy Inactive Lives:

For female (non-special risk) lives, the headcount-weighted PubG-2010 female below-median income healthy retiree table was used. For female special risk lives, the headcount-weighted PubS-2010 female healthy retiree table, set forward one year, was used.

For male (non-special risk) lives, the headcount-weighted PubG-2010 male below-median income healthy retiree table, set back one year, was used. For male special risk lives, the headcount-weighted PubS-2010 male below-median income healthy retiree table, set forward one year, was used.

Mortality Rate Disabled Lives:

For female (non-special risk) lives, the headcount-weighted PubG-2010 female disabled retiree table, set forward 3 years, was used. For female special risk lives, an 80% headcount-weighted PubG-2010 female disabled retiree, 20% headcount-weighted PubS-2010 female disabled retiree blended table was used.

For male (non-special risk) lives, the headcount-weighted PubG-2010 male disabled retiree table, set forward 3 years, was used. For male special risk lives, an 80% headcount-weighted PubG-2010 male disabled retiree, 20% headcount-weighted PubS-2010 male disabled retiree blended table was used.

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits (Continued)

Discount Rate:

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Changes in the Total OPEB Liability

| | Increase (Decrease) |
|--|--------------------------------|
| Beginning balance | \$ 311,853 |
| Changes for the year: | |
| Service cost | 18,238 |
| Interest | 14,017 |
| Differences between expected and actual experience | 73,604 |
| Changes of assumptions | 103,917 |
| Benefit payments | (24,510) |
| Net changes | 185,266 |
| Ending balance | \$ 497,119 |

Changes in assumptions reflect a change in the discount rate from 3.58% for the reporting period ending September 30, 2019, to 2.14% for the reporting period ending September 30, 2020.

Also reflected as assumption changes are updated health care costs and premiums based on a plan experience, updated health care costs trend rates, and updated Mortality rates:

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

G. Other Post-Employment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (1.14%) or one percentage-point higher (3.14%) than the current discount rate:

| | 1% Decrease | Discount Rate | 1% Increase |
|------------------------------|--------------------|----------------------|--------------------|
| | 1.14% | 2.14% | 3.14% |
| Total OPEB liability (asset) | \$ 546,119 | \$ 497,119 | \$ 453,977 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|----------------------|---------------------|--|---------------------|
| | 3.00%- 6.50% | 4.00%- 7.50% | 5.00%- 8.50% |
| Total OPEB liability | \$ 442,239 | \$ 497,119 | \$ 562,163 |

For the year ended September 30, 2020, the City recognized OPEB expense of \$62,579. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 63,089 | \$ -- |
| Changes of assumptions | 99,900 | 7,408 |
| Total | \$ 162,989 | \$ 7,408 |

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

| Year ended: September 30, | |
|----------------------------------|-------------------|
| 2021 | \$ 25,674 |
| 2022 | 25,674 |
| 2023 | 25,674 |
| 2024 | 25,671 |
| 2025 | 27,528 |
| Thereafter | 25,360 |
| Total | \$ 155,581 |

CITY OF PALMETTO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE V - OTHER INFORMATION (CONTINUED)

H. Contingent Liabilities

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

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

During the year ended September 30, 2020, local, U.S. and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the entity as of March 26, 2021, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

I. 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.

J. Subsequent Events

Subsequent to September 30, 2020, the City received notice that it will be a recipient of entitlement funds under the American Rescue Plan Act of approximately \$5,777,000.



REQUIRED SUPPLEMENTARY INFORMATION

PAGE

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

Budget (GAAP Basis) and Actual

| | |
|--|-----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund | 101 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Community Redevelopment Agency | 102 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance - Road and Bridge Fund | 103 |

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

Pension Trust Funds

Palmetto General Employees' Pension Plan

| | |
|--|-----|
| Schedule of Changes in the City's Net Pension Liability and Related Ratios | 104 |
| Schedule of Contributions | 106 |
| Schedule of Investment Returns | 109 |

Palmetto Police Officers' Pension Plan

| | |
|--|-----|
| Schedule of Changes in the City's Net Pension Liability and Related Ratios | 110 |
| Schedule of Contributions | 112 |
| Schedule of Investment Returns | 114 |

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

| | |
|--|------------|
| Schedule of Changes in the City's OPEB Liability and Related Ratios | 115 |
|--|------------|

CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|---|-------------------------|----------------------|----------------------|-------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 5,238,380 | \$ 5,264,944 | \$ 5,264,944 | \$ -- |
| Sales | 1,010,131 | 2,024,823 | 2,024,823 | -- |
| Utility | 1,218,500 | 1,227,589 | 1,227,589 | -- |
| Motor fuel | 11,500 | 11,832 | 11,832 | -- |
| Other | 816,351 | 870,176 | 870,176 | -- |
| Permits, fees, and special assessments | 1,449,200 | 1,977,998 | 1,977,998 | -- |
| Intergovernmental revenues | 6,000 | 106,688 | 71,699 | (34,989) |
| Fines and forfeitures | 51,450 | 69,258 | 47,005 | (22,253) |
| Charges for services | 888,910 | 828,757 | 823,470 | (5,287) |
| Interest earnings | 80,000 | 142,081 | 320,859 | 178,778 |
| Miscellaneous | 149,416 | 148,749 | 148,073 | (676) |
| Impact fees | -- | 206,504 | 206,504 | -- |
| Total revenues | <u>10,919,838</u> | <u>12,879,399</u> | <u>12,994,972</u> | <u>115,573</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Commission | 274,606 | 274,606 | 249,772 | 24,834 |
| City Clerk | 2,446,092 | 2,518,825 | 2,405,277 | 113,548 |
| City Attorney | 272,207 | 342,207 | 335,809 | 6,398 |
| Finance | 673,346 | 687,346 | 650,012 | 37,334 |
| Human resources | 213,196 | 213,196 | 185,414 | 27,782 |
| Total general government | <u>3,879,447</u> | <u>4,036,180</u> | <u>3,826,284</u> | <u>209,896</u> |
| Public Safety | | | | |
| Police | 4,544,676 | 4,600,354 | 4,205,236 | 395,118 |
| Code enforcement | 237,859 | 231,084 | 195,803 | 35,281 |
| Planning and zoning | 243,970 | 262,016 | 190,238 | 71,778 |
| Building department | 366,664 | 523,115 | 457,333 | 65,782 |
| Total public safety | <u>5,393,169</u> | <u>5,616,569</u> | <u>5,048,610</u> | <u>567,959</u> |
| Recreation | | | | |
| Parks and recreation | 664,928 | 663,428 | 536,857 | 126,571 |
| Events and facilities | 182,830 | 182,380 | 122,058 | 60,322 |
| Total recreation | <u>847,758</u> | <u>845,808</u> | <u>658,915</u> | <u>186,893</u> |
| Economic and physical environment | | | | |
| Information technology | 508,141 | 511,576 | 458,324 | 53,252 |
| Public works administration | 735,004 | 731,745 | 674,750 | 56,995 |
| Fleet management | 232,014 | 232,014 | 219,723 | 12,291 |
| Total economic and physical environment | <u>1,475,159</u> | <u>1,475,335</u> | <u>1,352,797</u> | <u>122,538</u> |
| Capital outlay | 359,082 | 1,960,220 | 1,130,890 | 829,330 |
| Debt service principal and interest | 288,520 | 288,520 | 280,481 | 8,039 |
| Total expenditures | <u>12,243,135</u> | <u>14,222,632</u> | <u>12,297,977</u> | <u>1,924,655</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,323,297)</u> | <u>(1,343,233)</u> | <u>696,995</u> | <u>2,040,228</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,082,861 | 1,082,861 | 1,052,861 | (30,000) |
| Transfers out | -- | (45,000) | (45,000) | -- |
| Capital leases | 167,000 | 254,676 | 254,676 | -- |
| Total other financing sources (uses) | <u>1,249,861</u> | <u>1,292,537</u> | <u>1,262,537</u> | <u>(30,000)</u> |
| Net change in fund sources (uses) | <u>(73,436)</u> | <u>(50,696)</u> | <u>1,959,532</u> | <u>2,010,228</u> |
| Fund balances - beginning | 11,795,486 | 11,795,486 | 11,795,486 | -- |
| Fund balances - ending | <u>\$ 11,722,050</u> | <u>\$ 11,744,790</u> | <u>\$ 13,755,018</u> | <u>\$ 2,010,228</u> |

CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
COMMUNITY REDEVELOPMENT AGENCY (CRA) FUND
For the Year Ended September 30, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|---|-------------------------|--------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$ 4,116,914 | \$ 4,116,914 | \$ 4,114,334 | \$ (2,580) |
| Intergovernmental revenues | -- | -- | 12,552 | 12,552 |
| Interest earnings | 60,000 | 60,000 | 76,773 | 16,773 |
| Miscellaneous | 9,120 | 9,120 | 7,760 | (1,360) |
| Total revenues | <u>4,186,034</u> | <u>4,186,034</u> | <u>4,211,419</u> | <u>25,385</u> |
| EXPENDITURES | | | | |
| Economic and physical environment | 2,544,200 | 2,592,170 | 1,551,915 | 1,040,255 |
| Capital outlay | | | | |
| Streets | 125,000 | 75,000 | -- | 75,000 |
| Other | 4,474,349 | 5,148,585 | 3,145,167 | 2,003,418 |
| Debt service principal and interest | <u>379,750</u> | <u>379,750</u> | <u>246,779</u> | <u>132,971</u> |
| Total expenditures | <u>7,523,299</u> | <u>8,195,505</u> | <u>4,943,861</u> | <u>3,251,644</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,337,265)</u> | <u>(4,009,471)</u> | <u>(732,442)</u> | <u>3,277,029</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(69,482)</u> | <u>(69,482)</u> | <u>(69,482)</u> | <u>--</u> |
| Total other financing sources (uses) | <u>(69,482)</u> | <u>(69,482)</u> | <u>(69,482)</u> | <u>--</u> |
| Net change in fund sources (uses) | (3,406,747) | (4,078,953) | (801,924) | 3,277,029 |
| Fund balances - beginning | <u>4,078,952</u> | <u>4,078,952</u> | <u>4,078,952</u> | <u>--</u> |
| Fund balances - ending | <u>\$ 672,205</u> | <u>\$ (1)</u> | <u>\$ 3,277,028</u> | <u>\$ 3,277,029</u> |

CITY OF PALMETTO, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
ROAD AND BRIDGE FUND
For the Year Ended September 30, 2020

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|---|-------------------------|---------------------|---------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| REVENUES | | | | |
| Taxes | | | | |
| Motor fuel | \$ 1,586,808 | \$ 1,517,798 | \$ 1,517,798 | \$ -- |
| Charges for services | 131,043 | 126,919 | 132,610 | 5,691 |
| Interest earnings | 15,000 | 23,551 | 27,803 | 4,252 |
| Miscellaneous | -- | 2,997 | 2,997 | -- |
| Impact fees | -- | 265,151 | 265,151 | -- |
| Total revenues | <u>1,732,851</u> | <u>1,936,416</u> | <u>1,946,359</u> | <u>9,943</u> |
| EXPENDITURES | | | | |
| Highways and streets | 1,178,012 | 1,120,189 | 859,195 | 260,994 |
| Capital outlay | | | | |
| Streets | 126,300 | 150,786 | 151,419 | (633) |
| Debt service principal and interest | 298,551 | 298,551 | 294,650 | 3,901 |
| Total expenditures | <u>1,602,863</u> | <u>1,569,526</u> | <u>1,305,264</u> | <u>264,262</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>129,988</u> | <u>366,890</u> | <u>641,095</u> | <u>274,205</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (209,288) | (627,688) | (567,688) | 60,000 |
| Capital leases | 74,300 | 84,990 | 84,990 | -- |
| Total other financing sources (uses) | <u>(134,988)</u> | <u>(542,698)</u> | <u>(482,698)</u> | <u>60,000</u> |
| Net change in fund sources (uses) | (5,000) | (175,808) | 158,397 | 334,205 |
| Fund balances - beginning | 1,584,294 | 1,584,294 | 1,584,294 | -- |
| Fund balances - ending | <u>\$ 1,579,294</u> | <u>\$ 1,408,486</u> | <u>\$ 1,742,691</u> | <u>\$ 334,205</u> |

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 388,341 | \$ 406,052 | \$ 432,504 | \$ 340,367 | \$ 356,601 | \$ 376,299 | \$ 391,459 |
| Interest | 1,098,660 | 1,125,493 | 1,167,342 | 1,077,822 | 1,100,191 | 1,126,047 | 1,136,455 |
| Differences between expected and actual experience | -- | (473,204) | (598,066) | (91,591) | (104,875) | (357,867) | (276,753) |
| Changes of assumptions | -- | 481,905 | (137,785) | -- | -- | -- | (265,003) |
| Benefit payments, including refunds of employee contributions | <u>(1,213,674)</u> | <u>(1,080,222)</u> | <u>(937,187)</u> | <u>(940,734)</u> | <u>(1,105,822)</u> | <u>(898,657)</u> | <u>(1,123,245)</u> |
| Net change in total pension liability | 273,327 | 460,024 | (73,192) | 385,864 | 246,095 | 245,822 | (137,087) |
| Total pension liability - beginning | <u>14,867,301</u> | <u>15,140,628</u> | <u>15,600,652</u> | <u>15,527,460</u> | <u>15,913,324</u> | <u>16,159,419</u> | <u>16,405,241</u> |
| Total pension liability - ending (a) | <u>\$ 15,140,628</u> | <u>\$ 15,600,652</u> | <u>\$ 15,527,460</u> | <u>\$ 15,913,324</u> | <u>\$ 16,159,419</u> | <u>\$ 16,405,241</u> | <u>\$ 16,268,154</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 837,688 | \$ 859,333 | \$ 836,906 | \$ 854,277 | \$ 773,083 | \$ 721,806 | \$ 626,893 |
| Contributions - employee | 133,816 | 140,131 | 144,902 | 148,466 | 157,785 | 160,975 | 169,707 |
| Net investment income | 923,158 | 179,086 | 928,197 | 1,443,970 | 1,379,409 | 416,451 | 1,074,774 |
| Benefit payments, including refunds of employee contributions | (1,213,674) | (1,080,222) | (937,187) | (940,734) | (1,105,822) | (898,657) | (1,123,245) |
| Administrative expense | <u>(20,097)</u> | <u>(27,272)</u> | <u>(25,909)</u> | <u>(39,707)</u> | <u>(27,759)</u> | <u>(34,635)</u> | <u>(29,818)</u> |
| Net change in plan fiduciary net position | 660,891 | 71,056 | 946,909 | 1,466,272 | 1,176,696 | 365,940 | 718,311 |
| Plan fiduciary net position - beginning | <u>10,639,447</u> | <u>11,300,338</u> | <u>11,371,394</u> | <u>12,318,303</u> | <u>13,784,575</u> | <u>14,961,271</u> | <u>15,327,211</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 11,300,338</u> | <u>\$ 11,371,394</u> | <u>\$ 12,318,303</u> | <u>\$ 13,784,575</u> | <u>\$ 14,961,271</u> | <u>\$ 15,327,211</u> | <u>\$ 16,045,522</u> |
| City's net pension liability - ending (a - b) | <u>\$ 3,840,290</u> | <u>\$ 4,229,258</u> | <u>\$ 3,209,157</u> | <u>\$ 2,128,749</u> | <u>\$ 1,198,148</u> | <u>\$ 1,078,030</u> | <u>\$ 222,632</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 74.64 % | 72.89 % | 79.33 % | 86.62 % | 92.59 % | 93.43 % | 98.63 % |
| Covered payroll (2) | \$ 2,676,320 | \$ 2,938,908 | \$ 2,898,036 | \$ 2,969,332 | \$ 3,155,700 | \$ 3,219,489 | \$ 3,394,133 |
| City's net pension liability as a percentage of covered payroll | 143.49 % | 143.91 % | 110.74 % | 71.69 % | 37.97 % | 33.48 % | 6.56 % |

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

Notes to the Schedule:

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

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

Changes of assumptions:

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

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

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

Changes of assumptions for the measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for non-special-risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|----------------|----------------|-----------------|----------------|-----------------|----------------|----------------|
| Actuarially determined contribution | \$ 837,688 | \$ 859,281 | \$ 836,083 | \$ 854,277 | \$ 772,200 | \$ 721,809 | \$ 626,896 |
| Contributions in relation to the actuarially determined contributions | <u>837,688</u> | <u>859,333</u> | <u>836,906</u> | <u>854,277</u> | <u>773,083</u> | <u>721,806</u> | <u>626,893</u> |
| Contribution deficiency (excess) | <u>\$ --</u> | <u>\$ (52)</u> | <u>\$ (823)</u> | <u>\$ --</u> | <u>\$ (883)</u> | <u>\$ 3</u> | <u>\$ 3</u> |
| Covered payroll (2) | \$ 2,676,320 | \$ 2,938,908 | \$ 2,898,036 | \$ 2,969,332 | \$ 3,155,700 | \$ 3,219,489 | \$ 3,394,133 |
| Contributions as a percentage of covered payroll | 31.30 % | 29.24 % | 28.88 % | 28.77 % | 24.50 % | 22.42 % | 18.47 % |

Notes to the Schedule:

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

| | |
|-------------------------------|--|
| Valuation date | October 1, 2019 |
| Funding method | Entry age normal actuarial cost method (level percent of pay). |
| Amortization method | New UAAL amortization bases are amortized over 15 years. Previously, the amounts are established according to the following amortization periods; Experience: 10 years, assumption method changes: 20 years and benefit changes: 30 years. |
| Remaining amortization period | 15 years (as of October 1, 2019) |
| Mortality | Mortality Rate Healthy Active Lives: Female: PubG.H-2010 for Employees. Male: PubG.H-2010 (Below Median) for Employees, set back one year. Mortality Rate Healthy Retiree Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Mortality Rate Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Mortality Rate Disabled Lives: PubG.H-2010 for Disabled Retirees, set forward three years. All rates are projected generationally with Mortality Improvement Scale MP-2018. |
| Interest rate | 7% per year compounded annually, net of investment related expenses. |
| Inflation | 2.30% per year |
| Cost of living adjustments | None |
| Payroll increases | None |
| Actuarial value of assets | The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (market value, net of investment-related expenses), is phased-in over a four-year period. |

Normal retirement age (3):

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

Early retirement age:

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

Salary increases:

| Years of Service | Rates |
|-------------------------|--------------|
| 0-2 years | 6.00% |
| 3-9 years | 4.50% |
| 10 or more years | 4.00% |

Disability Rates:

| Age | Probability of Disability |
|--------------|----------------------------------|
| 20 | 0.08% |
| 25 | 0.09% |
| 30 | 0.12% |
| 35 | 0.14% |
| 40 | 0.25% |
| 45 | 0.35% |
| 50 | 0.55% |
| 55 | 0.74% |
| 60 | 0.97% |
| 65 and older | 1.19% |

Termination rates:

| Sample Age | Years of service | % of Active Members Separating Within Next Year |
|-------------------|-------------------------|--|
| All | 0-3 | 15.00% |
| | 4 - 9 | 8.50% |
| | 10 - 14 | 7.50% |
| | 15 - 19 | 5.00% |
| | 20 or more | -% |

Terminal leave pay:

| Years of Credited Service as of October 1, 2012 | Liability Loan |
|--|-----------------------|
| 10 or more years | 4.50% |
| At least 5, less than 10 years | 3.00% |
| Less than 5 years | 0.00% |

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

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

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

Method Change: The amortization period for the combined UAAL (including the 2020 experience Gain) is amortized over 1 year. All future UAAL bases are amortized over 15 years level dollar. Previously, the amortization period for all changes to the UAAL were as follows; Experience: 10 years, Assumption method changes: 20 years and Benefit change: 30 years.

Changes of assumptions for the measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for non-special-risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

| | September 30, 2014 | September 30, 2015 | September 30, 2016 | September 30, 2017 | September 30, 2018 | September 30, 2019 | September 30, 2020 |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Annual money-weighted rate of return net of investment expense | 8.77 % | 1.61 % | 8.18 % | 11.78 % | 10.07 % | 2.81 % | 7.09 % |

Notes to the Schedule

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | |
| Service cost | \$ 393,530 | \$ 375,644 | \$ 392,233 | \$ 332,469 | \$ 341,648 | \$ 340,650 | \$ 396,835 |
| Interest | 883,658 | 933,499 | 975,789 | 984,780 | 1,016,788 | 1,068,270 | 1,062,027 |
| Differences between expected and actual experience | -- | (498,919) | (332,570) | 81,800 | 173,880 | (713,554) | 439,144 |
| Changes of assumptions | -- | 541,965 | 485,432 | 220,697 | 163,140 | -- | (316,881) |
| Benefit payments, including refunds of employee contributions | <u>(585,282)</u> | <u>(621,699)</u> | <u>(703,105)</u> | <u>(1,073,813)</u> | <u>(708,481)</u> | <u>(800,334)</u> | <u>(881,144)</u> |
| Net change in total pension liability | 691,906 | 730,490 | 817,779 | 545,933 | 986,975 | (104,968) | 699,981 |
| Total pension liability - beginning | <u>11,547,437</u> | <u>12,239,343</u> | <u>12,969,833</u> | <u>13,787,612</u> | <u>14,333,545</u> | <u>15,320,520</u> | <u>15,215,552</u> |
| Total pension liability - ending (a) | <u>\$ 12,239,343</u> | <u>\$ 12,969,833</u> | <u>\$ 13,787,612</u> | <u>\$ 14,333,545</u> | <u>\$ 15,320,520</u> | <u>\$ 15,215,552</u> | <u>\$ 15,915,533</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | \$ 426,776 | \$ 437,216 | \$ 442,836 | \$ 525,731 | \$ 452,774 | \$ 480,634 | \$ 406,200 |
| Contributions - state | 97,971 | 103,281 | 114,200 | 121,071 | 130,363 | 131,486 | 133,879 |
| Contributions - employee | 74,568 | 77,319 | 82,118 | 86,729 | 85,229 | 89,571 | 90,800 |
| Net investment income | 1,032,897 | (94,890) | 1,076,748 | 1,308,549 | 1,169,844 | 422,898 | 1,134,529 |
| Benefit payments, including refunds of employee contributions | <u>(585,282)</u> | <u>(621,699)</u> | <u>(703,105)</u> | <u>(1,073,813)</u> | <u>(708,481)</u> | <u>(800,334)</u> | <u>(881,144)</u> |
| Administrative expense | <u>(16,881)</u> | <u>(24,018)</u> | <u>(31,438)</u> | <u>(32,154)</u> | <u>(30,797)</u> | <u>(50,391)</u> | <u>(30,590)</u> |
| Net change in plan fiduciary net position | 1,030,049 | (122,791) | 981,359 | 936,113 | 1,098,932 | 273,864 | 853,674 |
| Plan fiduciary net position - beginning | <u>9,579,905</u> | <u>10,609,954</u> | <u>10,487,163</u> | <u>11,468,522</u> | <u>12,404,635</u> | <u>13,503,567</u> | <u>13,777,431</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 10,609,954</u> | <u>\$ 10,487,163</u> | <u>\$ 11,468,522</u> | <u>\$ 12,404,635</u> | <u>\$ 13,503,567</u> | <u>\$ 13,777,431</u> | <u>\$ 14,631,105</u> |
| City's net pension liability - ending (a - b) | <u>\$ 1,629,389</u> | <u>\$ 2,482,670</u> | <u>\$ 2,319,090</u> | <u>\$ 1,928,910</u> | <u>\$ 1,816,953</u> | <u>\$ 1,438,121</u> | <u>\$ 1,284,428</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 86.69 % | 80.86 % | 83.18 % | 86.54 % | 88.14 % | 90.55 % | 91.93 % |
| Covered payroll (2) | \$ 1,491,360 | \$ 1,663,139 | \$ 1,642,361 | \$ 1,734,587 | \$ 1,704,571 | \$ 1,791,416 | \$ 1,816,002 |
| City's net pension liability as a percentage of covered payroll | 109.26 % | 149.28 % | 141.20 % | 111.20 % | 106.59 % | 80.28 % | 70.73 % |

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

Notes to the Schedule:

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

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

Changes of assumptions:

For measurement date September 30, 2020, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

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

The investment return assumption will be lowered from the current 7.50% rate by the following schedule: September 30, 2016 - 7.25%; October 1, 2017- 7.10%; October 1, 2018 - 7.00%

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|----------------|-------------------|-------------------|-------------------|--------------------|-------------------|----------------|
| Actuarially determined contribution | \$ 524,660 | \$ 536,596 | \$ 551,341 | \$ 640,930 | \$ 557,736 | \$ 610,335 | \$ 540,079 |
| Contributions in relation to the actuarially determined contributions | <u>524,747</u> | <u>540,497</u> | <u>557,036</u> | <u>646,802</u> | <u>583,137</u> | <u>612,120</u> | <u>540,079</u> |
| Contribution deficiency (excess) | <u>\$ (87)</u> | <u>\$ (3,901)</u> | <u>\$ (5,695)</u> | <u>\$ (5,872)</u> | <u>\$ (25,401)</u> | <u>\$ (1,785)</u> | <u>\$ --</u> |
| Covered payroll (2) | \$ 1,491,360 | \$ 1,663,139 | \$ 1,642,361 | \$ 1,734,587 | \$ 1,704,571 | \$ 1,791,416 | \$ 1,816,002 |
| Contributions as a percentage of covered payroll | 35.19 % | 32.50 % | 33.92 % | 37.29 % | 34.21 % | 34.17 % | 29.74 % |

Notes to the Schedule:

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

| | |
|-------------------------------|--|
| Valuation date | October 1, 2019 |
| Funding method | Entry age normal actuarial cost method (level percent of pay). |
| Amortization method | New UAAL amortization bases are established according to the following amortization periods; Experience: 10 years, assumption method changes: 20 years and benefit change: 30 years. |
| Remaining amortization period | 15 years (as of October 1, 2019) |
| Mortality | Mortality Rate Healthy Active Lives: Female: PubS.H-2010 (Below Median) for Employees, set forward one year. Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Mortality Rate Healthy Retiree Lives: Female: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Mortality Rate Beneficiary Lives: Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Mortality Rates Disabled Lives: 80% PubG.H-2010 for Disabled Retirees/ 20% PubS.H-2010 for Disabled Retirees. All rates are projected generationally with Mortality Improvement Scale MP-2018. |
| Interest rate | 7.00% per year compounded annually, net of investment related expenses. |
| Inflation | 2.50% per year |
| Cost of living adjustments | None |
| Payroll increases | None |
| Actuarial value of assets | The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (market value, net of investment-related expenses), is phased-in over a four-year period. |

Normal retirement age:

| <u>Number of Years after First Eligibility for Normal Retirement</u> | <u>Probability of Retirement</u> |
|--|----------------------------------|
| 0 | 80% |
| 1-4 | 40% |
| 5 | 100% |

Early retirement age: 5% for each eligible year

Salary increases:

| Years of Service | Rates |
|-------------------------|--------------|
| Less than 1 | 8.00% |
| 1-4 | 5.50% |
| 5 or more | 5.00% |

Disability rates:

| Age | Probability of Disability |
|------------|----------------------------------|
| 25 | 0.15% |
| 30 | 0.18% |
| 35 | 0.23% |
| 40 | 0.30% |
| 45 | 0.51% |
| 50 | 1.00% |
| 55 | 1.55% |

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

Termination rates:

| Years of Service | % of Active Members Separating within Next Year |
|-------------------------|--|
| 0-5 | 8.00% |
| 6-14 | 6.00% |
| 15 or more | -% |

Terminal leave pay:

| Years of Credited Service as of October 1, 2011 | Liability Loan |
|--|-----------------------|
| 10 or more years | 4.50% |
| 1 - 10 years | 3.50% |
| Less than 1 year | 0.00% |

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

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

Method Change: The amortization period for the combined UAAL (including the 2020 experience Gain) is amortized over 1 year. All future UAAL bases are amortized over 15 years level dollar. Previously, the amortization period for all changes to the UAAL were as follows; Experience: 10 years, Assumption method changes: 20 years and Benefit change: 30 years.

Changes of assumptions:

For measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special-risk lives, with appropriate risk and collar adjustments made based on plan demographics.

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

| | September 30, 2014 | September 30, 2015 | September 30, 2016 | September 30, 2017 | September 30, 2018 | September 30, 2019 | September 30, 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Annual money-weighted rate of return net of investment expense | 10.85 % | (0.90)% | 10.33 % | 11.46 % | 9.46 % | 3.17 % | 8.37 % |

Notes to the Schedule

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

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

Last Ten Fiscal Years (1)

| | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------------|-------------------|-------------------|
| Total OPEB liability | | | |
| Service cost | \$ 15,911 | \$ 15,026 | \$ 18,238 |
| Interest | 10,898 | 12,290 | 14,017 |
| Differences between expected and actual experience | -- | -- | 73,604 |
| Changes of assumptions | (12,960) | 15,158 | 103,917 |
| Benefit payment | <u>(17,581)</u> | <u>(19,075)</u> | <u>(24,510)</u> |
| Net change in total OPEB liability | (3,732) | 23,399 | 185,266 |
| Total OPEB liability - beginning | <u>292,186</u> | <u>288,454</u> | <u>311,853</u> |
| Total OPEB liability - ending | <u>\$ 288,454</u> | <u>\$ 311,853</u> | <u>\$ 497,119</u> |
| Covered payroll | \$ 5,312,728 | \$ 5,859,514 | \$ 5,856,860 |
| Total OPEB liability as a percentage of covered payroll | 5.43 % | 5.32 % | 8.49 % |

Notes to the Schedule:

Changes in benefit terms: There are no changes in benefit terms during the year ended September 30, 2020.

Covered Employee Payroll was projected one year forward from the valuation date for the reporting period ending September 30, 2020.

Difference Between Expected and Actual Experience: Difference Between Expected and Actual Experience reflects the impact of changes to the census data from the prior valuation to the valuation as of October 1, 2019.

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

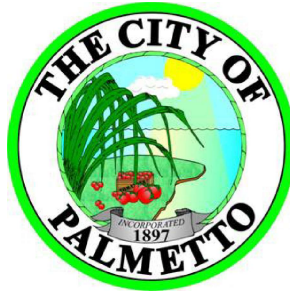
- Fiscal Year Ending September 30, 2020: 2.14%
- Fiscal Year Ending September 30, 2019: 3.58%
- Fiscal Year Ending September 30, 2018: 4.18%

Also reflected as assumption changes are:

- Updated health care costs and premiums based on plan experience
- Updated health care cost trend rates
- Updated Mortality rates

Benefit Payment: The plan sponsor did not provide actual net benefits paid by the Plan for the fiscal year ending on September 30, 2020. Expected net benefit payments produced by the valuation model for the same period are shown in the table above.

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



COMBINING FUND STATEMENTS AND SCHEDULES

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

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

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CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
(GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|-------------------|-------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ -- | \$ 1,914,711 | \$ 409,010 | \$ (1,505,701) |
| Total revenues | <u>--</u> | <u>1,914,711</u> | <u>409,010</u> | <u>(1,505,701)</u> |
| EXPENDITURES | | | | |
| Capital outlay | | | | |
| Streets | -- | 2,561,592 | 747,835 | 1,813,757 |
| Other | -- | 174,071 | 43,214 | 130,857 |
| Total expenditures | <u>--</u> | <u>2,735,663</u> | <u>791,049</u> | <u>1,944,614</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>--</u> | <u>(820,952)</u> | <u>(382,039)</u> | <u>438,913</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | -- | 463,400 | 403,400 | (60,000) |
| Total other financing sources (uses) | <u>--</u> | <u>463,400</u> | <u>403,400</u> | <u>(60,000)</u> |
| Net change in fund sources (uses) | -- | (357,552) | 21,361 | 378,913 |
| Fund balances - beginning | 641,096 | 641,096 | 641,096 | -- |
| Fund balances - ending | <u>\$ 641,096</u> | <u>\$ 283,544</u> | <u>\$ 662,457</u> | <u>\$ 378,913</u> |

CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2020

| | Palmetto Police Officers' Pension Plan | Palmetto General Employees' Pension Plan | Total Fiduciary Funds |
|-----------------------------------|---|---|--------------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 399 | \$ 406 | \$ 805 |
| Accounts receivable | 13,633 | -- | 13,633 |
| Interest and dividends receivable | 7,842 | 21,249 | 29,091 |
| Prepaid benefits | 69,095 | 69,865 | 138,960 |
| Investments | | | |
| Money market funds | 230,114 | 401,252 | 631,366 |
| U. S. government securities | 1,070,264 | 1,336,089 | 2,406,353 |
| Corporate bonds | 668,976 | 987,758 | 1,656,734 |
| Corporate stocks | 1,029,018 | 7,287,966 | 8,316,984 |
| Mutual funds | 10,026,390 | 4,476,673 | 14,503,063 |
| Alternative investments | 1,516,007 | 1,464,669 | 2,980,676 |
| Total investments | <u>14,540,769</u> | <u>15,954,407</u> | <u>30,495,176</u> |
| Total assets | <u>14,631,738</u> | <u>16,045,927</u> | <u>30,677,665</u> |
| NET POSITION | | | |
| Restricted for pension benefits | <u>\$ 14,631,738</u> | <u>\$ 16,045,927</u> | <u>\$ 30,677,665</u> |

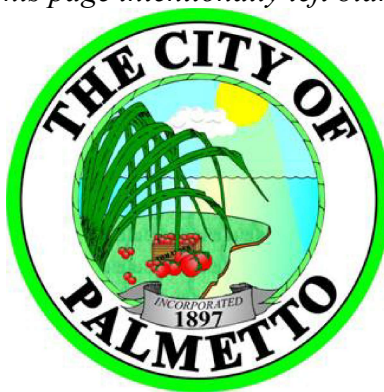
CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended September 30, 2020

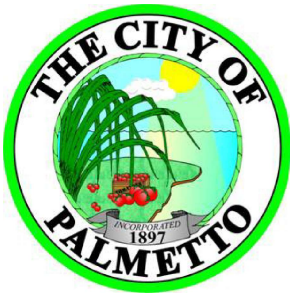
| | Palmetto Police Officers' Pension Plan | Palmetto General Employees' Pension Plan | Total Fiduciary Funds |
|---|---|---|--------------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 406,434 | \$ 626,894 | \$ 1,033,328 |
| Plan members | 90,800 | 169,707 | 260,507 |
| State (from the General Fund) | 133,879 | -- | 133,879 |
| Miscellaneous | 775 | (114) | 661 |
| Total contributions: | <u>631,888</u> | <u>796,487</u> | <u>1,428,375</u> |
| Investment earnings | | | |
| Interest | 43,978 | 48,690 | 92,668 |
| Dividends | 294,217 | 224,802 | 519,019 |
| Net increase in the fair value of investments | 833,664 | 906,859 | 1,740,523 |
| Total investment earnings | 1,171,859 | 1,180,351 | 2,352,210 |
| Less investment expense | (37,704) | (105,463) | (143,167) |
| Net investment earnings | <u>1,134,155</u> | <u>1,074,888</u> | <u>2,209,043</u> |
| Total additions | <u>1,766,043</u> | <u>1,871,375</u> | <u>3,637,418</u> |
| DEDUCTIONS | | | |
| Benefits | 870,103 | 1,052,907 | 1,923,010 |
| Refunds of contributions | 11,041 | 70,338 | 81,379 |
| Administrative expenses | 30,590 | 29,818 | 60,408 |
| Total deductions | <u>911,734</u> | <u>1,153,063</u> | <u>2,064,797</u> |
| Change in net position | 854,309 | 718,312 | 1,572,621 |
| Net position, beginning of year | <u>13,777,429</u> | <u>15,327,615</u> | <u>29,105,044</u> |
| Net position, end of year | <u>\$ 14,631,738</u> | <u>\$ 16,045,927</u> | <u>\$ 30,677,665</u> |

CITY OF PALMETTO, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND - AGENCY FUND
September 30, 2020

| | Agency Fund | | | September 30, 2020 |
|--|----------------------------|---------------------|-----------------------|-------------------------------|
| | October 1, 2019 | Additions | Deletions | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,827 | \$ 3,008,126 | \$ (2,995,928) | \$ 14,025 |
| Total assets | <u>1,827</u> | <u>3,008,126</u> | <u>(2,995,928)</u> | <u>14,025</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | (1,827) | 3,116,605 | (3,128,803) | (14,025) |
| Total liabilities | <u>\$ (1,827)</u> | <u>\$ 3,116,605</u> | <u>\$ (3,128,803)</u> | <u>\$ (14,025)</u> |

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STATISTICAL SECTION

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

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

CITY OF PALMETTO, FLORIDA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2011 | 2012 | 2013 (1) | 2014 |
| Governmental Activities | | | | |
| Net investment in capital assets | \$ 27,139,012 | \$ 30,654,831 | \$ 31,673,980 | \$ 32,241,516 |
| Restricted | 8,923,098 | 5,078,638 | 4,217,646 | 3,193,316 |
| Unrestricted | 5,196,210 | 7,684,475 | 7,257,727 | 6,679,783 |
| Governmental Activities net position | <u>\$ 41,258,320</u> | <u>\$ 43,417,944</u> | <u>\$ 43,149,353</u> | <u>\$ 42,114,615</u> |
| Business-type Activities | | | | |
| Net investment in capital assets | 17,638,823 | 18,570,910 | 19,190,117 | 21,989,061 |
| Restricted | 469,719 | 530,506 | 488,908 | 245,743 |
| Unrestricted | 2,548,267 | 2,392,528 | 2,564,049 | 2,929,840 |
| Total business-type activities net position | <u>\$ 20,656,809</u> | <u>\$ 21,493,944</u> | <u>\$ 22,243,074</u> | <u>\$ 25,164,644</u> |
| Primary Government | | | | |
| Net investment in capital assets | \$ 44,777,835 | \$ 49,225,741 | \$ 50,864,097 | \$ 54,230,577 |
| Restricted | 9,392,817 | 5,609,144 | 4,706,554 | 3,439,059 |
| Unrestricted | 7,744,477 | 10,077,003 | 9,821,776 | 9,609,623 |
| Total primary government net position | <u>\$ 61,915,129</u> | <u>\$ 64,911,888</u> | <u>\$ 65,392,427</u> | <u>\$ 67,279,259</u> |

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

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

| Fiscal Year | | | | | |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 2015 (2) | 2016 | 2017 | 2018 | 2019 | 2020 |
| \$ 33,319,038 | \$ 33,506,241 | \$ 34,364,152 | \$ 35,933,864 | \$ 38,025,148 | \$ 42,038,825 |
| 3,567,422 | 4,378,810 | 5,751,126 | 8,872,485 | 9,505,182 | 9,963,795 |
| 3,030,809 | 3,140,557 | 4,160,584 | 3,620,287 | 5,111,856 | 6,461,109 |
| <u>\$ 39,917,269</u> | <u>\$ 41,025,608</u> | <u>\$ 44,275,862</u> | <u>\$ 48,426,636</u> | <u>\$ 52,642,186</u> | <u>\$ 58,463,729</u> |
| 21,533,620 | 22,947,006 | 24,414,011 | 24,524,166 | 26,379,526 | 29,161,052 |
| 906,723 | 1,012,806 | 1,120,585 | 1,121,064 | 653,354 | 1,269,654 |
| 3,731,428 | 3,937,734 | 4,927,292 | 7,184,686 | 9,128,614 | 9,191,740 |
| <u>\$ 26,171,771</u> | <u>\$ 27,897,546</u> | <u>\$ 30,461,888</u> | <u>\$ 32,829,916</u> | <u>\$ 36,161,494</u> | <u>\$ 39,622,446</u> |
| \$ 54,852,658 | \$ 56,453,247 | \$ 58,778,163 | \$ 60,458,030 | \$ 64,404,674 | \$ 71,199,877 |
| 4,474,145 | 5,391,616 | 6,871,711 | 9,993,549 | 10,158,536 | 11,233,449 |
| 6,762,237 | 7,078,291 | 9,087,876 | 10,804,973 | 14,240,470 | 15,652,849 |
| <u>\$ 66,089,040</u> | <u>\$ 68,923,154</u> | <u>\$ 74,737,750</u> | <u>\$ 81,256,552</u> | <u>\$ 88,803,680</u> | <u>\$ 98,086,175</u> |

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

| | Fiscal Year | | | |
|---|--------------------|--------------------|---------------------|--------------------|
| | 2011 (1) | 2012 | 2013 (2) | 2014 |
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 2,270,420 | \$ 2,667,131 | \$ 3,382,557 | \$ 3,434,529 |
| Public Safety (net of indirect allocations) | 4,256,660 | 4,432,536 | 4,353,495 | 4,489,409 |
| Highways and streets | 960,680 | 827,562 | 894,480 | 1,332,919 |
| Recreation | 787,011 | 823,114 | 729,485 | 636,947 |
| Intergovernmental (net of indirect allocation) | 3,068,007 | 2,504,506 | 2,582,701 | 2,634,057 |
| Interest on long-term debt | 171,188 | 160,217 | 151,233 | 129,675 |
| Total governmental activities expenses | <u>11,513,966</u> | <u>11,415,066</u> | <u>12,093,951</u> | <u>12,657,536</u> |
| Business-type activities: | | | | |
| Solid waste | 1,974,313 | 1,990,565 | 2,075,468 | 2,200,590 |
| Water and sewer | 4,193,367 | 4,258,959 | 4,524,200 | 4,744,118 |
| Stormwater | 688,710 | 668,659 | 656,269 | 612,953 |
| Reuse | 91,761 | 86,689 | 88,650 | 113,245 |
| Total business-type activities expenses | <u>6,948,151</u> | <u>7,004,872</u> | <u>7,344,587</u> | <u>7,670,906</u> |
| Total primary government expenses | <u>18,462,117</u> | <u>18,419,938</u> | <u>19,438,538</u> | <u>20,328,442</u> |
| Program revenues | | | | |
| Governmental activities: | | | | |
| Charges for services | | | | |
| General government | 330,820 | 243,076 | 312,316 | 163,793 |
| Public safety | 277,205 | 340,888 | 270,709 | 375,222 |
| Highways and streets | 85,349 | 92,720 | 109,443 | 139,397 |
| Recreation | 2,242 | -- | -- | 600 |
| Operating grants and contributions | 209,731 | -- | -- | -- |
| Capital grants and contributions | 304,488 | 1,700,739 | 144,407 | 334,025 |
| Total governmental activities program revenues | <u>1,209,835</u> | <u>2,377,423</u> | <u>836,875</u> | <u>1,013,037</u> |
| Business-type activities: | | | | |
| Charges for services | | | | |
| Solid waste | 2,124,827 | 2,088,560 | 2,136,874 | 2,177,967 |
| Water and sewer | 4,805,767 | 4,815,175 | 4,897,027 | 5,615,854 |
| Stormwater | 788,920 | 788,563 | 785,132 | 785,144 |
| Reuse | 187,480 | 188,069 | 189,698 | 282,522 |
| Capital grants and contributions | 912,043 | 211,618 | 513,359 | 960,091 |
| Total business-type activities program revenues | <u>8,819,037</u> | <u>8,091,985</u> | <u>8,522,090</u> | <u>9,821,578</u> |
| Total primary government program revenues | <u>10,028,872</u> | <u>10,469,408</u> | <u>9,358,965</u> | <u>10,834,615</u> |
| Net (Expense)/Revenue | | | | |
| Government activities | (10,304,131) | (9,037,643) | (11,257,076) | (11,644,499) |
| Business-type activities | 1,870,886 | 1,087,113 | 1,177,503 | 2,150,672 |
| Total primary government net expense | <u>(8,433,245)</u> | <u>(7,950,530)</u> | <u>(10,079,573)</u> | <u>(9,493,827)</u> |

| | | Fiscal Year | | | | | | | | | |
|----|--------------|-------------|--------------|------|--------------|------|--------------|----|--------------|----|--------------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | | | | |
| | | (3) | | | | | | | | | |
| \$ | 2,761,333 | \$ | 3,063,567 | \$ | 3,202,580 | \$ | 3,389,085 | \$ | 4,029,064 | \$ | 4,187,453 |
| | 4,447,435 | | 4,773,190 | | 4,712,040 | | 4,922,734 | | 4,450,463 | | 4,248,695 |
| | 1,030,938 | | 1,163,107 | | 1,004,315 | | 1,455,875 | | 1,529,769 | | 1,355,491 |
| | 648,017 | | 632,666 | | 650,416 | | 691,519 | | 679,524 | | 684,068 |
| | 2,713,354 | | 2,699,069 | | 2,993,731 | | 3,087,537 | | 3,134,261 | | 3,028,424 |
| | 120,874 | | 116,363 | | 112,689 | | 123,283 | | 205,543 | | 72,095 |
| | 11,721,951 | | 12,447,962 | | 12,675,771 | | 13,670,033 | | 14,028,624 | | 13,576,226 |
| | 2,180,098 | | 2,001,620 | | 2,001,143 | | 2,324,223 | | 2,067,018 | | 2,180,346 |
| | 4,919,816 | | 5,255,761 | | 5,136,548 | | 5,272,179 | | 5,500,925 | | 5,543,719 |
| | 574,894 | | 593,910 | | 559,892 | | 497,092 | | 686,512 | | 517,802 |
| | 130,437 | | 158,216 | | 143,347 | | 165,525 | | 169,525 | | 281,797 |
| | 7,805,245 | | 8,009,507 | | 7,840,930 | | 8,259,019 | | 8,423,980 | | 8,523,664 |
| | 19,527,196 | | 20,457,469 | | 20,516,701 | | 21,929,052 | | 22,452,604 | | 22,099,890 |
| | 480,864 | | 521,631 | | 429,653 | | 881,869 | | 843,384 | | 1,174,634 |
| | 146,175 | | 188,432 | | 197,235 | | 244,484 | | 314,232 | | 345,746 |
| | 113,236 | | 88,597 | | 248,239 | | 203,537 | | 186,468 | | 397,761 |
| | 35,139 | | 33,706 | | 40,285 | | 143,064 | | 116,625 | | 89,499 |
| | 29,693 | | 5,470 | | 1,952 | | 6,000 | | 110,862 | | 62,720 |
| | 554,283 | | 220,296 | | 224,402 | | 506,276 | | 82,790 | | 101,093 |
| | 1,359,390 | | 1,058,132 | | 1,141,766 | | 1,985,230 | | 1,654,361 | | 2,171,453 |
| | 2,272,215 | | 2,170,087 | | 2,151,687 | | 2,166,408 | | 2,220,651 | | 2,313,825 |
| | 6,638,840 | | 6,935,577 | | 7,213,578 | | 7,595,756 | | 7,625,127 | | 7,902,819 |
| | 781,649 | | 786,912 | | 778,978 | | 798,498 | | 810,387 | | 880,405 |
| | 389,078 | | 397,958 | | 409,888 | | 436,377 | | 444,348 | | 495,506 |
| | 67,137 | | 41,303 | | 394,126 | | 134,437 | | 834,777 | | 1,011,727 |
| | 10,148,919 | | 10,331,837 | | 10,948,257 | | 11,131,476 | | 11,935,290 | | 12,604,282 |
| | 11,508,309 | | 11,389,969 | | 12,090,023 | | 13,116,706 | | 13,589,651 | | 14,775,735 |
| | (10,362,561) | | (11,389,830) | | (11,534,005) | | (11,684,803) | | (12,374,263) | | (11,404,773) |
| | 2,343,674 | | 2,322,330 | | 3,107,327 | | 2,872,457 | | 3,511,310 | | 4,080,618 |
| | (8,018,887) | | (9,067,500) | | (8,426,678) | | (8,812,346) | | (8,862,953) | | (7,324,155) |

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

| | Fiscal Year | | | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2011 (1) | 2012 | 2013 (2) | 2014 |
| Net (Expense)/Revenue | | | | |
| Government activities | \$ (10,304,131) | \$ (9,037,643) | \$ (11,257,076) | \$ (11,644,499) |
| Business-type activities | 1,870,886 | 1,087,113 | 1,177,503 | 2,150,672 |
| Total primary government net expense | <u>(8,433,245)</u> | <u>(7,950,530)</u> | <u>(10,079,573)</u> | <u>(9,493,827)</u> |
| General Revenues and Other Changes in Net Position | | | | |
| Government activities: | | | | |
| Taxes | | | | |
| Property taxes | 6,315,246 | 6,107,019 | 5,802,343 | 6,252,171 |
| Sales taxes | 861,772 | 793,591 | 848,863 | 912,455 |
| Utility taxes | 909,987 | 910,783 | 986,029 | 1,088,481 |
| Motor fuel taxes | 1,227,138 | 1,202,520 | 1,194,620 | 1,298,344 |
| Other taxes | 917,678 | 886,666 | 864,389 | 853,806 |
| Franchise fees | 818,570 | 840,158 | 811,682 | 856,531 |
| Interest and investment earnings | 196,277 | 178,264 | 26,515 | 107,545 |
| Other general revenues | -- | -- | -- | -- |
| Transfers | 808,543 | 278,266 | 454,044 | (759,572) |
| Total government activities | <u>12,055,211</u> | <u>11,197,267</u> | <u>10,988,485</u> | <u>10,609,761</u> |
| Business-type activities: | | | | |
| Investment earnings | 29,989 | 28,288 | 25,671 | 11,326 |
| Transfers | (808,543) | (278,266) | (454,044) | 759,572 |
| Total business-type activities | <u>(778,554)</u> | <u>(249,978)</u> | <u>(428,373)</u> | <u>770,898</u> |
| Total primary government | <u>11,276,657</u> | <u>10,947,289</u> | <u>10,560,112</u> | <u>11,380,659</u> |
| Change in Net Position | | | | |
| Government activities | 1,751,080 | 2,159,624 | (268,591) | (1,034,738) |
| Business-type activities | 1,092,332 | 837,135 | 749,130 | 2,921,570 |
| Total primary government | <u>\$ 2,843,412</u> | <u>\$ 2,996,759</u> | <u>\$ 480,539</u> | <u>\$ 1,886,832</u> |

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

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

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

| | | Fiscal Year | | | | | |
|----|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|------|
| | | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| | | (3) | | | | | |
| \$ | (10,362,561) | \$ (11,389,830) | \$ (11,534,005) | \$ (11,684,803) | \$ (12,374,263) | \$ (11,404,773) | |
| | 2,343,674 | 2,322,330 | 3,107,327 | 2,872,457 | 3,511,310 | 4,080,618 | |
| | (8,018,887) | (9,067,500) | (8,426,678) | (8,812,346) | (8,862,953) | (7,324,155) | |
| | 6,557,041 | 7,261,107 | 7,744,097 | 8,277,283 | 8,716,041 | 9,379,278 | |
| | 950,806 | 987,991 | 1,648,177 | 2,030,235 | 2,022,593 | 2,024,823 | |
| | 1,096,095 | 1,107,225 | 1,143,031 | 1,187,993 | 1,249,304 | 1,227,589 | |
| | 1,428,522 | 1,528,050 | 1,591,988 | 1,590,376 | 1,603,218 | 1,529,630 | |
| | 781,298 | 813,066 | 844,339 | 858,059 | 873,901 | 870,176 | |
| | 904,809 | 848,579 | 882,834 | 906,516 | 927,890 | 882,651 | |
| | 111,708 | 123,720 | 138,093 | 199,260 | 505,239 | 425,435 | |
| | 244,338 | 192,608 | 179,765 | 167,382 | 297,954 | 112,643 | |
| | 406,595 | 458,963 | 611,935 | 643,814 | 393,673 | 774,091 | |
| | 12,481,212 | 13,321,309 | 14,784,259 | 15,860,918 | 16,589,813 | 17,226,316 | |
| | 23,362 | 36,754 | 68,950 | 144,230 | 213,941 | 154,425 | |
| | (406,595) | (458,963) | (611,935) | (643,814) | (393,673) | (774,091) | |
| | (383,233) | (422,209) | (542,985) | (499,584) | (179,732) | (619,666) | |
| | 12,097,979 | 12,899,100 | 14,241,274 | 15,361,334 | 16,410,081 | 16,606,650 | |
| | 2,118,651 | 1,931,479 | 3,250,254 | 4,176,115 | 4,215,550 | 5,821,543 | |
| | 1,960,441 | 1,900,121 | 2,564,342 | 2,372,873 | 3,331,578 | 3,460,952 | |
| \$ | 4,079,092 | \$ 3,831,600 | \$ 5,814,596 | \$ 6,548,988 | \$ 7,547,128 | \$ 9,282,495 | |

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

| | Fiscal Year | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2011 | 2012 | 2013 | 2014 |
| General fund | | | | |
| Nonspendable - Inventory | \$ 459,956 | \$ 345,962 | \$ 277,823 | \$ 319,834 |
| Restricted | 1,041,681 | 797,181 | 654,934 | 477,674 |
| Committed | 2,008,234 | 1,964,498 | 1,964,498 | 1,983,593 |
| Assigned | 123,674 | 461,271 | 804,869 | 343,795 |
| Unassigned | 4,022,971 | 4,047,702 | 3,867,975 | 4,077,272 |
| Total general fund | <u>\$ 7,656,516</u> | <u>\$ 7,616,614</u> | <u>\$ 7,570,099</u> | <u>\$ 7,202,168</u> |
| All other governmental funds | | | | |
| Unreserved, reported in: | | | | |
| Nonspendable - Inventory | \$ 2,654 | \$ -- | \$ -- | \$ -- |
| Restricted | 7,881,417 | 5,256,670 | 4,509,519 | 3,320,385 |
| Committed | 876,753 | 941,849 | 583,906 | 281,583 |
| Total all other governmental funds | <u>\$ 8,760,824</u> | <u>\$ 6,198,519</u> | <u>\$ 5,093,425</u> | <u>\$ 3,601,968</u> |

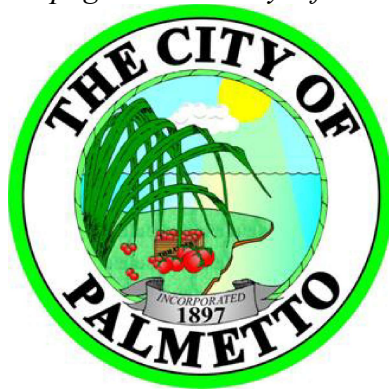
| Fiscal Year | | | | | |
|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| \$ 318,269 | \$ 275,926 | \$ 278,290 | \$ 263,417 | \$ 292,142 | \$ 281,992 |
| 615,227 | 844,837 | 1,563,003 | 3,052,271 | 3,885,242 | 4,989,482 |
| 2,003,079 | 2,039,206 | 2,075,406 | 2,020,887 | 2,057,086 | 2,079,406 |
| 199,142 | 393,991 | 350,837 | 316,356 | 393,205 | 294,066 |
| 4,586,884 | 4,652,720 | 5,101,766 | 4,246,647 | 5,167,811 | 6,110,072 |
| <u>\$ 7,722,601</u> | <u>\$ 8,206,680</u> | <u>\$ 9,369,302</u> | <u>\$ 9,899,578</u> | <u>\$ 11,795,486</u> | <u>\$ 13,755,018</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| 3,556,542 | 3,670,011 | 4,301,268 | 5,820,214 | 5,663,246 | 5,019,719 |
| 262,856 | 846,341 | 975,801 | 707,814 | 641,096 | 662,457 |
| <u>\$ 3,819,398</u> | <u>\$ 4,516,352</u> | <u>\$ 5,277,069</u> | <u>\$ 6,528,028</u> | <u>\$ 6,304,342</u> | <u>\$ 5,682,176</u> |

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

| | Fiscal Year | | | |
|--|---------------------|-----------------------|-----------------------|-----------------------|
| | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | |
| Taxes | \$ 10,231,821 | \$ 9,900,579 | \$ 9,696,244 | \$ 10,405,257 |
| Permits, fees, and special assessments | 1,015,445 | 1,023,579 | 964,238 | 1,135,631 |
| Intergovernmental revenues | 514,219 | 1,700,739 | 102,941 | 334,025 |
| Charges for services | 1,405,022 | 907,925 | 846,821 | 783,332 |
| Fines and forfeitures | 29,843 | 101,317 | 61,545 | 58,255 |
| Interest earnings | 196,277 | 178,264 | 26,515 | 107,545 |
| Impact fees (1) | 4,045 | 12,611 | 21,292 | 65,417 |
| Miscellaneous | 245,295 | 228,740 | 168,543 | 255,752 |
| Total revenues | 13,641,967 | 14,053,754 | 11,888,139 | 13,145,214 |
| Expenditures | | | | |
| General government | 2,728,179 | 2,723,534 | 3,378,574 | 2,767,181 |
| Public safety | 4,196,600 | 4,215,246 | 4,159,702 | 4,264,229 |
| Highways and streets | 768,765 | 590,527 | 609,082 | 757,656 |
| Economic and physical environment | 2,958,752 | 2,359,788 | 2,421,266 | 2,483,372 |
| Recreation | 742,296 | 754,781 | 672,960 | 598,012 |
| Capital outlay | 869,311 | 6,044,196 | 1,679,365 | 2,636,068 |
| Debt service | | | | |
| Principal retirement | 171,189 | 160,217 | 151,233 | 339,802 |
| Interest | 543,020 | 466,938 | 526,340 | 347,493 |
| Total expenditures | 12,978,112 | 17,315,227 | 13,598,522 | 14,193,813 |
| Excess of revenues over (under) expenditures | 663,855 | (3,261,473) | (1,710,383) | (1,048,599) |
| Other financing sources (uses) | | | | |
| Transfers in | 1,402,298 | 1,602,970 | 2,081,969 | 1,358,442 |
| Transfers out | (574,387) | (1,324,704) | (1,627,925) | (2,118,014) |
| Capital leases | 165,482 | 381,000 | 104,730 | 291,500 |
| Reallocation of loan | -- | -- | -- | (342,717) |
| Proceeds from issuance of debt | -- | -- | -- | -- |
| Payments from issuance of debt | -- | -- | -- | -- |
| Total other financing sources (uses) | 993,393 | 659,266 | 558,774 | (810,789) |
| Net change in fund balances | \$ 1,657,248 | \$ (2,602,207) | \$ (1,151,609) | \$ (1,859,388) |
| Debt service as a percentage of non-capital expenditures | 5.90 % | 5.56 % | 5.68 % | 5.95 % |

| Fiscal Year | | | | | | |
|-------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| \$ | 10,813,762 | \$ 11,697,439 | \$ 12,971,632 | \$ 13,943,946 | \$ 14,465,057 | \$ 15,031,496 |
| | 1,312,655 | 1,314,226 | 1,293,917 | 1,678,070 | 1,663,967 | 1,977,998 |
| | 511,887 | 229,447 | 226,354 | 109,597 | 311,108 | 493,261 |
| | 874,483 | 716,463 | 894,464 | 859,465 | 959,227 | 956,080 |
| | 53,414 | 47,122 | 38,955 | 96,605 | 61,499 | 47,005 |
| | 111,708 | 123,720 | 138,093 | 199,260 | 505,239 | 425,435 |
| | 34,422 | 64,528 | 108,684 | 266,009 | 189,529 | 471,655 |
| | 279,535 | 215,230 | 200,756 | 192,710 | 318,499 | 158,830 |
| | <u>13,991,866</u> | <u>14,408,175</u> | <u>15,872,855</u> | <u>17,345,662</u> | <u>18,474,125</u> | <u>19,561,760</u> |
| | 2,896,947 | 3,111,603 | 3,299,997 | 3,492,141 | 3,640,161 | 3,826,284 |
| | 4,337,159 | 4,456,172 | 4,653,229 | 4,786,308 | 4,971,856 | 5,048,610 |
| | 635,317 | 740,798 | 664,664 | 990,841 | 1,114,485 | 859,195 |
| | 2,587,428 | 2,522,372 | 2,807,943 | 2,927,091 | 3,000,909 | 2,904,712 |
| | 637,539 | 617,505 | 650,987 | 678,255 | 660,240 | 658,915 |
| | 2,323,322 | 1,724,190 | 2,008,448 | 2,923,392 | 3,301,217 | 5,218,525 |
| | 629,785 | 663,096 | 681,294 | 790,830 | 749,019 | 749,813 |
| | 120,954 | 116,369 | 112,689 | 123,283 | 205,546 | 72,097 |
| | <u>14,168,451</u> | <u>13,952,105</u> | <u>14,879,251</u> | <u>16,712,141</u> | <u>17,643,433</u> | <u>19,338,151</u> |
| | (176,585) | 456,070 | 993,604 | 633,521 | 830,692 | 223,609 |
| | 1,146,055 | 3,207,657 | 1,379,591 | 1,284,956 | 1,507,744 | 1,456,261 |
| | (739,460) | (2,748,694) | (767,656) | (641,142) | (1,114,071) | (682,170) |
| | 507,853 | 266,000 | 317,800 | 503,900 | 337,105 | 339,666 |
| | -- | -- | -- | -- | -- | -- |
| | -- | -- | -- | -- | 1,350,466 | -- |
| | -- | -- | -- | -- | (1,239,714) | -- |
| | <u>914,448</u> | <u>724,963</u> | <u>929,735</u> | <u>1,147,714</u> | <u>841,530</u> | <u>1,113,757</u> |
| \$ | <u>737,863</u> | <u>\$ 1,181,033</u> | <u>\$ 1,923,339</u> | <u>\$ 1,781,235</u> | <u>\$ 1,672,222</u> | <u>\$ 1,337,366</u> |
| | 6.34 % | 6.37 % | 6.17 % | 6.63 % | 6.64 % | 5.81 % |

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

| Fiscal year | Tax Year | Property Tax (1) | Sales Tax (2) | Utility Tax | Motor Fuel Tax | Other Taxes | Total |
|-------------|-------------|------------------------|------------------|-------------|-------------------|----------------|---------------|
| 2011 | 2010 | \$ 6,315,246 | \$ 861,772 | \$ 909,987 | \$ 1,227,138 | \$ 917,678 | \$ 10,231,821 |
| 2012 (1) | 2011 | 6,107,019 | 793,591 | 910,783 | 1,202,520 | 886,666 | 9,900,579 |
| 2013 | 2012 | 5,802,343 | 848,863 | 986,029 | 1,194,620 | 864,389 | 9,696,244 |
| 2014 | 2013 | 6,252,171 | 912,455 | 1,088,481 | 1,298,344 | 853,806 | 10,405,257 |
| 2015 | 2014 | 6,557,041 | 950,806 | 1,096,095 | 1,428,522 | 781,298 | 10,813,762 |
| 2016 | 2015 | 7,261,107 | 987,991 | 1,107,225 | 1,528,050 | 813,066 | 11,697,439 |
| 2017 | 2016 | 7,744,097 | 1,648,177 | 1,143,031 | 1,591,988 | 844,339 | 12,971,632 |
| 2018 | 2017 | 8,277,283 | 2,030,235 | 1,187,993 | 1,590,376 | 858,059 | 13,943,946 |
| 2019 | 2018 | 8,716,041 | 2,022,593 | 1,249,304 | 1,603,218 | 873,901 | 14,465,057 |
| 2020 | 2019 | 9,379,278 | 2,024,823 | 1,227,589 | 1,529,630 | 870,176 | 15,031,496 |

Change:

| | | | | | | |
|-------------|---------|----------|---------|---------|---------|---------|
| 2011 - 2020 | 48.52 % | 134.96 % | 34.90 % | 24.65 % | (5.18)% | 46.91 % |
|-------------|---------|----------|---------|---------|---------|---------|

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

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

Real Property (1)

| Fiscal year | Tax Year | Residential Property | Commercial Property (2) | Other Property | Personal Property (2) |
|-------------|----------|-------------------------|-------------------------------|----------------|--------------------------|
| 2012 | 2011 | \$ 557,754,188 | \$ 196,427,515 | \$ 118,572,496 | \$ 62,585,676 |
| 2013 | 2012 | 529,454,692 | 177,147,023 | 117,865,188 | 58,154,531 |
| 2014 | 2013 | 542,474,465 | 170,679,337 | 120,027,477 | 56,942,237 |
| 2015 | 2014 | 546,047,253 | 173,714,875 | 130,736,017 | 54,537,589 |
| 2016 | 2015 | 575,879,259 | 183,047,888 | 148,321,535 | 54,046,711 |
| 2017 | 2016 | 604,560,649 | 204,843,261 | 153,101,726 | 51,876,829 |
| 2018 | 2017 | 649,526,269 | 209,755,805 | 154,950,980 | 53,628,021 |
| 2019 | 2018 | 694,988,610 | 217,548,089 | 157,583,187 | 53,995,762 |
| 2020 | 2019 | 733,426,973 | 241,055,351 | 156,333,325 | 58,497,253 |
| 2021 | 2020 | 779,548,181 | 263,434,706 | 173,296,636 | 60,558,341 |

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).

Website: https://manateepao.com/Data/Tax_Roll_Data/2020_Final/drpc_final2020.txt

Website: https://manateepao.com/Data/Tax_Roll_Data/2020_Final/DR403V.pdf

| Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate (3) | Estimated Actual Taxable Value (4) | Assessed Value as a Percent of Actual Value |
|-----------------------------------|---------------------------------|---------------------------------|--|---|
| \$ 248,654,218 | \$ 686,685,657 | 5.1185 | \$ 686,685,657 | 100.0 % |
| 229,863,094 | 652,758,340 | 5.2171 | 652,758,340 | 100.0 % |
| 233,788,946 | 656,334,570 | 5.7171 | 656,334,570 | 100.0 % |
| 225,659,674 | 679,376,060 | 5.7171 | 679,376,060 | 100.0 % |
| 244,350,184 | 716,945,209 | 5.9671 | 716,945,209 | 100.0 % |
| 249,085,938 | 765,296,527 | 5.9671 | 765,296,527 | 100.0 % |
| 258,248,553 | 809,612,522 | 5.9671 | 809,612,522 | 100.0 % |
| 272,163,608 | 851,952,040 | 5.9671 | 851,952,040 | 100.0 % |
| 275,174,735 | 914,138,167 | 5.9671 | 914,138,167 | 100.0 % |
| 297,899,571 | 978,938,293 | 5.9671 | 978,938,293 | 100.0 % |

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

| Fiscal year | Tax Year | City Direct Rates | | Overlapping Rates | |
|-------------|----------|---------------------|------------------------|-------------------|---------|
| | | General Fund (1) | School District (2) | County (2) | Total |
| 2011 | 2010 | 4.6662 | 7.9600 | 6.9900 | 19.6162 |
| 2012 | 2011 | 5.1185 | 7.5900 | 6.9900 | 19.6985 |
| 2013 | 2012 | 5.2171 | 7.5700 | 6.9800 | 19.7671 |
| 2014 | 2013 | 5.7171 | 7.3800 | 6.3100 | 19.4071 |
| 2015 | 2014 | 5.7171 | 7.2700 | 6.9400 | 19.9271 |
| 2016 | 2015 | 5.9671 | 6.9200 | 9.9400 | 19.8271 |
| 2017 | 2016 | 5.9671 | 6.6100 | 6.9100 | 19.4871 |
| 2018 | 2017 | 5.9671 | 7.3310 | 6.9275 | 20.2256 |
| 2019 | 2018 | 5.9671 | 7.1350 | 6.9121 | 20.0142 |
| 2020 | 2019 | 5.9671 | 6.9720 | 6.8989 | 19.8380 |

Sources:

(1) Office of the City Clerk

(2) Manatee County Tax Collector's Office

Property Tax - General Information - Ad Valorem Taxes - Millage Rates

Website: <https://www.powerdms.com/public/MCTC/documents/1490950>

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

| Taxpayer | 2020 | | | 2011 | | |
|---------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Florida Power & Light Co | \$ 14,185,151 | 1 | 1.45 % | \$ 6,233,365 | 5 | 0.91 % |
| Wal-Mart Stores East LP | 13,102,733 | 2 | 1.34 % | 15,962,130 | 1 | 2.32 % |
| Palm Bay MHC Holdings LLC | 11,683,607 | 3 | 1.19 % | | | |
| Colonial Manor MHC Holdings LLC | 10,738,124 | 4 | 1.10 % | | | |
| SS Palmetto LLC | 8,971,531 | 5 | 0.92 % | | | |
| Palmetto Mobile Home Club Inc. | 8,615,308 | 6 | 0.88 % | | | |
| Palmetto, City of | 7,997,666 | 7 | 0.82 % | | | |
| Pacific Tomato Growers LTD | 7,015,127 | 8 | 0.72 % | 5,816,419 | 6 | 0.85 % |
| Publix Super Markets Inc | 6,707,209 | 9 | 0.69 % | 5,805,024 | 7 | 0.85 % |
| SPT Dolphin Palmetto Trace LLC | 6,692,453 | 10 | 0.67 % | | | |
| Armed Forces Bank NA | | | | 12,005,387 | 2 | 1.75 % |
| Space Box LLC | | | | 7,631,774 | 3 | 1.11 % |
| TBR II Development LLC | | | | 6,531,427 | 4 | 0.95 % |
| Palmetto Dunes LTD | | | | 5,769,819 | 8 | 0.84 % |
| Verizon Florida Inc | | | | 5,229,777 | 9 | 0.76 % |
| 39368 LLC | | | | 4,911,820 | 10 | 0.71 % |
| | <u>\$ 95,708,909</u> | | <u>9.78 %</u> | <u>\$ 75,896,942</u> | | <u>11.05 %</u> |

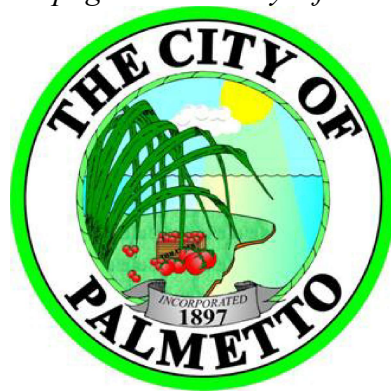
Note

Total taxable assessed value \$978,938,293 \$ 686,685,657

Source: Manatee County Property Appraiser - Top Tax Payers By Jurisdiction - Palmetto

Website: https://www.manateepao.com/data/top_taxpayers.txt

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

| Fiscal Year | Tax Year | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy (1) | | Collections in Subsequent Years | Total Collections to Date | |
|-------------|----------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|
| | | | Amount (1) | Percentage of Levy | | Amount | Percentage of Levy |
| 2011 | 2010 | \$ 3,524,841 | \$ 3,411,075 | 96.8 % | \$ 10,032 | \$ 3,421,107 | 97.1 % |
| 2012 | 2011 | 3,422,787 | 3,386,486 | 98.9 % | 2,741 | 3,389,227 | 99.0 % |
| 2013 | 2012 | 3,415,249 | 3,292,442 | 96.4 % | 8,883 | 3,301,325 | 96.7 % |
| 2014 | 2013 | 3,752,330 | 3,623,920 | 96.6 % | 6,003 | 3,629,923 | 96.7 % |
| 2015 | 2014 | 3,889,099 | 3,755,416 | 96.6 % | 8,147 | 3,763,563 | 96.8 % |
| 2016 | 2015 | 4,278,064 | 4,134,271 | 96.6 % | 3,901 | 4,138,172 | 96.7 % |
| 2017 | 2016 | 4,557,792 | 4,383,765 | 96.2 % | 4,597 | 4,388,362 | 96.3 % |
| 2018 | 2017 | 4,842,830 | 4,668,081 | 96.4 % | 1,207 | 4,669,288 | 96.4 % |
| 2019 | 2018 | 5,081,681 | 4,892,753 | 96.3 % | 668 | 4,893,421 | 96.3 % |
| 2020 | 2019 | 5,450,432 | 5,264,945 | 96.6 % | - | 5,264,945 | 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.

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 | <u>Governmental Activities</u> | | <u>Business-type activities</u> | | | Total Primary Government (1) | Percentage of Personal Income | Per Capita |
|-------------|--------------------------------|-------------------|---------------------------------|----------------------------------|-------------------|---------------------------------------|-------------------------------------|------------|
| | Bank Qualified Loans | Capital Leases | Bank Qualified Loans | State Revolving Loan Funds | Capital Leases | | | |
| 2011 | \$5,945,722 | \$208,150 | \$9,268,053 | \$1,653,105 | \$50,444 | \$17,125,474 | 3.43 % | \$ 1,359 |
| 2012 | 5,595,143 | 472,791 | 8,805,056 | 1,509,929 | 39,162 | 16,422,081 | 3.06 % | 1,288 |
| 2013 | 5,238,163 | 408,161 | 8,319,269 | 1,362,376 | 1,464,786 | 16,792,755 | 3.06 % | 1,317 |
| 2014 | 4,547,953 | 489,532 | 9,388,019 | 1,210,313 | 1,632,738 | 17,268,555 | 2.71 % | 1,349 |
| 2015 | 4,196,661 | 718,812 | 8,768,536 | 1,053,602 | 1,277,667 | 16,015,278 | 2.55 % | 1,224 |
| 2016 | 3,839,607 | 678,764 | 8,125,454 | 892,106 | 1,161,853 | 14,697,784 | 2.24 % | 1,124 |
| 2017 | 3,476,242 | 678,635 | 7,453,918 | 725,667 | 1,096,954 | 13,431,416 | 1.97 % | 1,021 |
| 2018 | 3,086,339 | 781,608 | 6,751,582 | 922,887 | 941,748 | 12,484,164 | 1.74 % | 942 |
| 2019 | 2,803,460 | 763,322 | 6,411,804 | 2,017,512 | 714,365 | 12,710,463 | 1.69 % | 951 |
| 2020 | 2,395,737 | 760,896 | 5,526,806 | 6,783,397 | 819,202 | 16,286,038 | 2.05 % | 1,192 |

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

| Fiscal Year | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Net Bonded Debt (3) | Percentage of Actual Taxable Value of Property (3) | Per Capita (3) |
|-------------|----------------|-----------------------|--------------------------|------------------------|--|----------------|
| 2011 | 12,606 | \$ 686,685,657 | \$ -- | \$ -- | 0 % | \$ -- |
| 2012 | 12,755 | 652,758,340 | - | - | 0 % | - |
| 2013 | 12,755 | 656,334,570 | - | - | 0 % | - |
| 2014 | 12,799 | 679,376,060 | - | - | 0 % | - |
| 2015 | 13,082 | 716,945,209 | - | - | 0 % | - |
| 2016 | 13,082 | 765,296,527 | - | - | 0 % | - |
| 2017 | 13,156 | 809,612,522 | - | - | 0 % | - |
| 2018 | 13,259 | 851,952,040 | - | - | 0 % | - |
| 2019 | 13,360 | 914,138,167 | - | - | 0 % | - |
| 2020 | 13,661 | 978,938,293 | - | - | 0 % | - |

Source:

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

(2) Manatee County Property Appraiser's Office

(3) Office of the City Clerk

CITY OF PALMETTO, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 30, 2020

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable (1)</u> | <u>Estimated Share of Overlapping Debt</u> |
|-----------------------------------|-------------------------|--|--|
| Direct: | | | |
| City of Palmetto | \$ 3,156,633 | 100.00 % | <u>\$ 3,156,633</u> |
| Subtotal direct debt | | | <u>3,156,633</u> |
| Overlapping (2): | | | |
| Manatee County | 107,163,000 | 3.45 % | 3,697,124 |
| Manatee County School Board | 220,864,329 | 3.45 % | <u>7,619,819</u> |
| Subtotal overlapping debt | | | <u>11,316,943</u> |
| Total direct and overlapping debt | | | <u><u>\$ 14,473,576</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 assessed value.

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

CITY OF PALMETTO, FLORIDA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

| <u>Fiscal year</u> | <u>City Population</u> | <u>Personal Income thousand \$(2)</u> | <u>Personal Income Per Capita (2)</u> | <u>Median Age (3)</u> | <u>School Enrollment (4)</u> | <u>Manatee County Unemployment Rate (5)</u> |
|--------------------|------------------------|---|---|-----------------------|----------------------------------|---|
| 2011 | 12,606 | \$ 499,828 | \$ 39,650 | 46 | 43,516 | 10.90% |
| 2012 | 12,755 | 537,049 | 42,105 | 46 | 45,050 | 9.00% |
| 2013 | 12,755 | 549,447 | 43,077 | 46 | 45,800 | 7.50% |
| 2014 | 12,799 | 638,197 | 49,863 | 46 | 46,800 | 6.10% |
| 2015 | 13,082 | 626,903 | 47,921 | 46 | 47,700 | 5.10% |
| 2016 | 13,082 | 655,918 | 50,139 | 46 | 48,600 | 4.70% |
| 2017 | 13,156 | 683,204 | 51,931 | 46 | 48,284 | 3.50% |
| 2018 | 13,259 | 716,357 | 54,028 | 48 | 48,454 | 2.90% |
| 2019 | 13,360 | 751,735 | 56,268 | 46 | 48,853 | 2.90% |
| 2020 | 13,661 | 793,445 | 58,081 | 43 | 49,436 | 5.20% |

Source:

- (1) University of Florida, Bureau of Economic and Business Research. Florida Estimates of Population 2020 - Table 1 Pg. 11
- (2) U.S. Bureau of Economic Analysis. Personal income is a calculated amount based on population and per capita income utilizing North Port-Sarasota-Bradenton.
- (3) United States Census Bureau
- (4) Manatee County School Board. School enrollment exceeds the City population because the school system serves the entire county via Manatee County. FY2019-2020 Manatee County School Board Comprehensive Annual Financial Report page 165.
- (5) U.S. Bureau of Labor Statistics as of September 2020.

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

| Full-time Equivalent Employees as of September 30, | | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General government | 17.8 | 17.8 | 21.0 | 20.0 | 19.0 | 19.0 | 19.5 | 19.0 | 19.0 | 18.6 |
| Intergovernmental | 12.0 | 13.3 | 13.3 | 13.5 | 12.5 | 12.0 | 12.0 | 12.0 | 12.0 | 15.0 |
| Public safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Officers | 35.0 | 35.8 | 35.8 | 36.0 | 35.5 | 35.0 | 35.0 | 35.0 | 35.0 | 30.1 |
| Civilians | 19.0 | 20.8 | 20.8 | 22.0 | 22.0 | 22.0 | 22.0 | 22.0 | 22.0 | 22.0 |
| Highways and streets | | | | | | | | | | |
| Maintenance | 3.0 | 5.0 | 5.0 | 5.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 7.0 |
| Sanitation | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 2.0 | 2.0 | 3.0 |
| Culture and recreation | 10.0 | 9.0 | 9.0 | 8.0 | 8.0 | 8.0 | 9.0 | 8.0 | 8.0 | 8.0 |
| Water | 14.0 | 12.0 | 11.0 | 11.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 10.0 |
| Sewer | 4.0 | 7.0 | 7.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 6.0 |
| Total | 115.8 | 121.7 | 124.9 | 123.5 | 122.0 | 121.0 | 123.5 | 121.0 | 121.0 | 119.7 |

Source: Payroll Reports: Cost Center Analysis

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

| Function | Fiscal Year | | | |
|---|-------------|--------|--------|--------|
| | 2011 | 2012 | 2013 | 2014 |
| Police (1) | | | | |
| Total calls/incidents (2) | 27,848 | 23,471 | 20,911 | 19,819 |
| Adult arrests | 473 | 470 | 547 | 986 |
| Juvenile arrests | 100 | 99 | 74 | 149 |
| Traffic violations | 1,419 | 2,120 | 1,882 | 1,950 |
| Traffic crash reports (2) | 389 | 408 | 448 | 551 |
| Water | | | | |
| New connections (3) | 10 | 19 | 32 | 11 |
| Average daily consumption (4) (million of gallons) | 1 | 1 | 1 | 1 |
| Average daily capacity (4) (million of gallons) | 2 | 2 | 2 | 2 |
| Wastewater | | | | |
| New connections (3) | 11 | 13 | 15 | 11 |
| Average daily sewage treatment (4) (million of gallons) | 1 | 1 | 1 | 1 |
| Average daily capacity (4) (million of gallons) | 2 | 2 | 2 | 2 |
| Reuse | | | | |
| New connections (4) | 20 | 39 | 315 | - |
| Average daily consumption (4) (million of gallons) | 1 | 1 | 1 | 1 |
| Average daily capacity (4) (million of gallons) | 4 | 3 | 3 | 3 |

N/A Information is not available

Source: (1) Palmetto PD

(2) Data available from FY2020

(3) Palmetto Customer Service

(4) Palmetto Public Works

| Fiscal Year | | | | | |
|-------------|--------|--------|--------|--------|--------|
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 17,930 | 15,092 | 18,713 | 18,948 | 23,109 | 21,662 |
| 884 | 732 | 709 | 961 | 735 | 598 |
| 193 | 156 | 132 | 125 | 100 | 73 |
| 1,754 | 1,414 | 1,424 | 1,891 | 1,793 | 1,471 |
| 651 | 687 | 678 | 689 | 733 | 569 |
| 14 | 14 | 20 | 51 | 45 | 64 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 11 | 9 | 12 | 47 | 48 | 63 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 25 | 30 | 38 | 149 | 63 | 49 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 3 | 3 | 3 | 3 | 3 | 3 |

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

| Function | Fiscal Year | | | |
|-----------------------------------|-------------|------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| Public Safety (1) | | | | |
| Police | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol units | 44 | 45 | 41 | 44 |
| K-9 units | 2 | 2 | 3 | 3 |
| Highway and Streets (2) | | | | |
| Streets (miles) | 42 | 42 | 42 | 42 |
| Traffic signals | 12 | 12 | 12 | 12 |
| Streetlights | 864 | 864 | 1,111 | 1,111 |
| Culture and Recreation (3) | | | | |
| Parks acreage | 95 | 95 | 95 | 95 |
| Parks | 12 | 12 | 12 | 12 |
| Tennis courts | 1 | 1 | 1 | 1 |
| Utility Infrastructure (3) | | | | |
| Water mains (miles) | 67 | 67 | 67 | 67 |
| Sewer (miles) | 49 | 49 | 49 | 49 |
| Storm sewers (miles) | 12 | 12 | 12 | 12 |
| Reclaimed water (miles) | 23 | 23 | 23 | 24 |

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

| Fiscal Year | | | | | | |
|-------------|------|------|------|------|------|-----|
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 46 | 45 | 44 | 48 | 48 | 42 | 42 |
| 3 | -- | -- | -- | -- | -- | -- |
| 42 | 42 | 42 | 42 | 42 | 42 | 47 |
| 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| 928 | 928 | 928 | 706 | 928 | 928 | 928 |
| 101 | 101 | 101 | 91 | 101 | 77 | 77 |
| 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 74 | 74 | 74 | 74 | 74 | 76 | 76 |
| 68 | 68 | 69 | 57 | 69 | 67 | 67 |
| 27 | 27 | 64 | 64 | 64 | 65 | 65 |
| 33 | 33 | 33 | 32 | 33 | 47 | 47 |



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palmetto, Florida (the "City"), as of and for the year ended September 30, 2020, 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 26, 2021.

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) as a basis for designing 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

March 26, 2021
Bradenton, Florida



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major State Project

We have audited the City of Palmetto, Florida's, (the "City") compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of the City's major State projects for the year ended September 30, 2020. The City's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major State projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

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

March 26, 2021
Bradenton, Florida

**CITY OF PALMETTO, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
STATE FINANCIAL ASSISTANCE PROJECTS**

Section II – Financial Statement Findings

There were no findings required to be reported.

PRIOR YEAR FINDINGS

There were no findings reported in the prior year.

Section III – State Project Findings and Questioned Costs

There were no findings required to be reported.

PRIOR YEAR FINDINGS

There were no reported findings in the prior year.

**CITY OF PALMETTO, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Year Ended September 30, 2020**

| <u>State Agency State Project</u> | <u>CSFA Number</u> | <u>Contract/Grant Number</u> | <u>Expenditure</u> |
|---|------------------------|----------------------------------|---------------------|
| DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | |
| Wastewater Treatment Facility Construction | 37.077 | WW410201 | \$ 4,957,301 |
| TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION | | | <u>4,957,301</u> |
| TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE | | | <u>\$ 4,957,301</u> |

CITY OF PALMETTO, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
For the Year Ended September 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the City of Palmetto, Florida (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the City's operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – CONTINGENCIES

Grant monies received and distributed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such allowances, if any, would have a material effect on the financial position of the City. As of March 26, 2021, there were no material questioned or disallowed costs as a result of grant audits in process or completed.



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Palmetto, Florida (the "City"), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 26, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 26, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.566(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City was not in a state of financial emergency as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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

Additional Matters

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

Purpose of this Letter

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

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

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

March 26, 2021
Bradenton, Florida



**INDEPENDENT ACCOUNTANT'S REPORT
ON INVESTMENT COMPLIANCE**

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

We have examined the City of Palmetto, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2020. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

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

In our opinion, the City complied in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds for the year ended September 30, 2020.

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

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

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

March 26, 2021
Bradenton, Florida

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SARASOTA
TAMPA**

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