

# **FINANCIAL SECTION**

This section contains the following subsections:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules



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# **INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council, and City Manager,  
City of Palm Coast, 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 Palm Coast, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

City of Palm Coast, Florida's 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.

### ***Auditors' 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 auditors' 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 Palm Coast, Florida, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### *Change in Accounting Principle*

As discussed in Note 11 and Note 17 to the financial statements, in 2015, the entity adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. The effects of these standards have also been applied to the financial statements as of and for the year ended September 30, 2014. See Note 17 for the effect of GASB 68 on beginning net position. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, 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 of Palm Coast, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and statistical section, and the Schedule of Expenditures of Federal Awards as listed in the table of contents, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and the Schedule of Expenditures of Federal Awards 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 May 5, 2016, on our consideration of the City of Palm Coast, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palm Coast, Florida's internal control over financial reporting and compliance.



Daytona Beach, Florida  
May 5, 2016

**MANAGEMENT’S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palm Coast, we offer readers of the City of Palm Coast's financial statements this narrative overview and analysis of the financial activities of the City of Palm Coast for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vi-x of this report.

The City of Palm Coast management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

### Financial Highlights

- The assets and deferred outflows of the City of Palm Coast exceeded its liabilities and deferred inflows at the close of fiscal year 2015 by \$436,690,328. Of this amount, \$35,084,449 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$15,515,869. Over \$6 million of the increase was the result of planned utility rate increases and related impact fee collections. Improved stormwater fee collections accounted for approximately \$2.3 million of the increase. The balance was primarily due to increased capital project spending under governmental activities.
- As of the close of fiscal year 2015, the City's governmental funds reported combined ending fund balances of \$13,743,833 a decrease of \$5,676,389 over the prior year. The decrease in combined ending fund balances was primarily due to budgeted capital project spending for the year, including construction of a city hall.
- At the end of fiscal year 2015, unassigned fund balance in the general fund was \$6,191,196 or 22.3% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$7,378,659 during the current fiscal year. This was primarily due to annual principal payments on outstanding debt.
- The application of GASB Statement No. 68 resulted in a prior period adjustment and recording of a Net Pension Liability and Asset, as well as related Deferred Inflow and Outflows. The net result of these transactions was a decrease in unrestricted net position of \$810,443.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Palm Coast's basic financial statements. The City of Palm Coast'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 government-wide financial statements are designed to provide readers with a broad overview of the City of Palm Coast's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Palm Coast's assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as

net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Palm Coast is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Palm Coast 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 of Palm Coast include general government, public safety, transportation and physical environment, and culture and recreation. The business-type activities of the City of Palm Coast include a water and sewer utility, solid waste collection, stormwater management, building permits, and information technology.

The government-wide financial statements can be found on pages 22-23 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Palm Coast, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Palm Coast can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Palm Coast maintains twelve individual governmental funds. Seven of the governmental funds are classified as nonmajor and are summarized under this heading in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, transportation impact fee fund, streets improvement fund, and SR100 CRA fund, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation budget for its general, capital projects, transportation impact fee, streets improvement, SR100 CRA and nonmajor governmental funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

**Proprietary funds.** The City of Palm Coast maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Palm Coast uses enterprise funds to account for its water and sewer utility, solid waste collection, stormwater management, building permits, and information technology (IT). Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palm Coasts various functions. The City of Palm Coast uses internal service funds to account for its fleet of vehicles and self-insured health program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds 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 water and sewer utility, stormwater management, and solid waste collection major funds, as well as, the building permits, and information technology (IT) nonmajor funds. Data from the nonmajor proprietary funds are combined into a single, aggregated presentation. Individual fund data for nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report. The internal service funds are also presented in the proprietary fund financial statements, but not included in the totals for proprietary funds. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Palm Coast's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City maintains one fiduciary fund, which is the volunteer firefighters' pension fund.

The basic fiduciary fund financial statements can be found on pages 34-35 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 on pages 37-90 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters, select fire employees, and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 91-104 of this report.

## Government-wide Overall 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 of Palm Coast, assets exceeded liabilities and deferred inflows by \$436,690,328 at the close of the most recent fiscal year.

Of the net position, 8.0% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 4.3% of net position represents resources that are subject to external restrictions. By far, the largest portion of the City of Palm Coast's net position (87.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt used to acquire the assets, it should 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.

At the end of the current fiscal year, the City of Palm Coast is able to report positive balances in all three categories of net position for the government as a whole. For the prior fiscal year, all categories were also positive.

City of Palm Coast's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 38,033,299	\$ 40,315,698	\$ 51,473,311	\$ 50,114,335	\$ 89,506,610	\$ 90,430,033
Capital assets	325,257,311	308,783,964	221,865,685	227,197,757	547,122,996	535,981,721
Total assets	363,290,610	349,099,662	273,338,996	277,312,092	636,629,606	626,411,754
Total deferred outflows of resources	531,576	-	-	-	531,576	-
Long-term liabilities	13,460,258	12,501,730	168,585,870	175,344,190	182,046,128	187,845,920
Other liabilities	13,553,480	11,854,840	3,558,087	3,648,620	17,111,567	15,503,460
Total liabilities	27,013,738	24,356,570	172,143,957	178,992,810	199,157,695	203,349,380
Total deferred inflows of resources	631,011	-	682,148	747,861	1,313,159	747,861
Net position:						
Net investment in capital assets	315,591,311	298,494,964	67,519,973	68,945,922	383,111,284	367,440,886
Restricted	5,649,144	1,130,224	12,845,451	11,786,243	18,494,595	12,916,467
Unrestricted	14,936,982	25,117,904	20,147,467	16,839,256	35,084,449	41,957,160
Total net position	\$ 336,177,437	\$ 324,743,092	\$ 100,512,891	\$ 97,571,421	\$ 436,690,328	\$ 422,314,513

## Governmental Activities

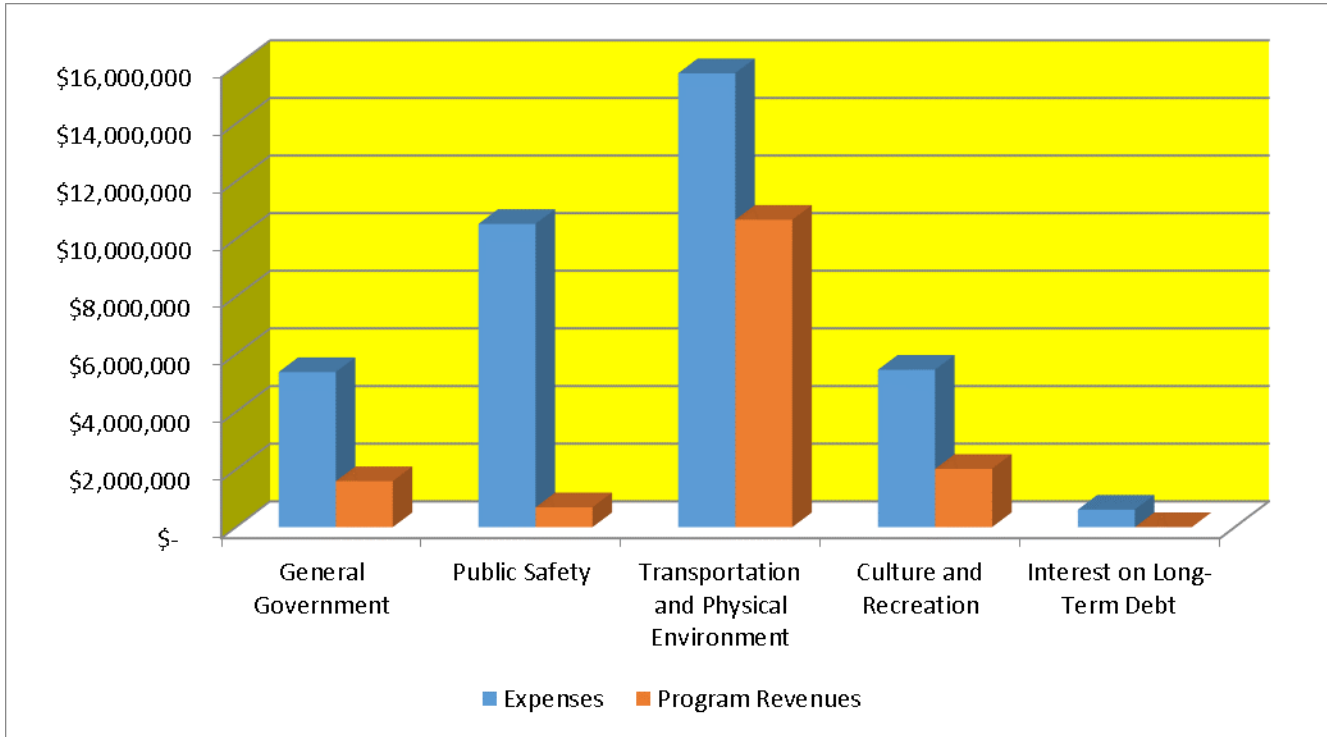
Governmental activities increased the City of Palm Coast's net position by \$12,574,399 during the current fiscal year. The transfer of golf course and tennis center operations to the general fund is a significant factor. The related assets (\$5.8 million) were transferred to governmental activities during the year. City Council determined that these activities should be combined with the overall culture

and recreation governmental programs. Additional factors are due to revenues in excess of expenditures in the general fund, and accumulation of impact fees due to increased development in the community. Governmental activities unrestricted net position decreased by \$10,180,922. The use of accumulated fund balance (\$5.2 million) in the capital projects fund for the construction of a City Hall, as well as other capital projects are the primary driver for the decrease. This decrease was partially offset by an increase in the general fund due to expense savings versus the budget, and an increase in the transportation impact fee fund due to accumulation of fees to offset prior year revenue shortages. Charges for services increased \$781,942, primarily due to red light citation decreases from a significant reduction in cameras offset by golf course and tennis center charges being included in the general fund. Capital grants and contributions increased \$2,201,593 primarily due to a number of grant funded road projects during the fiscal year. Operating grants and contributions decreased \$199,867 and general government expenses decreased \$518,307, primarily due to the winding down of grant activity in the NSP funds for the current year.

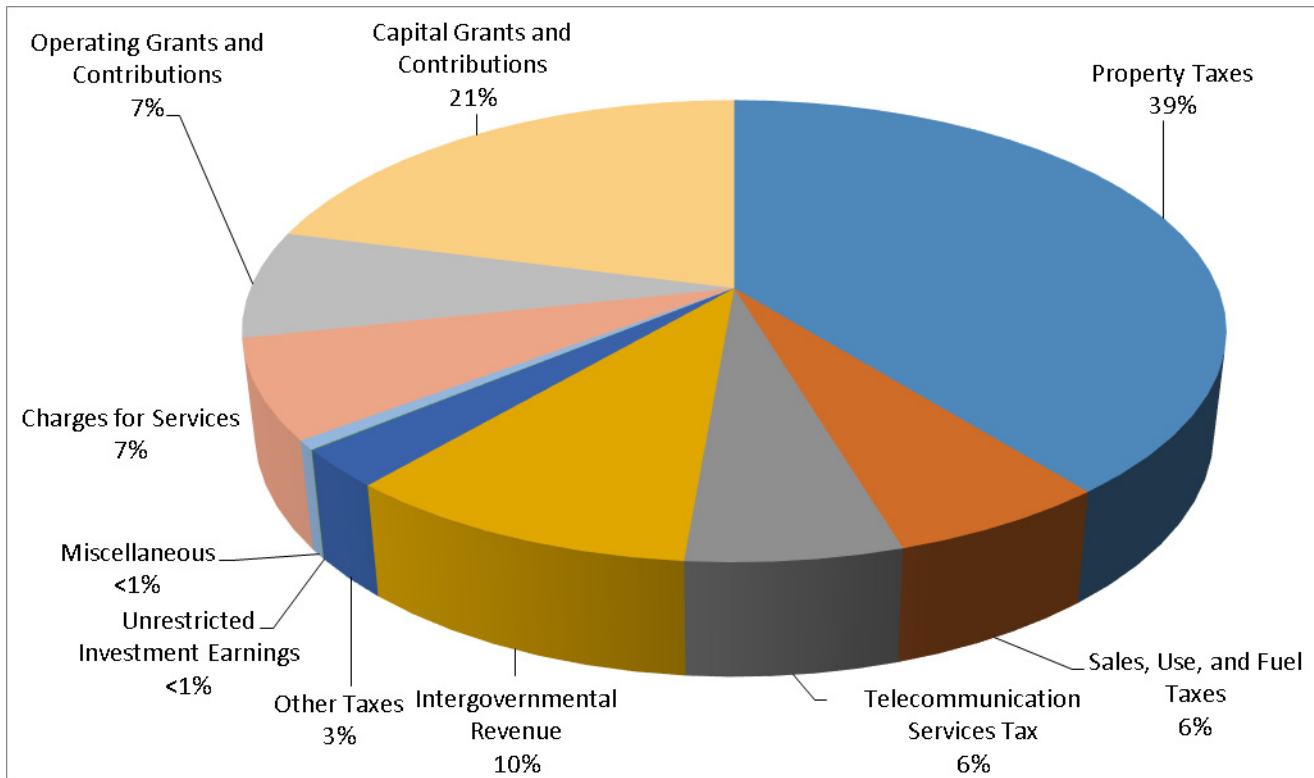
Table II  
City of Palm Coast's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,932,768	\$ 2,150,826	\$ 51,821,703	\$ 52,241,274	\$ 54,754,471	\$ 54,392,100
Operating grants and contributions	3,197,045	3,396,912	-	-	3,197,045	3,396,912
Capital grants and contributions	8,836,774	6,635,181	2,870,187	3,072,563	11,706,961	9,707,744
General revenues:						
Property taxes	16,609,668	15,911,873	316,403	275,133	16,926,071	16,187,006
Other taxes	6,249,418	6,046,418	-	-	6,249,418	6,046,418
Intergovernmental	4,200,163	4,047,545	-	-	4,200,163	4,047,545
Other	286,863	403,872	425,031	182,978	711,894	586,850
Total revenues	42,312,699	38,592,627	55,433,324	55,771,948	97,746,023	94,364,575
Expenses:						
General government	5,380,359	5,898,666	-	-	5,380,359	5,898,666
Public safety	10,522,359	11,032,501	-	-	10,522,359	11,032,501
Transportation and physical environment	15,752,135	14,212,159	-	-	15,752,135	14,212,159
Culture & recreation	5,462,980	3,191,985	-	-	5,462,980	3,191,985
Utility	-	-	30,760,793	30,399,474	30,760,793	30,399,474
Solid Waste	-	-	7,239,055	7,290,268	7,239,055	7,290,268
Stormwater	-	-	4,842,145	4,646,249	4,842,145	4,646,249
Building Permits	-	-	1,284,030	1,275,472	1,284,030	1,275,472
Information Technology	-	-	382,264	379,495	382,264	379,495
Golf Course	-	-	-	1,778,396	-	1,778,396
Tennis Center	-	-	-	309,891	-	309,891
Interest on long-term debt	604,034	676,742	-	-	604,034	676,742
Total expenses	37,721,867	35,012,053	44,508,287	46,079,245	82,230,154	81,091,298
Increase (decrease) in net position before transfers	4,590,832	3,580,574	10,925,037	9,692,703	15,515,869	13,273,277
Transfers	7,983,567	521,522	(7,983,567)	(521,522)	-	-
Increase (decrease) in net position	12,574,399	4,102,096	2,941,470	9,171,181	15,515,869	13,273,277
Net position – beginning, restated	323,603,038	320,640,996	97,571,421	88,400,240	421,174,459	409,041,236
Net position - ending	\$ 336,177,437	\$ 324,743,092	\$ 100,512,891	\$ 97,571,421	\$ 436,690,328	\$ 422,314,513

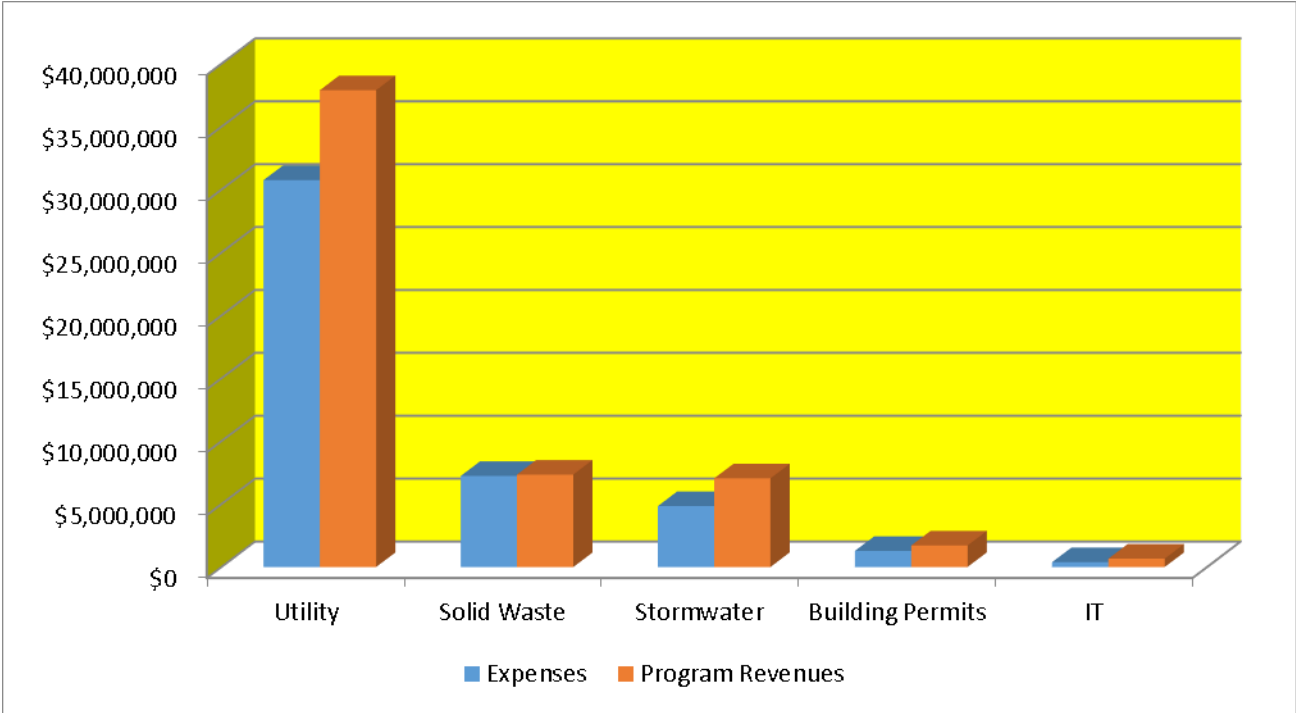
### Expenses and Program Revenues – Governmental Activities



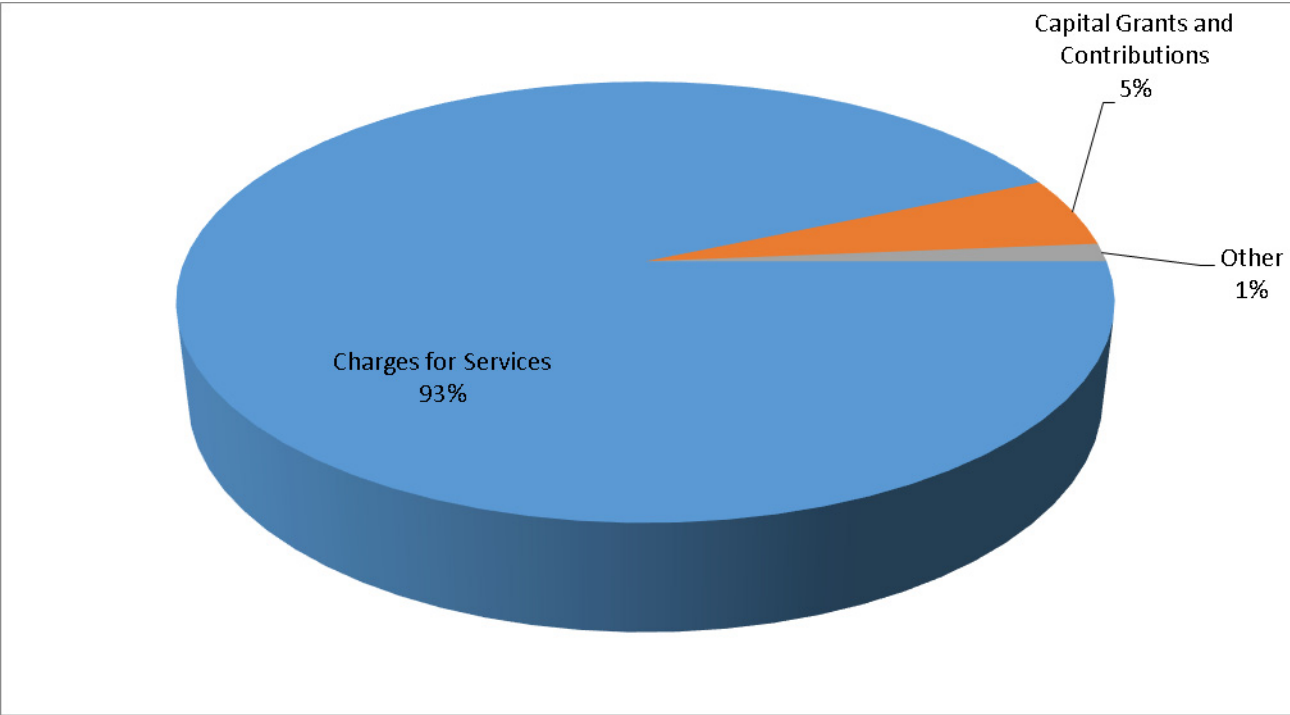
### Revenues by Source – Governmental Activities



**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



## **Business-type Activities**

Business-type activities increased the City of Palm Coast's net position by \$2,941,470. The increase in net position was attributable to an approximately \$6.4 million increase in the utility fund, and an approximately \$2.2 million increase in the stormwater fund, offset by an approximately \$6.9 million decrease in nonmajor funds. The utility fund increase relates to a rate increase during the fiscal year. This was the final installment of a three year increase designed to improve reserves and allocate additional amounts for capital projects. Approximately \$2.9 million of the increase was due to increased impact fee collections due to development activities. The stormwater fund increase was primarily due to the continuing effect an ordinance revision and an ongoing capital investment program. The nonmajor funds decrease is driven primarily by a transfer of golf course and tennis center assets to governmental activities (\$5.8 million), and a transfer of reserves from building permits towards the construction of a new City Hall (\$1.1 million). The net results of the rate increase and program transfers above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$3.3 million, as well as the approximately \$1.6 million decrease in expenses. The increase of over \$1 million in restricted net position was primarily related to the accumulation of renewal and replacement funds for future projects.

## **Financial Analysis of the Government's Funds**

**Governmental funds.** The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$6,191,196, with an additional \$2,200,605 committed for a disaster reserve. The total fund balance stood at \$8,721,573. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to fund expenditures. Unassigned fund balance represents approximately 22% of total general fund expenditures versus 22% for fiscal year 2014. Total fund balance represents approximately 31% of the total general fund expenditures versus 32% for fiscal year 2014.

The fund balance of the City of Palm Coast's general fund increased by \$801,334 during the current fiscal year. Key factors in this increase are as follows:

The primary driver for the overall increase in the fund balance is related to revenues exceeding expenditures for the year. This was driven by the ongoing cost saving program, with operating departments all coming in under budget for the year.

The capital projects fund has a total fund balance of \$4,760,593, a decrease of \$5,239,017. This decrease is primarily due to the construction of a new City Hall in fiscal year 2015. The transportation impact fee total fund balance was (\$734,109), an increase of \$706,884. This is due to the accumulation of impact fee collections to offset past expenditures in excess of available revenues. The streets improvement fund balance was \$4,529,564 representing a decrease of \$1,553,972. This decrease is a budgeted use of the fund balance for various street projects. The SR100 CRA fund balance was \$198,843, a decrease of \$358,557. Project expenditures for roads and a Community Wing related to the new City Hall were drivers of the decrease. The other governmental funds have a total fund balance (\$3,732,631). This was a decrease of \$33,061 during the current fiscal year. The decrease is primarily due to use of accumulated reserves in the various funds.

**Proprietary funds.** The City of Palm Coast's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.



Unrestricted net position of the utility fund was \$12,487,251 at the end of the year, with the total fund balance at \$71,477,499. The unrestricted net position increased \$3,364,221 for the year. This was primarily due to increased income before capital contributions and transfers from a three stage rate adjustment. The final stage (4%) was effective for fiscal year 2015. The goal of the rate adjustments is to increase reserves and funds available for capital spending.

Unrestricted net position of the solid waste fund was \$1,118,764, which represents an increase of \$110,586. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$1,309,793, which represents a decrease of \$120,593. This decrease was due to unplanned infrastructure repairs needed during the year.

The golf course and tennis center enterprise funds were closed at the beginning of the fiscal year. These functions were consolidated with general fund recreation programs, and the fixed assets of these funds were transferred to governmental activities (\$5.8 million).

Unrestricted net position in the building permits fund was \$1,794,531, which represents a decrease of \$711,370. This decrease is primarily due the transfer of accumulated reserves towards the construction of a new City Hall during the fiscal year.

Unrestricted net position in the information technology fund (IT) was \$814,784, which represents an increase of \$206,592. This increase is primarily due a planned increase in reserves for the year.

### **Fund Balance Policy Compliance**

**Governmental funds.** The general fund adjusted unassigned fund balance exceeds the policy minimum of ten percent of the following year's budgeted expenditures. The City Council has chosen to leave this excess in place to hedge against unanticipated future revenue decreases, and the need for future infrastructure investment.

**Proprietary funds.** The utility and stormwater fund unrestricted net position exceeds the policy minimum of ten percent of the following year's budgeted expenses. The City Council has chosen to leave this excess in place to hedge against unanticipated future revenue decreases. The solid waste fund unrestricted net position exceeds the policy minimum of ten percent. These amounts are being used to hedge against uncollectible accounts.

**Internal service funds.** The fleet and self-insured health fund unrestricted net position exceeds the policy minimums. Amounts above this floor are in place to hedge against unanticipated future expense increases.

Additional information relating to the fund balance policy can be found in Note 19 on pages 89-90 of this report.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budgeted expenses and transfers out totaled an increase of \$84,239. The change was due to the net effect of various minor operational increases and decreases across the different departments. During the year, final amended expenditures exceeded the revenues budget by \$2,397,782. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,242,438. The overall cost reduction program, as well as not needing to use accumulated disaster reserve funds, are the primary reasons for this difference.

**Final Budget Compared to Actual Results**

A review of actual expenditures compared to appropriations in the final budget yielded no significant unexpected variances.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Palm Coast’s investment in capital assets as of September 30, 2015, amounts to \$547,122,996 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This investment increased \$11,141,275 for the current fiscal year. The overall increase is due to road expansions, bridge rehabilitation, a new City Hall, and park expansions. Many of these projects remain in progress as of the end of the fiscal year.

Table III  
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2015	2015	2014
Land	\$ 90,787,054	\$ 88,504,573	\$ 13,879,691	\$ 16,143,511	\$ 104,666,745	\$ 104,648,084
Buildings and improvements						
other than buildings	35,129,687	33,041,671	63,624,458	66,984,044	98,754,145	100,025,715
Infrastructure	162,619,521	169,000,621	137,155,672	130,002,419	299,775,193	299,003,040
Equipment	7,505,862	7,239,904	452,449	393,243	7,958,311	7,633,147
Construction in progress	29,215,187	10,997,195	6,753,415	13,674,540	35,968,602	24,671,735
<b>Total</b>	<b>\$ 325,257,311</b>	<b>\$ 308,783,964</b>	<b>\$ 221,865,685</b>	<b>\$ 227,197,757</b>	<b>\$ 547,122,996</b>	<b>\$ 535,981,721</b>

Additional information on the City of Palm Coast’s capital assets can be found in Note 6 on pages 54-55 of this report.

**Long-term debt.** The City of Palm Coast owes \$136,396,216 in revenue bonds, net of premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$30,565,211 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$9,666,000 at year end. The

remainder of the long-term debt is made up of compensated absences, capital leases, an unfunded net OPEB liability, and a net pension liability. The total long-term debt of the City is \$182,046,128.

Table IV  
City of Palm Coast's Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Loans from other governments	\$ -	\$ -	\$ 24,207,237	\$ 25,914,379	\$ 24,207,237	\$ 25,914,379
Loans from financial institutions	9,666,000	10,289,000	6,357,974	7,109,377	16,023,974	17,398,377
Revenue bonds, net	-	-	136,396,216	140,782,845	136,396,216	140,782,845
Capital leases	-	-	34,967	67,794	34,967	67,794
Net pension liability	1,578,867	-	-	-	1,578,867	-
Net OPEB liability	524,088	438,953	377,608	313,841	901,696	752,794
Compensated absences	1,691,303	1,773,777	1,211,868	1,155,954	2,903,171	2,929,731
<b>Total</b>	<b>\$ 13,460,258</b>	<b>\$ 12,501,730</b>	<b>\$ 168,585,870</b>	<b>\$ 175,344,190</b>	<b>\$ 182,046,128</b>	<b>\$ 187,845,920</b>

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 and 11 beginning on page 58 of this report.

### Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$6,191,196. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 18%.

The City Council approved a millage rate of 4.2450 mills for fiscal year 2016. Of the total millage, 0.1622 mills will be dedicated to the stormwater and capital projects funds for capital improvements. The balance of 4.0828 mills is assigned to the general fund. Market values of properties have increased for only the third consecutive year since the recession. The increase in taxable value was approximately 6%. New construction added approximately 1% to the taxable value, therefore the City had a net 5% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2015 as a result of a rate study performed as part of the 2003 bond refinancing. The water and sewer rates increased by an average of 4% for all customers effective October 1, 2014. Annual C.P.I. adjustments will take place starting in fiscal year 2016. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of having new development help fund its impact on infrastructure in the community through impact fees. These fees are annually indexed and will increase approximately two percent for fiscal year 2016. One exception to this policy are recreation impact fees. These fees are based on a study of expected recreation enhancements and population growth as outlined in the park master plan for the City as of fiscal year 2014. These fees will remain static until this plan is updated in the future.

The fiscal year 2016 budget includes over \$51 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, a new wastewater treatment plant, and utility infrastructure expansion and replacements.

### **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Palm Coast's financial condition and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information you may contact the City of Palm Coast as follows:

City of Palm Coast  
Financial Services  
160 Lake Avenue  
Palm Coast, FL 32164

Telephone (386) 986-4745 Fax (386) 986-2614  
E-mail [cquinn@palmcoastgov.com](mailto:cquinn@palmcoastgov.com)

## **BASIC FINANCIAL STATEMENTS**

**City of Palm Coast, Florida**  
**Statement of Net Position**  
**September 30, 2015**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 26,127,304	\$ 17,457,413	\$ 43,584,717
Accounts receivable – net	5,795,156	7,477,098	13,272,254
Due from other governments	4,930,188	-	4,930,188
Prepaid items	263,172	202,268	465,440
Inventories	49,620	500,224	549,844
Restricted assets:			
Equity in pooled cash and investments	-	25,265,063	25,265,063
Due from other governments	-	571,245	571,245
Net Pension Asset	867,859	-	867,859
Capital assets not being depreciated			
Land	90,787,054	13,879,691	104,666,745
Construction in progress	29,215,187	6,753,415	35,968,602
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	35,129,687	63,624,458	98,754,145
Infrastructure	162,619,521	137,155,672	299,775,193
Equipment	7,505,862	452,449	7,958,311
<b>Total Assets</b>	<b>363,290,610</b>	<b>273,338,996</b>	<b>636,629,606</b>
Deferred Outflows of Resources:			
Deferred Outflows related to pensions	531,576	-	531,576
<b>Total Deferred Outflows of Resources</b>	<b>531,576</b>	<b>-</b>	<b>531,576</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	5,556,839	2,094,780	7,651,619
Due to other governments	295,583	609,797	905,380
Internal balances	7,411,002	(7,411,002)	-
Accrued loan interest payable	-	2,280	2,280
Customer deposits	245,791	3,597,400	3,843,191
Unearned revenue	44,265	159,790	204,055
Payable from restricted assets:			
Accrued bond interest payable	-	2,987,953	2,987,953
Accrued loan interest payable	-	157,148	157,148
Accounts payable	-	1,258,164	1,258,164
Contracts payable	-	101,777	101,777
Noncurrent liabilities:			
Due within one year	575,088	6,224,418	6,799,506
Due in more than one year	11,306,303	162,361,452	173,667,755
Net Pension Liability	1,578,867	-	1,578,867
<b>Total Liabilities</b>	<b>27,013,738</b>	<b>172,143,957</b>	<b>199,157,695</b>
Deferred Inflows of Resources:			
Deferred Gain on Refunding	-	682,148	682,148
Deferred Inflows relating to pensions	631,011	-	631,011
<b>Total deferred inflows of resources</b>	<b>631,011</b>	<b>682,148</b>	<b>1,313,159</b>
<b>NET POSITION</b>			
Net investment in capital assets	315,591,311	67,519,973	383,111,284
Restricted for:			
Construction	-	317,492	317,492
Debt service	-	8,403,434	8,403,434
Renewal and replacements	-	4,124,525	4,124,525
Public safety	392,190	-	392,190
Parks and Recreation	417,494	-	417,494
Transportation Construction and Maintenance	4,529,564	-	4,529,564
Redevelopment	198,843	-	198,843
Grants	111,053	-	111,053
Unrestricted	14,936,982	20,147,467	35,084,449
<b>Total net position</b>	<b>\$ 336,177,437</b>	<b>\$ 100,512,891</b>	<b>\$ 436,690,328</b>

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

**City of Palm Coast, Florida**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Primary Government	Business-type Activities	Total
Primary Government:							
General government	\$ 5,380,359	\$ 820,158	\$ 773,009	\$ -	\$ (3,787,192)	\$ -	\$ (3,787,192)
Public safety	10,522,359	355,063	224,430	106,431	(9,836,435)	-	(9,836,435)
Transportation and physical environment	15,752,135	116,916	2,171,366	8,378,167	(5,085,686)	-	(5,085,686)
Culture and recreation	5,462,980	1,640,631	28,240	352,176	(3,441,933)	-	(3,441,933)
Interest on long-term debt	604,034	-	-	-	(604,034)	-	(604,034)
Total governmental activities	37,721,867	2,932,768	3,197,045	8,836,774	(22,755,280)	-	(22,755,280)
Business-Type Activities							
Utility	30,760,793	35,038,243	-	2,869,071	-	7,146,521	7,146,521
Solid Waste	7,239,055	7,349,016	-	-	-	109,961	109,961
Stormwater	4,842,145	7,048,000	-	1,116	-	2,206,971	2,206,971
Building Permits	1,284,030	1,717,303	-	-	-	433,273	433,273
Information Technology	382,264	669,141	-	-	-	286,877	286,877
Total Business-Type Activities	44,508,287	51,821,703	-	2,870,187	-	10,183,603	10,183,603
Total Primary Government	\$ 82,230,154	\$ 54,754,471	\$ 3,197,045	\$ 11,706,961	(22,755,280)	10,183,603	(12,571,677)
General revenues:							
Property taxes					16,609,668	316,403	16,926,071
Sales and use taxes					2,587,863	-	2,587,863
Telecommunication services tax					2,529,845	-	2,529,845
Franchise taxes					683,099	-	683,099
Other local taxes					448,611	-	448,611
Intergovernmental Revenue, non-program					4,200,163	-	4,200,163
Unrestricted investment earnings					17,896	409,685	427,581
Miscellaneous					60,404	15,346	75,750
Gain on sale of capital assets					208,563	-	208,563
Transfers					7,983,567	(7,983,567)	-
Total general revenues					35,329,679	(7,242,133)	28,087,546
Change in Net Position					12,574,399	2,941,470	15,515,869
Net position - beginning of year, restated					323,603,038	97,571,421	421,174,459
Net position - end of year					\$ 336,177,437	\$ 100,512,891	\$ 436,690,328

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

**City of Palm Coast, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 8,993,993	\$ 6,303,378	\$ 245,891	\$ 2,000,478	\$ 463,022	\$ 1,068,767	\$ 19,075,529
Accounts receivable - net	839,248	-	-	130,603	-	-	969,851
Special Assessment receivable - net	-	-	-	-	-	4,788,658	4,788,658
Inventories	34,681	-	-	-	-	-	34,681
Prepaid items	239,870	-	-	-	-	-	239,870
Due from other governments	897,761	449,445	-	3,551,555	-	28,762	4,927,523
Advances to other funds	-	-	-	980,000	-	-	980,000
<b>Total assets</b>	<b>\$ 11,005,553</b>	<b>\$ 6,752,823</b>	<b>\$ 245,891</b>	<b>\$ 6,662,636</b>	<b>\$ 463,022</b>	<b>\$ 5,886,187</b>	<b>\$ 31,016,112</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 340,184	\$ 1,992,230	\$ -	\$ 2,002,469	\$ 264,179	\$ 41,502	\$ 4,640,564
Accrued liabilities	601,010	-	-	-	-	-	601,010
Due to other governments	266,411	-	-	-	-	-	266,411
Unearned revenue	44,265	-	-	-	-	-	44,265
Customer deposits	245,791	-	-	-	-	-	245,791
Advances from other funds	-	-	980,000	-	-	4,788,658	5,768,658
<b>Total liabilities</b>	<b>1,497,661</b>	<b>1,992,230</b>	<b>980,000</b>	<b>2,002,469</b>	<b>264,179</b>	<b>4,830,160</b>	<b>11,566,699</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - Special assessments	-	-	-	-	-	4,788,658	4,788,658
Unavailable revenue - Taxes	31,772	-	-	-	-	-	31,772
Unavailable revenue - Charges for services	3,848	-	-	-	-	-	3,848
Unavailable revenue - Fines & forfeitures	750,699	-	-	130,603	-	-	881,302
<b>Total deferred inflows of resources</b>	<b>786,319</b>	<b>-</b>	<b>-</b>	<b>130,603</b>	<b>-</b>	<b>4,788,658</b>	<b>5,705,580</b>
<b>FUND BALANCES</b>							
Nonspendable							
Inventories	34,681	-	-	-	-	-	34,681
Prepaid items	239,870	-	-	-	-	-	239,870
Restricted for							
Public safety	-	-	-	-	-	392,190	392,190
Parks and Recreation	-	-	-	-	-	417,494	417,494
Transportation Construction and Maintenance	-	-	-	4,529,564	-	-	4,529,564
Grants	-	-	-	-	-	55,832	55,832
Redevelopment	-	-	-	-	198,843	-	198,843
Business Assistance	55,221	-	-	-	-	-	55,221
Committed for							
Disaster Reserve	2,200,605	-	-	-	-	-	2,200,605
Construction	-	4,760,593	-	-	-	-	4,760,593
Unassigned	6,191,196	-	(734,109)	-	-	(4,598,147)	858,940
<b>Total fund balances (deficits)</b>	<b>8,721,573</b>	<b>4,760,593</b>	<b>(734,109)</b>	<b>4,529,564</b>	<b>198,843</b>	<b>(3,732,631)</b>	<b>13,743,833</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 11,005,553</b>	<b>\$ 6,752,823</b>	<b>\$ 245,891</b>	<b>\$ 6,662,636</b>	<b>\$ 463,022</b>	<b>\$ 5,886,187</b>	<b>\$ 31,016,112</b>

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



**City of Palm Coast, Florida**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**September 30, 2015**

Fund balances - total governmental funds	\$	13,743,833
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		318,255,549
Net pension liability (asset) of the defined benefit pension plans and related deferred outflows and inflows that are not due and payable in the current period and therefore are not reported in the funds.		
Volunteer Firefighter Pension Fund (VFFP)		1,043,992
Florida Retirement System (FRS)		(1,854,435)
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		5,705,580
Internal services funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal of the internal service funds are included in governmental activities in the statement of net position.		11,127,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(11,844,365)
		(11,844,365)
Net position of governmental activities	\$	336,177,437

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

**City of Palm Coast, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 19,648,327	\$ 2,587,863	\$ -	\$ 1,712,651	\$ 947,538	\$ -	\$ 24,896,379
Licenses and permits	221,940	-	-	-	-	-	221,940
Intergovernmental revenue	4,002,969	5,589	-	7,493,105	-	746,009	12,247,672
Charges for services	4,098,519	-	-	-	-	-	4,098,519
Special assessments	-	-	-	-	-	247,559	247,559
Fines and forfeitures	537,401	-	-	310,728	-	6,058	854,187
Impact fees	-	-	1,246,201	-	-	453,018	1,699,219
Contributions	5,739	-	-	-	-	-	5,739
Investment earnings	3,653	5,973	1,771	-	-	1,108	12,505
Miscellaneous	41,504	-	-	-	18,900	-	60,404
<b>Total revenues</b>	<b>28,560,052</b>	<b>2,599,425</b>	<b>1,247,972</b>	<b>9,516,484</b>	<b>966,438</b>	<b>1,453,752</b>	<b>44,344,123</b>
<b>EXPENDITURES</b>							
Current:							
General government	6,747,400	-	-	-	-	371,156	7,118,556
Transportation and physical environment	6,313,046	-	-	1,334,374	17,397	13,573	7,678,390
Public safety	10,436,506	-	-	-	-	144,880	10,581,386
Culture and recreation	4,192,350	-	-	-	-	-	4,192,350
Capital outlay:							
General Government	-	8,104,364	-	-	-	-	8,104,364
Public Safety	31,324	13,750	-	-	-	-	45,074
Transportation and physical environment	-	398,898	-	10,036,082	304,617	-	10,739,597
Culture and recreation	-	1,930,003	-	-	-	-	1,930,003
Debt service:							
Principal	-	-	-	-	623,000	-	623,000
Interest and Other	-	-	-	-	356,981	247,053	604,034
<b>Total expenditures</b>	<b>27,720,626</b>	<b>10,447,015</b>	<b>-</b>	<b>11,370,456</b>	<b>1,301,995</b>	<b>776,662</b>	<b>51,616,754</b>
Excess (deficiency) of revenues over (under) expenditures	839,426	(7,847,590)	1,247,972	(1,853,972)	(335,557)	677,090	(7,272,631)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	769,740	2,608,573	-	300,000	523,000	188,747	4,390,060
Transfers out	(807,832)	-	(541,088)	-	(546,000)	(898,898)	(2,793,818)
<b>Total other financing sources (uses)</b>	<b>(38,092)</b>	<b>2,608,573</b>	<b>(541,088)</b>	<b>300,000</b>	<b>(23,000)</b>	<b>(710,151)</b>	<b>1,596,242</b>
<b>Net change in fund balances</b>	<b>801,334</b>	<b>(5,239,017)</b>	<b>706,884</b>	<b>(1,553,972)</b>	<b>(358,557)</b>	<b>(33,061)</b>	<b>(5,676,389)</b>
Fund balances (deficits) - beginning	7,920,239	9,999,610	(1,440,993)	6,083,536	557,400	(3,699,570)	19,420,222
<b>Fund balances (deficits) - ending</b>	<b>\$ 8,721,573</b>	<b>\$ 4,760,593</b>	<b>\$ (734,109)</b>	<b>\$ 4,529,564</b>	<b>\$ 198,843</b>	<b>\$ (3,732,631)</b>	<b>\$ 13,743,833</b>

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

City of Palm Coast, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 September 30, 2015

Net change in fund balances - total governmental funds \$ (5,676,389)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	20,819,038	
Less current year depreciation	<u>(10,338,433)</u>	10,480,605

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Contributed capital assets		22,960
Change in revenue collections expected after 60 days		(246,716)

The assignment of Golf Course and Tennis Center proprietary funds fixed assets to governmental activities.

5,810,556

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and adjustments) is to increase net assets.

(11,670)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

623,000

Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed reduces future net liability. Also included in pension expense in the Statement of Activities are amounts amortized for related deferred inflows and outflows.

Volunteer Firefighter Pension Fund (VFFP)		139,280
Florida Retirement System (FRS)		190,331

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.

Compensated absences		83,792
Annual OPEB Cost		(83,180)

Internal service funds are used by management to charge the costs of certain fleet and risk management activities to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

1,241,830

Change in net position of governmental activities.

\$ 12,574,399

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

**City of Palm Coast, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2015**

**Business-type Activities-Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments	\$ 12,980,345	\$ 586,291	\$ 19,269	\$ 3,871,508	\$ 17,457,413	\$ 7,051,775
Accounts receivable - net	4,505,352	1,021,928	1,884,598	65,220	7,477,098	36,647
Inventories	500,224	-	-	-	500,224	14,939
Prepaid Items	166,717	-	21,142	14,409	202,268	23,302
Due from other funds	-	70,000	-	-	70,000	-
Restricted current assets:						
Cash with fiscal agent	6,942,953	-	-	-	6,942,953	-
Due from other governments	571,245	-	-	-	571,245	2,665
<b>Total current assets</b>	<b>25,666,836</b>	<b>1,678,219</b>	<b>1,925,009</b>	<b>3,951,137</b>	<b>33,221,201</b>	<b>7,129,328</b>
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	4,339,723	-	265,859	-	4,605,582	-
Impact fees	11,086	-	-	-	11,086	-
Renewal and replacements	4,275,133	-	-	-	4,275,133	-
Bond proceeds	9,430,309	-	-	-	9,430,309	-
Advances to other funds	4,788,658	-	-	-	4,788,658	-
Land	12,927,925	-	951,766	-	13,879,691	-
Building and improvements other than buildings	98,810,791	-	-	-	98,810,791	1,097,144
Infrastructure	152,618,152	-	38,733,860	4,603,606	195,955,618	-
Equipment	864,417	-	484,655	1,109,685	2,458,757	15,025,974
Less accumulated depreciation	(82,613,417)	-	(11,357,150)	(2,022,020)	(95,992,587)	(9,121,356)
Construction in progress	6,734,900	-	18,515	-	6,753,415	-
<b>Total noncurrent assets</b>	<b>212,187,677</b>	<b>-</b>	<b>29,097,505</b>	<b>3,691,271</b>	<b>244,976,453</b>	<b>7,001,762</b>
<b>Total assets</b>	<b>\$ 237,854,513</b>	<b>\$ 1,678,219</b>	<b>\$ 31,022,514</b>	<b>\$ 7,642,408</b>	<b>\$ 278,197,654</b>	<b>\$ 14,131,090</b>

**City of Palm Coast, Florida**  
**Statement of Net Position (continued)**  
**Proprietary Funds**  
**September 30, 2015**

**Business-type Activities-Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 620,008	\$ 559,455	\$ 291,726	\$ 215,644	\$ 1,686,833	\$ 157,758
Claims payable	-	-	-	-	-	142,240
Due to other governments	-	-	-	609,797	609,797	29,172
Loans payable	1,403,636	-	348,427	68,424	1,820,487	-
Compensated absences	314,278	-	60,279	74,374	448,931	8,888
Accrued liabilities	284,045	-	56,321	67,581	407,947	15,267
Accrued loan interest payable	-	-	-	2,280	2,280	-
Customer deposits	3,597,400	-	-	-	3,597,400	-
Unearned revenue	-	-	-	159,790	159,790	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	3,955,000	-	-	-	3,955,000	-
Accrued bond interest payable	2,987,953	-	-	-	2,987,953	-
Accrued loan interest payable	145,175	-	11,973	-	157,148	-
Accounts payable	1,258,164	-	-	-	1,258,164	-
Contract payable	101,777	-	-	-	101,777	-
<b>Total current liabilities</b>	<b>14,667,436</b>	<b>559,455</b>	<b>768,726</b>	<b>1,197,890</b>	<b>17,193,507</b>	<b>353,325</b>
Noncurrent liabilities:						
Compensated absences	546,768	-	65,410	150,759	762,937	18,054
Net OPEB obligation	244,531	-	71,480	61,597	377,608	10,084
Bonds payable	132,441,216	-	-	-	132,441,216	-
Loans payable	17,794,915	-	10,934,259	50,517	28,779,691	-
Due to other funds	-	-	70,000	-	70,000	-
<b>Total noncurrent liabilities</b>	<b>151,027,430</b>	<b>-</b>	<b>11,141,149</b>	<b>262,873</b>	<b>162,431,452</b>	<b>28,138</b>
Deferred inflows of resources						
Deferred gain on refunding	682,148	-	-	-	682,148	-
<b>Total deferred inflows of resources</b>	<b>682,148</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>682,148</b>	<b>-</b>
<b>Total liabilities and deferred inflows</b>	<b>166,377,014</b>	<b>559,455</b>	<b>11,909,875</b>	<b>1,460,763</b>	<b>180,307,107</b>	<b>381,463</b>
<b>NET POSITION</b>						
Net investment in capital assets	46,398,683	-	17,548,960	3,572,330	67,519,973	7,001,762
Restricted for construction	317,492	-	-	-	317,492	-
Restricted for renewal & replacements	4,124,525	-	-	-	4,124,525	-
Restricted for debt service	8,149,548	-	253,886	-	8,403,434	-
Unrestricted	12,487,251	1,118,764	1,309,793	2,609,315	17,525,123	6,747,865
<b>Total net position</b>	<b>\$ 71,477,499</b>	<b>\$ 1,118,764</b>	<b>\$ 19,112,639</b>	<b>\$ 6,181,645</b>	<b>97,890,547</b>	<b>\$ 13,749,627</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					2,622,344	
					<u>2,622,344</u>	
					<u>\$100,512,891</u>	

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



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**City of Palm Coast, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

**Business-type Activities - Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services:						
Water sales	\$ 19,998,705	\$ -	\$ -	\$ -	\$ 19,998,705	\$ -
Sewer charges	13,951,979	-	-	-	13,951,979	-
Garbage charges	-	7,349,016	-	-	7,349,016	-
Stormwater charges	-	-	7,048,000	-	7,048,000	-
Building permit and inspection charges	-	-	-	1,717,303	1,717,303	-
Information technology charges	-	-	-	2,578,746	2,578,746	-
Miscellaneous	1,087,559	-	-	-	1,087,559	-
Risk management	-	-	-	-	-	3,571,785
Fleet management	-	-	-	-	-	3,920,332
<b>Total operating revenues</b>	<b>35,038,243</b>	<b>7,349,016</b>	<b>7,048,000</b>	<b>4,296,049</b>	<b>53,731,308</b>	<b>7,492,117</b>
<b>OPERATING EXPENSES</b>						
Administrative	4,091,372	-	-	-	4,091,372	5,228,673
Water system	4,806,316	-	-	-	4,806,316	-
Sewer system	6,753,365	-	-	-	6,753,365	-
Solid waste system	-	7,239,055	-	-	7,239,055	-
Stormwater system	-	-	2,774,155	-	2,774,155	-
Building permits and inspections	-	-	-	1,294,427	1,294,427	-
Information technology	-	-	-	1,943,845	1,943,845	-
Depreciation	9,656,199	-	1,993,615	348,910	11,998,724	1,353,586
<b>Total operating expenses</b>	<b>25,307,252</b>	<b>7,239,055</b>	<b>4,767,770</b>	<b>3,587,182</b>	<b>40,901,259</b>	<b>6,582,259</b>
Operating income (loss)	9,730,991	109,961	2,280,230	708,867	12,830,049	909,858
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	405,902	625	1,167	1,991	409,685	5,391
Interest/amortization expense	(5,702,373)	-	(268,522)	(4,490)	(5,975,385)	-
Property Taxes	-	-	316,403	-	316,403	-
Other	15,346	-	-	-	15,346	208,563
<b>Total nonoperating revenues (expenses)</b>	<b>(5,281,125)</b>	<b>625</b>	<b>49,048</b>	<b>(2,499)</b>	<b>(5,233,951)</b>	<b>213,954</b>
Income (loss) before capital contributions and transfers	4,449,866	110,586	2,329,278	706,368	7,596,098	1,123,812
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	2,869,071	-	1,116	-	2,870,187	-
Transfers in	-	-	-	2,763	2,763	576,770
Transfers out	(926,500)	-	(97,900)	(1,151,374)	(2,175,774)	-
Assignment of Capital Assets to Governmental Activities	-	-	-	(5,810,556)	(5,810,556)	-
<b>Total transfers and contributions</b>	<b>1,942,571</b>	<b>-</b>	<b>(96,784)</b>	<b>(6,959,167)</b>	<b>(5,113,380)</b>	<b>576,770</b>
Change in net position	6,392,437	110,586	2,232,494	(6,252,799)	2,482,718	1,700,582
Net position - beginning	65,085,062	1,008,178	16,880,145	12,434,444		12,049,045
<b>Net position - ending</b>	<b>\$ 71,477,499</b>	<b>\$ 1,118,764</b>	<b>\$ 19,112,639</b>	<b>\$ 6,181,645</b>		<b>\$ 13,749,627</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					458,752	
					<u>\$2,941,470</u>	

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

**City of Palm Coast, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 34,983,636	\$ 7,412,714	\$ 7,111,840	\$ 4,520,394	\$ 54,028,584	\$ 21,930
Cash from interfund charges	-	-	-	-	-	7,436,493
Cash paid to suppliers	(10,637,601)	(7,233,502)	(2,253,404)	(1,945,393)	(22,069,900)	(5,176,161)
Cash paid to employees	(5,176,654)	-	(383,163)	(1,229,869)	(6,789,686)	(226,036)
Net cash provided by (used in) operating activities	19,169,381	179,212	4,475,273	1,345,132	25,168,998	2,056,226
<b>Cash flow from noncapital financing activities</b>						
Transfers in from other funds	-	-	-	-	-	576,770
Transfers out to other funds	(926,500)	-	(97,900)	(1,212,321)	(2,236,721)	-
Advances to other funds	-	(70,000)	(65,000)	-	(135,000)	-
Advances from other funds	3,352	-	-	135,000	138,352	-
Net cash provided by (used in) noncapital financing activities	(923,148)	(70,000)	(162,900)	(1,077,321)	(2,233,369)	576,770
<b>Cash flow from capital and related financing activities</b>						
Loan Principal Payments	(5,173,061)	-	(1,045,080)	(78,231)	(6,296,372)	-
Interest paid	(6,417,776)	-	(269,389)	(4,419)	(6,691,584)	-
Acquisition and construction of property, plant and equipment	(8,106,925)	-	(3,298,360)	(333,192)	(11,738,477)	(1,525,461)
Proceeds from the sale of capital assets	-	-	-	-	-	208,563
Property Tax Proceeds	-	-	316,403	-	316,403	-
Impact fees and contributions	2,390,525	-	-	-	2,390,525	-
Net cash provided by (used in) capital and related financing activities	(17,307,237)	-	(4,296,426)	(415,842)	(22,019,505)	(1,316,898)
<b>Cash flow from investing activities</b>						
Interest on investments	405,902	625	1,167	1,991	409,685	5,391
Net cash provided by (used in) investing activities	405,902	625	1,167	1,991	409,685	5,391
Net increase (decrease) in cash and cash equivalents	1,344,898	109,837	17,114	(146,040)	1,325,809	1,321,489
Beginning cash and cash equivalents	36,634,651	476,454	268,014	4,017,548	41,396,667	5,730,286
Ending cash and cash equivalents	\$ 37,979,549	\$ 586,291	\$ 285,128	\$ 3,871,508	\$ 42,722,476	\$ 7,051,775

(continued)



**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise		
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ 9,730,991	\$ 109,961	\$ 2,280,230	\$ 708,867	\$ 12,830,049	\$ 909,858
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	9,656,199	-	1,993,615	348,910	11,998,724	1,353,586
Change in assets and liabilities:						
Accounts receivable	(145,108)	63,698	63,840	93,403	75,833	(33,694)
Inventories	(197,622)	-	-	-	(197,622)	33,089
Prepays	4,192	-	(2,240)	(870)	1,082	(4,860)
Accounts payable	(76,930)	5,553	143,471	19,635	91,729	(209,267)
Accrued liabilities	63,550	-	8,886	19,410	91,846	6,196
Customer deposits	90,501	-	-	130,942	221,443	-
Compensated absences	43,608	-	(12,529)	24,835	55,914	1,318
Net cash provided by (used in) operating activities	\$ 19,169,381	\$ 179,212	\$ 4,475,273	\$ 1,345,132	\$ 25,168,998	\$ 2,056,226
<b>Cash and cash equivalents classified as:</b>						
Equity in pooled cash and investments in current assets	\$ 12,980,345	\$ 586,291	\$ 19,269	\$ 3,871,508	\$ 17,457,413	\$ 7,051,775
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,942,953	-	-	-	6,942,953	-
Debt service	4,339,723	-	265,859	-	4,605,582	-
Impact Fees	11,086	-	-	-	11,086	-
Renewal and replacements	4,275,133	-	-	-	4,275,133	-
Bond proceeds	9,430,309	-	-	-	9,430,309	-
Total restricted equity in pooled cash and investments	24,999,204	-	265,859	-	25,265,063	-
Total cash and cash equivalents	\$ 37,979,549	\$ 586,291	\$ 285,128	\$ 3,871,508	\$ 42,722,476	\$ 7,051,775
<b>Noncash capital and related financing activities:</b>						
Developer contributions of capital assets	\$ 528,098	\$ -	\$ -	\$ -	\$ 528,098	\$ -

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

**City of Palm Coast, Florida**  
**Statement of Fiduciary Net Position**  
**September 30, 2015**

	<u>Volunteer Firefighter Pension Fund</u>
<b>ASSETS</b>	
Pension Investments	
External investment pools	\$ 3,972,894
Total assets	<u>3,972,894</u>
<b>LIABILITIES</b>	
Benefits Payable	428,674
Accounts payable	<u>3,549</u>
Total liabilities	<u>432,223</u>
<b>NET POSITION</b>	
Net position held in trust for pension benefits	<u>\$ 3,540,671</u>

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

**City of Palm Coast, Florida**  
**Statement of Changes in Fiduciary Net Position**  
**For the fiscal year ended September 30, 2015**

	<b>Volunteer Firefighter Pension Fund</b>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 324,642
Total contributions	324,642
Investment earnings:	
Interest	927
Total investment earnings	927
Total additions	325,569
<b>DEDUCTIONS</b>	
Administrative expenses	47,337
Benefit distributions	543,000
Total deductions	590,337
<b>Change in net position</b>	(264,768)
Net position - beginning	3,805,439
Net position - ending	\$ 3,540,671

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



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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2015**

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies**

***Reporting Entity***

The *City of Palm Coast, Florida* (the "City") was incorporated December 31, 1999 under the laws of the State of Florida. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (fire and law enforcement), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services. The accompanying financial statements include all those separately administered departments and funds for which the City has financial accountability. There are no potential component units or related organizations of the City.

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

***Government-Wide 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 nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. 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 to external customers for support. Internal service funds are incorporated into the governmental activities column.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The pension trust fund is reported as a separate financial statement, and is not included in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water and sewer, stormwater, building permits, and information technology functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

***Fund Financial Statements***

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

***Fund Financial Statements (Continued)***

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The capital projects fund accounts for resources accumulated and payments made for the acquisition of land and construction of major capital facilities.

The transportation impact fee special revenue fund is used to track impact fees collected for the purpose of funding expenditures for the expansion of road capacity.

The streets improvement special revenue fund is used to account for a portion of state revenue sharing and a local option gas tax that is restricted for transportation expenditures. This revenue is primarily used for road operations, maintenance, improvements, and to resurface city streets.

The SR100 CRA special revenue fund accounts for the tax increment financing and related expenditures of the State Road 100 community redevelopment area.

The government reports the following major proprietary funds:

The utility enterprise fund accounts for revenues and expenses related to activities in the government's treatment and distribution of water, pumping of sewage, collection of sewage and treatment of sewage.

The stormwater management fund accounts for revenues and expenses related to the maintenance and capital improvements of the stormwater system.

The solid waste enterprise fund accounts for revenues and expenses related to the collection and removal of solid waste.

Additionally, the government reports the following fund types:

The internal service funds account for a self-insured employee medical insurance program and fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

The pension trust fund accounts for the activities of the Volunteer Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

During the course of operations, the City has activity between funds for various purposes. Any remaining balances at year end are reported as due from/to or advances from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the government-wide financial statements. Balances between funds in both the governmental activities and business-type activities are presented so that only the net amount appears as internal balances on the Statement of Net Position. Further, certain activities occur involving transfers of resources between funds. These are reported as gross transfers in the fund financial statements, but as net transfers in the government-wide financial statements after certain eliminations.

***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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 activities. The principal operating revenues of the City's enterprise funds and the internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund, capital projects fund, and special revenue funds. The budget includes a portion of the prior year's fund balance as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenue over expenditures. The appropriated budget is prepared by fund, function, and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

If, during the year, revenues in excess of those estimated in the budget are available for appropriation, City Council may make supplemental appropriations for the year in an amount not to exceed the excess.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders and contracts). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

***Cash, cash equivalents, and investment***

The City's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of the acquisition. Investments are reported at fair value (generally based on quoted market prices) except for amounts in the Florida Prime investment pool. See Note 4 for additional details.

***Receivables and payables***

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

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, stormwater, and fiber optic system usage billings. All general fund receivables are deemed collectible, and an allowance for doubtful accounts has been set up in the utility, solid waste, stormwater, and IT funds for 9%, 9%, 18% and 49%, respectively, of the outstanding receivable amounts. Under Florida law, the assessment and collection of all county, municipal, and school district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to 10 mills.

***Inventories***

Inventories are valued at cost using the first-in/first-out (FIFO) method for the general, fleet management fund, and the utility fund. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory is used. No required minimum levels of inventory are maintained.

***Prepaid Items***

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. Prepaid items in governmental funds are recognized using the consumption method.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Restricted Assets***

Certain proceeds of the utility enterprise fund revenue bonds are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Other enterprise fund restricted assets include accumulated impact fees, accumulated renewal and replacement funds, intergovernmental receivables and debt service requirements; their use is limited by state statute and various regulatory authorities.

***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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation on other assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	20 - 40
Improvements other than buildings	7 - 30
Infrastructure	15 - 100
Equipment	5 - 20

***Interfund Transactions***

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has various items related to pensions in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: taxes, special assessments, fines and forfeitures, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. A deferred gain on refunding is reported in the proprietary funds statement of financial position and the government-wide statement of net position. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also has various items related to pensions in this category.

***Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied. However, for the Utility renewal and replacement funds, unrestricted net position is depleted before restricted net position.

***Fund balance flow assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Fund balance***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance - amounts that are not in spendable form (such as prepaid expenses and advances due from other funds) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or as delegated to the City Manager.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget and through delegation to the City Manager by passage of a resolution.

***Program Revenues***

Amounts reported as program revenues included 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) operating grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property taxes***

Property taxes attach as an enforceable lien on real property and are levied per the following calendar:

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Property taxes (Continued)***

Valuation Date January 1, 2014

Property Appraiser prepares the assessment roll with values as of January 1, 2014, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2014

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2014

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2014

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2014 through March 2015, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2014
January	2	through
February	1	March 31, 2015
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2015

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2015

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2015

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes. June 1, 2015

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Compensated Absences***

Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. General employees are paid 100% of their accumulated vacation pay and sick leave when they terminate up to a maximum of 320 hours for vacation and 320 hours for sick leave (448 hours each for fire department personnel), as long as they are not dismissed with cause or fail to meet the 10 day notice requirement for voluntary resignations. The related liability for this policy is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

***Proprietary funds operating and nonoperating revenues and expenses***

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 of the utility, solid waste, stormwater and other proprietary funds along with internal service funds are charges to customers for sales and services. Operating expenses for these 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 nonoperating revenues and expenses.

***Recently Issued and Adopted Accounting Pronouncements***

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

(a) GASB issued Statement No. 72, Fair Value Measurement and Application, in February 2015, which addresses accounting and financial reporting issues related to fair value measurements, specifically that the definition of 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. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investment and disclosures related to all fair value measurements. The provisions in GASB 72 are effective for fiscal years beginning after June 15, 2015.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

***Recently Issued and Adopted Accounting Pronouncements (Continued)***

(b) GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 73 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.

(c) GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.

(d) GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, in June 2015, which supersedes GASB Statement No. 55. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions in GASB 76 are effective for periods beginning after June 15, 2015.

(e) GASB issued Statement No. 77, Tax Abatement Disclosures, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 2 – Reconciliation of Government-wide and Fund Financial Statements**

***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. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$318,255,549 difference are as follows:

Land	\$ 90,787,054
Construction in progress	29,215,187
Buildings and other improvements	44,880,480
Less: Accumulated depreciation	(10,624,851)
Infrastructure	227,667,353
Less: Accumulated depreciation	(65,047,832)
Equipment	5,945,321
Less: Accumulated depreciation	(4,567,163)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 318,255,549

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$11,127,283 difference are as follows:

Net position of the internal service funds	\$ 13,749,627
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(2,163,592)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(458,752)
Net adjustment to increase <i>fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 11,127,283

A final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$11,844,365 difference are as follows:

Loans payable	\$ 9,666,000
Net OPEB liability	524,088
Compensated absences	1,654,277
Net adjustment to decrease <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 11,844,365

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 2 – Reconciliation of Government-wide and Fund Financial Statements**

***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 *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” Also, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. “This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$623,000 difference are as follows:

Principal payments:	
SR100 CRA Revenue Note	\$ 623,000
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 623,000

A final element of that reconciliation is the "Assignment of Golf Course and Tennis Center Funds fixed assets to Governmental Activities." This assignment is due to combining of these activities within the culture and recreation programs in the General Fund. The details of this \$5,810,556 difference are as follows:

Golf Course Net Fixed Assets	\$ 5,801,176
Tennis Center Net Fixed Assets	9,380
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 5,810,556

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 3 – Stewardship, Compliance and Accountability**

***Compliance with Finance-Related Legal and Contractual Provision***

The City has no material violations of finance-related legal and contractual provisions.

***Deficit Fund Balance***

The Transportation Impact Fee and OKR Special Assessment special revenue funds had deficit fund balances of \$734,109 and \$4,598,147, respectively. These funds incurred construction expenditures in excess of current revenues and transfers.

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$7,251,128 and the bank balance was \$8,161,984. All bank deposits were fully covered by federal depository insurance and by deposits held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories". Included in the carrying amount of the City deposits is \$23,064 in petty cash. In addition, the City has a money market cash balance of \$1,642,374 in its investment account.

***Investments***

The City follows guidelines of Florida Statute Section 218.415, which allows the following investments:

- The Local Government Surplus Funds Trust Fund
- SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories
- Direct obligations of the U.S. Treasury
- Federal Agencies and instrumentalities
- Commercial paper
- Corporate bonds

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 4 – Deposits and Investments (Continued)**

As of September 30, 2015, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 9,500,207	17.92	28 Days
Commercial Paper	6,997,532	13.20	90 Days
U.S. Government Agencies	17,141,822	32.34	1-3 Years
U.S. Treasuries	12,944,046	24.42	1-3 Years
Corporate Notes	5,282,103	9.96	1-3 Years
Municipal Bonds	1,147,615	2.16	1-3 Years
	<u>\$ 53,013,325</u>		

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Local Government Surplus Funds Trust Fund Investment Pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes.

The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2015, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME. Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

*Interest Rate Risk.* The City's investment policy limits the maturities of operating funds to a maximum of twenty-four (24) months. Bond reserves, construction funds, and other non-operating funds cannot exceed maturities of ten (10) years. Longer maturities, not to exceed thirty (30) years, may be used in special circumstances. The maximum length to maturity for an investment in any U.S. Government Agency security is ten (10) years from the date of purchase.

*Credit Risk.* The City's investment policy allows investment in high grade corporate notes and government sponsored agencies with a minimum A rating by Standard and Poor's. Commercial paper is required to have a rating of A-1 by Standard and Poor's. As of September 30, 2015, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1, and corporate and municipal bonds rated between A and AA+ by Standard & Poor's.

*Concentrations of Credit Risk.* The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2015, the City's largest agency investment is in the Federal Home Loan Bank (FHLB). These securities represent 18 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2015 totaled \$6,942,953. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 5 – Receivables**

Amounts are aggregated into single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables, including applicable allowances for uncollectible accounts:

	Accounts Receivable	Special Assessments Receivable	Allowance for Doubtful Accounts	Totals
General Fund	\$ 839,248	\$ -	\$ -	\$ 839,248
Streets Improvement Fund	130,603	-	-	130,603
Nonmajor Governmental Funds	-	4,788,658	-	4,788,658
Utility Fund	4,937,086	-	(431,734)	4,505,352
Solid Waste Fund	1,124,304	-	(102,376)	1,021,928
Stormwater Fund	2,299,753	-	(415,155)	1,884,598
Nonmajor Enterprise Funds	128,259	-	(63,039)	65,220
Fleet Management Fund	36,647	-	-	36,647
Totals	<u>\$ 9,495,900</u>	<u>\$ 4,788,658</u>	<u>\$ (1,012,304)</u>	<u>\$ 13,272,254</u>

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District (see Note 15). The amount due as of September 30, 2015 represents the balance remaining on the financing of the expansion and realignment of Old Kings Road.

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**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 6 – Capital Assets**

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

	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 88,504,573	\$ 2,282,481	\$ -	\$ 90,787,054
Construction in progress	10,997,195	20,787,717	(2,569,725)	29,215,187
Total capital assets, not being depreciated	99,501,768	23,070,198	(2,569,725)	120,002,241
Capital assets, being depreciated:				
Buildings and improvements other than buildings	42,124,504	3,853,120	-	45,977,624
Infrastructure	225,754,752	1,912,603	-	227,667,355
Equipment	19,919,808	1,908,683	(857,197)	20,971,294
Total capital assets, being depreciated	287,799,064	7,674,406	(857,197)	294,616,273
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(9,082,833)	(1,765,104)	-	(10,847,937)
Infrastructure	(56,754,131)	(8,293,703)	-	(65,047,834)
Equipment	(12,679,904)	(1,633,213)	847,685	(13,465,432)
Total accumulated depreciation	(78,516,868)	(11,692,020)	847,685	(89,361,203)
Total capital assets, being depreciated, net	209,282,196	(4,017,614)	(9,512)	205,255,070
Governmental activities capital assets, net	<u>\$ 308,783,964</u>	<u>\$ 19,052,584</u>	<u>\$ (2,579,237)</u>	<u>\$ 325,257,311</u>
	Balance 9/30/2014	Increases	Decreases	Balance 9/30/2015
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 16,143,511	\$ 18,662	(2,282,482)	\$ 13,879,691
Construction in progress	13,674,540	11,589,746	(18,510,871)	6,753,415
Total capital assets, not being depreciated	29,818,051	11,608,408	(20,793,353)	20,633,106
Capital assets, being depreciated:				
Buildings and improvements other than buildings	98,280,248	918,097	(387,554)	98,810,791
Infrastructure	182,021,179	18,209,930	(4,275,491)	195,955,618
Equipment	2,437,642	251,645	(230,531)	2,458,756
Total capital assets, being depreciated	282,739,069	19,379,672	(4,893,576)	297,225,165
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(31,296,204)	(3,975,661)	85,532	(35,186,333)
Infrastructure	(52,018,760)	(7,841,257)	1,060,071	(58,799,946)
Equipment	(2,044,399)	(181,806)	219,898	(2,006,307)
Total accumulated depreciation	(85,359,363)	(11,998,724)	1,365,501	(95,992,586)
Total capital assets, being depreciated, net	197,379,706	7,380,948	(3,528,075)	201,232,579
Business-type activities capital assets, net	<u>\$ 227,197,757</u>	<u>\$ 18,989,356</u>	<u>\$ (24,321,428)</u>	<u>\$ 221,865,685</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 6 – Capital Assets (Continued)**

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

Governmental activities:		
General government	\$ 98,214	
Public safety	287,789	
Transportation and physical environment	8,681,693	
Culture and recreation	1,270,738	
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,353,586	
Total depreciation expense - governmental activities	\$ 11,692,020	
Business activities:		
Utility	\$ 9,656,199	
Stormwater	1,993,615	
Information Technology and Communication (IT&C)	348,910	
Total depreciation expense - business activities	\$ 11,998,724	

**Note 7 - Accrued liabilities**

Accrued liabilities totaling \$601,010 reported by the general fund as of September 30, 2015 represent accrued salaries and related employee benefits.

**Note 8 – Interfund Receivables, Payables, and Transfers**

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

Due from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Solid Waste Fund	Stormwater Fund	Supplement operating cash flow	\$ 70,000
		Total	\$ 70,000

The outstanding balance between the Solid Waste Fund and the Stormwater Fund is a working capital loan. This balance is expected to be collected in the subsequent year.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 8 – Interfund Receivables, Payables, and Transfers (Continued)**

Advances from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	\$ 4,788,658
Streets Improvement Fund	Transportation Impact Fee Fund	Expansion and realignment of road	980,000
			\$ 5,768,658

The Streets improvement Fund loan is to fund a major road expansion. The Utility Fund loan is a working capital loan made to the OKR Special Assessment Fund upon its creation. None of these balances are scheduled to be collected in the subsequent year.

Interfund transfers:

Transfer out:	Transfer In:							
	General Fund	Capital Projects Fund	Streets Improv.. Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	Nonmajor Proprietary	Total
General Fund	\$ -	\$ -	\$ -	\$ 523,000	\$ 282,070	\$ -	\$ 2,763	\$ 807,833
Utility Fund	662,000	-	-	-	264,500	-	-	926,500
Transportation Impact Fee Fund	-	52,341	300,000	-	-	188,747	-	541,088
SR100 CRA Fund	-	546,000	-	-	-	-	-	546,000
Stormwater Fund	91,000	-	-	-	6,900	-	-	97,900
Nonmajor Governmental	-	898,898	-	-	-	-	-	898,898
Nonmajor Proprietary	16,740	1,111,334	-	-	23,300	-	-	1,151,374
<b>Total transfers out</b>	<b>\$ 769,740</b>	<b>\$ 2,608,573</b>	<b>\$ 300,000</b>	<b>\$ 523,000</b>	<b>\$ 576,770</b>	<b>\$ 188,747</b>	<b>\$ 2,763</b>	<b>\$ 4,969,593</b>

Transfers from the General Fund are generally made to establish reserves for future capital expenditures, possible emergency related expenditures, and to move unrestricted general fund revenues to finance various programs that are accounted for in other funds in accordance with budgetary authorizations. The transfer to the Capital Project Fund from the Transportation Impact Fee Fund is to fund capital expenditures related to a developer contribution. The transfer from Nonmajor Governmental Funds to the Capital Projects Fund is for CDBG grant proceeds applied to a path project. The balance of the transfers to the Capital Projects Fund are for the funding of the new City Hall construction and related Community Wing. Transfers to the CRA Fund represent base property tax collections within the redevelopment area and to fund capital expenditures. Other transfers from the Utility Fund, Stormwater Fund, Nonmajor Governmental and Nonmajor Proprietary Funds are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures. The transfer from the Transportation Impact Fee Fund to Nonmajor Governmental Funds are impact fee collections related to the Old Kings Road Special Assessment District, and the transfer to the Streets Improvement Fund is for capital expenditures related to a developer contribution. Transfers to the Fleet Fund are to purchase new additions to the Fleet from the various responsible departments.



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 9 – Leases and Agreements**

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2015, the total cost was \$2,623,433 and provided 27 additional personnel.

The City entered into an interlocal agreement with Flagler County to provide funding for a road expansion project. The estimated funding available is \$3.5 million, payable on a cost reimbursement basis. As of September 30, 2015, \$2.1 million has been expended per this agreement.

Lease of City Owned Facilities:

The City leases various facilities to telecommunications companies, who provide wireless phone and Internet access to the public. The leases are for a five year period, with renewal options for an additional five years. Annual lease payments increase by the U.S. Consumer Price Index or 3 to 4%, whichever is greater. For fiscal year 2015, the total amount of these lease payments were \$283,304.

Operating Leases:

City Administrative Offices

The City executed a noncancelable operating lease for new administrative office space on November 1, 2011 for a three year term. The monthly lease amount was \$17,000 to October 31, 2012, then \$19,000 monthly until October 31, 2013, with the final year at \$20,000 per month. An amendment to the lease was executed during fiscal year 2014 extending the term through October 31, 2015 at a monthly rate of \$22,000. The total cost for year ended September 30, 2015 was \$262,000. The future minimum lease payments are as follows:

Year Ending September 30,	Amount
2016	<u>\$ 22,000</u>
	<u>\$ 22,000</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt**

**A. Governmental Activities**

***SR100 CRA Redevelopment Refunding Revenue Note, Series 2012***

During year ended September 30, 2013, the City refinanced an agreement with BB&T Bank for the purpose of purchasing properties and performing infrastructure improvements within the redevelopment area. The original loan principal was payable annually at an interest rate 4.34% through October 1, 2024. The refinanced note, including an additional \$2,000,000 in new debt, is payable annually at an interest rate of 2.29% through October 1, 2024.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ -	\$ 96,730
2017	429,000	86,906
2018	438,000	76,875
2019	447,000	66,639
2020	461,000	56,082
2021-2025	2,449,000	114,821
	\$ 4,224,000	\$ 498,053

***SR100 CRA Redevelopment Revenue Note, Series 2014***

During year ended September 30, 2014, the City entered into an agreement with Ameris Bank for the purpose of purchasing properties and performing infrastructure improvements within the redevelopment area. The loan principal of \$5,839,000 is payable annually at an interest rate 4.44% through October 1, 2028.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ -	\$ 241,625
2017	212,000	232,212
2018	222,000	222,355
2019	233,000	212,010
2020	240,000	201,354
2021-2025	1,389,000	826,906
2026-2030	3,146,000	217,072
	\$ 5,442,000	\$ 2,153,534

The 2016 principal payment was made on both loans during the year ended September 30, 2015, leaving a principal balance of \$4,224,000 and \$5,442,000 payable respectively at the end of the fiscal year.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

**B. Business Activities**

**Utility System Long-term Debt**

***Utility System Revenue Bonds, Series 2007***

On January 25, 2007, the City issued debt to finance the construction of a water treatment plant and associated infrastructure. Construction proceeds, capitalized interest, and issuance costs were included in the bond issue and brought the total debt issued to \$49,840,000. The interest rate on these bonds ranges from 3.625 - 5.0%. This debt will be paid over 30 years from water and wastewater revenues.

***Disposition of Revenue in order of Priority***

Gross revenues are first deposited in the Utility Fund for payment of operation and maintenance costs.

Net revenues (revenues after payment of operating and maintenance costs) are then first transferred to Debt Service Reserve for the following purposes:

- Interest Payments
- Parity Contract Obligations Payments
- Principal Payments
- Redemption of Term Bonds
- Subordinated Debt Payments

Net revenues are then applied to the utility capital projects account for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding fiscal year. In addition, the City Council has designated an additional 5% of gross revenues (for a total of 10%) be applied for renewal, replacement and improvement.

Any remaining net revenues after the above items are funded are considered surplus and may be used for any lawful purpose of the City.

During the fiscal year ended September 30, 2010, MBIA Insurance Corporation (MBIA), the City's bond insurer, was downgraded by the three major credit rating agencies. Municipal bond insurance unconditionally and irrevocably guarantees that the full and complete payment will be made by or on behalf of the City to the Paying Agent or its successor in the event of default. Due to the downgrade of MBIA, the bond covenants required the City to establish a debt service reserve fund. However, this has not had a financial impact on any of the City's outstanding obligations. During the fiscal year ended September 30, 2015, Standard & Poor's and Fitch have provided an A+ rating on this bond issue.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***Utility System Revenue Bonds, Series 2007 (Continued)***

**Early Optional Redemption**

The Series 2007 bonds maturing on or after October 1, 2017 are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after April 1, 2017, at the redemption prices equal to the principal amount of the Series 2007 Bonds to be redeemed plus interest accrued to the date of redemption.

***Debt Service***

Annual debt service requirements to maturity for the bonds are as follows:

Year Ending <u>September 30,</u>	Principal	Interest
2016	\$ 1,220,000	\$ 1,864,681
2017	1,265,000	1,814,081
2018	1,315,000	1,748,331
2019	1,380,000	1,693,131
2020	1,435,000	1,635,731
2021-2025	8,140,000	7,130,106
2026-2030	10,180,000	5,028,806
2031-2035	12,620,000	2,455,194
2036-2040	5,865,000	131,031
	\$ 43,420,000	\$ 23,501,092

***Utility System Improvement and Refunding Revenue Bonds, Series 2013***

On July 9, 2013, the City issued debt to refinance the Series 2003 bonds and to finance the construction costs related to water treatment plant expansions and other infrastructure improvements. Refinancing proceeds, construction costs, and issuance costs were included in the bond issue and brought the total debt issued to \$89,600,000. The interest rate on these bonds ranges from 2.0% - 5.0%. This debt will be paid over 30 years from water and wastewater revenues.

***Disposition of Revenue in order of Priority***

Gross revenues are first deposited in the Utility Fund for payment of operation and maintenance costs.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***Utility System Improvement and Refunding Revenue Bonds, Series 2013 (Continued)***

Net revenues (revenues after payment of operating and maintenance costs) are then first transferred to Debt Service Reserve for the following purposes:

- Interest Payments
- Parity Contract Obligations Payments
- Principal Payments
- Redemption of Term Bonds
- Subordinated Debt Payments

Net revenues are then applied to the utility capital projects account for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding fiscal year. In addition, the City Council has designated an additional 5% of gross revenues (for a total of 10%) be applied for renewal, replacement and improvement.

Any remaining net revenues after the above items are funded are considered surplus and may be used for any lawful purpose of the City.

The Series 2013 bonds are not secured by insurance or the reserve fund. During the fiscal year ended September 30, 2015, Standard & Poor's and Fitch have provided an A+ rating on this bond issue.

**Early Optional Redemption**

The Series 2013 bonds maturing on or after October 1, 2024 are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after October 1, 2023, at the redemption prices equal to the principal amount of the Series 2013 Bonds to be redeemed plus interest accrued to the date of redemption.

**Debt Service**

Annual debt service requirements to maturity for the bonds are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ 2,735,000	\$ 3,930,250
2017	2,870,000	3,786,750
2018	3,010,000	3,636,250
2019	3,160,000	3,478,250
2020	3,320,000	3,312,250
2021-2025	19,275,000	13,764,500
2026-2030	24,595,000	8,227,350
2031-2035	25,205,000	2,372,869
2036-2040	2,685,000	59,938
	<b>\$ 86,855,000</b>	<b>\$ 42,568,407</b>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***State Revolving Fund Loans***

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of lift station and force main improvements (WW90302S). The loan principal of \$2,734,789 is payable semi-annually in the amount of \$88,586 including interest at a rate of 2.71% through December 15, 2025.

Annual debt service requirements to maturity for the loan are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 134,456	\$ 42,716
2017	138,124	39,048
2018	141,893	35,280
2019	145,764	31,408
2020	149,741	27,431
2021-2025	812,263	73,599
2026-2030	87,402	1,184
	<u>\$ 1,609,643</u>	<u>\$ 250,666</u>

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of wastewater treatment facilities improvements (WW90303S). The loan principal of \$13,281,775 is payable semi-annually in the amount of \$424,354 including interest at a rate of 2.60% through June 15, 2026.

Annual debt service requirements to maturity for the loan are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 642,931	\$ 205,777
2017	659,756	188,952
2018	677,021	171,687
2019	694,738	153,970
2020	712,919	135,790
2021-2025	3,854,397	389,145
2026-2030	832,441	16,268
	<u>\$ 8,074,203</u>	<u>\$ 1,261,589</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***State Revolving Fund Loans (Continued)***

During the year ended September 30, 2007, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$14,607,514 through the State Revolving Fund loan program, for the purpose of biosolids, reclaimed water and aerobic digestion improvements (WW903050). On January 30, 2008, the loan principal was amended to \$7,668,560. The loan principal is payable semi-annually in the amount of \$245,558 including interest at a rate of 2.54% through June 15, 2028.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 355,985	\$ 135,131
2017	365,085	126,031
2018	374,417	116,699
2019	383,987	107,129
2020	393,803	97,313
2021-2025	2,125,250	330,330
2026-2030	1,410,014	63,334
	<u>\$ 5,408,541</u>	<u>\$ 975,967</u>

During the year ended September 30, 2008, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$6,965,490 at an interest rate of 2.54% through the State Revolving Fund loan program, for the purpose of construction of water reuse facilities (WW903080). On June 23, 2010 the loan principal was amended to \$5,999,136. The loan principal is payable semi-annually in the amount of \$186,428 including interest at a rate of 2.54% through June 15, 2028.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 270,264	\$ 102,591
2017	277,172	95,683
2018	284,257	88,598
2019	291,523	81,332
2020	298,975	73,880
2021-2025	1,613,490	250,786
2026-2030	1,070,483	48,083
	<u>\$ 4,106,164</u>	<u>\$ 740,953</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

**Stormwater System Long-Term Debt**

***State Revolving Fund Loans***

During the year ended September 30, 2006, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$4,285,694 at an interest rate of 2.55% through the State Revolving Fund loan program, for the purpose of stormwater drainage improvements and swale rehabilitation (SW903040). On August 10, 2007, the loan amount was amended to \$4,847,060 with the additional principal bearing an interest rate of 2.43%. On June 7, 2010 the loan principal was amended a second time to \$4,822,150. The loan principal is payable semi-annually in the amount of \$151,585 including interest at a rate of 2.5282% through August 15, 2026.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ 231,268	\$ 71,902
2017	237,166	66,004
2018	243,215	59,955
2019	249,418	53,752
2020	255,779	47,391
2021-2025	1,380,141	135,709
2026-2030	297,504	5,667
	<b>\$ 2,894,491</b>	<b>\$ 440,380</b>

During the year ended September 30, 2009, the City executed an agreement with the Florida Department of Environmental Protection to borrow up to \$3,798,642 at an interest rate of 3.14% through the State Revolving Fund loan program, for the purpose of stormwater drainage improvements and swale rehabilitation (SW903070). In January 2012, the total amount of the loan was modified to \$2,875,904, payable in semi-annual installments of \$91,316, at an interest rate of 3.14%, maturing in March 2030.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending September 30,	Principal	Interest
2016	\$ 117,159	\$ 65,473
2017	120,866	61,766
2018	124,691	57,941
2019	128,637	53,995
2020	132,708	49,924
2021-2025	729,259	183,900
2026-2030	760,875	60,969
	<b>\$ 2,114,195</b>	<b>\$ 533,968</b>



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***Bank Loan***

During the year ended September 30, 2009, the City executed an agreement with the RBC (now PNC) Bank to borrow up to \$9,000,000 at a variable interest rate for the purpose of stormwater drainage improvements and swale rehabilitation. The variable rate during the draw period, not to exceed three years, is equal to 70% of the One-Month LIBOR rate plus 212 basis points. In January 2012, the loan was modified to a fixed rate of 2.35%, payable annually, starting in October 2012 and maturing in October 2023. Interest will be paid semi-annually.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ -	\$ 147,439
2017	722,000	130,472
2018	739,000	113,106
2019	756,000	95,340
2020	774,000	77,150
2021-2025	3,283,000	117,993
	<u>\$ 6,274,000</u>	<u>\$ 681,500</u>

The 2015 principal payment of \$706,000 was made during the year ended September 30, 2015, leaving a principal balance of \$6,274,000 payable at the end of the fiscal year.

**Information Technology (IT) Long-Term Debt**

***Capital Leases***

During year ended September 30, 2014, the City executed an agreement with Dell Financial Services to lease computer equipment for use on the city-wide network. The non-cancelable capital lease principal of \$105,042 is payable annually in the amount of \$37,248 including interest at a rate of 6.52% through April 1, 2016.

Annual debt service requirements to maturity for the lease are as follows:

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 34,967	\$ 2,280
	<u>\$ 34,967</u>	<u>\$ 2,280</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

**Information Technology (IT) Long-Term Debt (Continued)**

**Loans**

During the year ended September 30, 2009, the City executed an agreement with MetroPCS Florida, LLC to purchase a wireless communications tower built on City land. MetroPCS Florida, LLC would construct the tower and lease space on the tower for its operations (see Note 8). The City agreed to apply fifty percent of the tower lease payments towards repayment of the cost of the tower in the amount of \$164,773 with principal only payable annually according to the schedule below.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending <u>September 30,</u>	Principal	Interest
2016	\$ 16,318	\$ -
2017	16,970	-
2018	17,649	-
2019	15,898	-
	\$ 66,835	\$ -
	\$ 66,835	\$ -

During the year ended September 30, 2011, the City executed an agreement with Verizon Wireless to purchase a wireless communications tower built at the City Tennis Center. Verizon Wireless would construct the tower and lease space on the tower for its operations (see Note 8). The City agreed to apply the tower lease payments towards repayment of the cost of the tower in the amount of \$157,300 with principal only payable annually according to the schedule below.

Annual debt service requirements to maturity for the loan are as follows:

Year Ending <u>September 30,</u>	Principal	Interest
2016	\$ 17,139	\$ -
	\$ 17,139	\$ -
	\$ 17,139	\$ -

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 10 – Long-Term Debt (Continued)**

***Changes in long-term debt***

During the year ended September 30, 2015, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
SR100 CRA Loans	\$ 10,289,000	-	\$ (623,000)	\$ 9,666,000	\$ -
Net OPEB Liability	438,953	85,135	-	524,088	-
Compensated Absences	1,773,777	1,011,727	(1,094,201)	1,691,303	575,088
Long-term debt	<u>\$ 12,501,730</u>	<u>\$ 1,096,862</u>	<u>\$ (1,717,201)</u>	<u>\$ 11,881,391</u>	<u>\$ 575,088</u>
<b>Business Type Activities:</b>					
Utility Revenue Bonds	\$ 134,080,000	\$ -	\$ (3,805,000)	\$ 130,275,000	\$ 3,955,000
Premiums	6,702,845	-	(581,629)	6,121,216	-
Total Revenue Bonds	140,782,845	-	(4,386,629)	136,396,216	3,955,000
State Revolving Fund Loans	25,914,379	-	(1,707,142)	24,207,237	1,752,063
Bank and Other Loans	7,109,377	-	(751,403)	6,357,974	33,457
Net OPEB Liability	313,841	63,767	-	377,608	-
Capital Leases	67,794	-	(32,827)	34,967	34,967
Compensated Absences	1,155,954	780,269	(724,355)	1,211,868	448,931
Long-term debt	<u>\$ 175,344,190</u>	<u>\$ 844,036</u>	<u>\$ (7,602,356)</u>	<u>\$ 168,585,870</u>	<u>\$ 6,224,418</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$26,942 of internal service fund compensated absences and \$10,084 of net OPEB liability are included in the above amounts. For governmental activities, compensated absences and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans**

***Defined Contribution Plan***

The City maintains a single employer defined contribution plan. All full-time employees are eligible to participate. The name of the plan is the City of Palm Coast 401(a) Pension Plan. The plan is administered by a third party administrator, Great West Retirement Services. The authority to establish and amend benefits rests with the City Council. Under this plan, the City contributes a certain percentage of employees' eligible wages based upon their job classification as determined by City Council. For the fiscal year ended September 30, 2015, general employees received a 10% contribution, with department directors receiving 13% and special risk employees receiving 17.5%. Employees do not participate in the plan funding. Pension contributions are subject to a five year (5) vesting schedule. Withdrawals from the plan may be made due to retirement, attainment of age 59 ½, separation from service, disability, or death. For the period ended September 30, 2015, contributions to this plan totaled \$1,850,526.

***Deferred Compensation Program***

The City offers its employees a voluntary deferred compensation program created in accordance with Internal Revenue Code (IRC) section 457 and Chapter 112.215 Florida Statutes. The City offers a matching contribution program of up to 2% of eligible wages. During the year ended September 30, 2015, the City complied with the requirements of IRC Section 457 and all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. City contributions to this plan totaled \$148,605.

***Volunteer Firefighters' Pension Plan***

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Palm Coast Volunteer Firefighters' Pension Plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters' Pension Plan***

**Plan Description and Administration**

The City of Palm Coast Volunteer Firefighter's Pension Plan is a single employer defined benefit pension plan that provides pensions for qualified volunteers pursuant to Florida Statute, Chapter 175. The City adopted a "local law" plan that provides benefits based on years of service. The benefits are provided through a State contribution from collections of a Fire Insurance Premium Tax. The City is required to participate only when the State contributions are insufficient to fund the plan.

Volunteers who meet minimum City established standards are eligible to participate in the plan. Minimum standards are based on a system that awards points used to certify years of credited service for completing training courses, attending drills, responding to emergency calls, and participating in other fire emergency activities. The plan is administered by a Board of Trustees. The Board has administrative authority over the plan, and acts as supervisor and plan administrator. The Board consists of five members, two are appointed by City Council, two are appointed by the volunteers, and the final member is selected by the four appointed Board members and appointed by City Council (as a ministerial duty). The authority to establish and amend benefits as well as the funding policy rests with the City Council.

**Plan Benefits**

The City of Palm Coast Volunteer Firefighter's Pension Plan provides retirement, disability, and death benefits. Retirement benefits are based on a rate of \$65 per month for each year of credited service, and the balance in the supplemental "share" portion of the plan, if any. Share benefits are accumulated based on plan revenues in excess of amounts needed to fund the defined benefit portion of the plan. Volunteers do not contribute to the plan. In order to qualify for retirement benefits, a volunteer must earn five years of credited service.

The plan was established on July 2, 2002. Members with up to five years of consecutive service prior to July 2, 2002 are eligible for up to five years of credit providing such members satisfy pension requirements in at least one of the two years following July 2, 2002. The minimum age for receiving benefits is 52 with twenty-five years of service, or 55 and after ten years of service, or for volunteers 62 and over, five years of service. Early retirement may be arranged with the consent of the Board for a member who has attained age 50 with ten years of continuous service. The retirement benefit will be actuarially reduced by three percent for each year by which the member's age at retirement preceded the member's normal retirement age. Each member will become one hundred percent vested at normal retirement age, subject only to the actuarial reduction for early retirement at age 50. All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits from date of hire. Disability benefits are determined in the same manner as retirement benefits. Death benefits are paid to the Beneficiary for ten years, beginning at the vested member's normal retirement date (unreduced) or early retirement date (reduced). There are no annual cost-of-living adjustments.

The supplemental benefit (share plan) was initially funded with 80% of the \$1,505,738 excess State monies reserve during fiscal year 2015 and allocated to eligible participants. Annual premium tax revenues received by the City in excess of \$144,307, if any, shall be allocated to active participants

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters' Pension Plan (Continued)***

**Plan Benefits (Continued)**

on a pro-rata basis based on years of credited service. Share plan accounts shall be credited or debited annually based on the Plan's net-of-fees investment performance for the preceding year. Vesting for the share plan is five years of credited service.

**Plan Membership**

As of September 30, 2015, the following volunteers were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	21
Inactive plan members entitled to but not receiving benefits	1
Active plan members	36
	58

**Contributions**

Members do not contribute to the plan. The benefits are provided through a State contribution from the 1.85% tax on premiums for fire insurance policies. The City contribution is required when State contributions are insufficient to pay the actuarially determined current costs and amortized unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Contributions from the State to the plan are reported as revenues and expenditures in the general fund before being reported in the pension fund. The amount recorded for the period ended September 30, 2015 was \$324,642. There were no required City contributions.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

The components of the net pension liability (asset) as of September 30, 2015 were as follows:

Total Pension Liability	\$ 2,676,283
Plan Fiduciary Net Position	(3,544,142)
Net Pension Liability (Asset)	\$ (867,859)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	132.43%

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters' Pension Plan (Continued)***

**Actuarial Assumptions**

The total pension liability (asset) was determined by an actuarial valuation as of Oct 1, 2014 updated to September 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	n/a, unpaid volunteers
Discount Rate	7.65 percent
Investment Rate of Return	7.65 percent

Mortality rates were based on the RP-2000 table with no projection – based on a study of over 650 public safety funds; this table reflects a 10% margin for future mortality improvements. Disabled lives are set forward five years.

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2014 – September 30, 2015.

The actuarial valuation utilized the entry age normal method. The amortization method is level dollar and the period is 30 years and is closed. The asset valuation method is four year smooth. Plan assets are reported at fair value.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Large Cap Equity	39%	7.14%
U.S. Small Cap Equity	11%	8.45%
International Equity	10%	8.43%
Core Bonds	16%	2.48%
Multi-Sector	24%	2.20%
Total	100%	

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters' Pension Plan (Continued)***

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that State contributions will be made at the current contribution rate and that City contribution, if any, will be made at rates equal to the difference between actuarially determined contribution rates and the State contributions. 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 (asset).

**Changes in the Net Pension Liability (Asset)**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
<b>Balances at September 30, 2014</b>	<b>\$ 2,906,032</b>	<b>\$ 3,810,744</b>	<b>\$ (904,712)</b>
Changes for the year:			
Service Cost	104,091	-	104,091
Interest	94,316	-	94,316
Share Plan Allocation	180,335	-	180,335
Differences between expected and actual experience	(65,491)	-	(65,491)
Contributions - State	-	324,642	(324,642)
Net investment income (loss)	-	(6,801)	6,801
Benefit payments	(543,000)	(543,000)	-
Administrative expenses	-	(41,443)	41,443
<b>Net Changes</b>	<b>(229,749)</b>	<b>(266,602)</b>	<b>36,853</b>
<b>Balances at September 30, 2015</b>	<b>\$ 2,676,283</b>	<b>\$ 3,544,142</b>	<b>\$ (867,859)</b>



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters’ Pension Plan (Continued)***

**Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.65 percent, as well as what the City’s net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's net pension liability (asset)	\$ (722,558)	\$ (867,859)	\$ (989,825)

**Pension Plan Fiduciary Net Position**

The plan does not issue a separate financial report. Information about the plan's fiduciary net position is available on pages 34-35 of this report.

**Pension Expense, Deferred Outflows and Inflows of Resources**

For the year ended September 30, 2015, the City recognized pension expense (benefit) of \$(139,280). On September 30, 2015, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ 54,575
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	230,708	-
Total	\$ 230,708	\$ 54,575

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 46,762
2017	46,762
2018	46,762
2019	46,762
2020	(10,915)
Thereafter	-

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters’ Pension Plan (Continued)***

**Investment Policy**

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
U.S. Large Cap Equity	39%
U.S. Small Cap Equity	11%
International Equity	10%
Core Bonds	16%
Multi-Sector	24%
Total	100%

**Investments**

Investments are reported at fair value (generally based on quoted market prices). Plan assets are invested in the Florida Municipal Pension Trust Fund (FMTPF) administered by the Florida League of Cities. This fund is an external investment pool and is reported at fair value.

The total invested with the Florida Municipal Pension Trust Fund (FMTPF) as of September 30, 2015 was \$3,972,894. The Plan’s investment in the Florida Municipal Pension Trust Fund (FMTPF), a Securities and Exchange Commission rule 2a7-like external investment pool, are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

*Interest Rate Risk.* The FMTPF includes the following fixed income fund.

Fixed Income Fund	Effective Duration (Years)	Weighted Average Maturity (Years)
FMIvT Broad Market High Quality Bond	4.43	5.98

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Volunteer Firefighters' Pension Plan (Continued)***

**Investments (Continued)**

*Credit Risk.* The fixed income fund noted previously is rated AA/V4 by Fitch. There are also a number of equity portfolios within the investment pool which are not rated.

*Concentrations.* The Plan did not hold investments in any one organization that represent 5 percent or more of the Plan's Fiduciary Net Position.

*Rate of Return.* For the year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of investment expense, was -.18 percent. The money-weighted rate of return expresses investment performance, not of investment expenses, adjusted for changing amounts actually invested.

**Reserves**

During the year ended September 30, 2015, the City established a reserve amount per Ordinance 2015-02, and further revised per Ordinance 2010-10. The reserve was established at 20% of the September 30, 2013 Excess State Monies Reserve of \$1,505,738, totaling \$301,147. This reserve can be used to supplement the defined benefit funding in the event that fire insurance premium tax contributions are insufficient to pay the actuarially determined current costs and amortized unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

***Florida Retirement System***

**General Information**

Select City employees participate in the Florida Retirement System (FRS). Former Flagler County and Palm Coast Service District employees hired as transfers during the 2000 and 2001 fiscal years had a one-time option to remain a member of the FRS. As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

**General Information (Continued)**

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Plan Description**

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

**Plan Benefits**

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

**Plan Benefits (Continued)**

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

**Contributions**

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk Administrative Support—42.07% and 32.95%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers'—43.24% and 42.27%; and DROP participants—12.28% and 12.88%. These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$272,830 for the fiscal year ended September 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the City reported a liability of \$1,138,376 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .008813455 percent, which was a decrease of 3.75 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension benefit of \$205,979. In addition 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
Differences between expected and actual experience	\$ 120,179	\$ 26,999
Change of assumptions	75,558	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	-	276,969
City Pension Plan contributions subsequent to measurement date	59,237	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	271,825
Total	\$ 254,974	\$ 575,793

The deferred outflows of resources related to the Pension Plan, totaling \$59,237 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (152,488)
2017	(152,488)
2018	(152,488)
2019	71,776
2020	1,381
Thereafter	4,251

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

**Actuarial Assumptions**

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.8%	4.7%	4.7%
Global Equity	53.0%	8.5%	7.2%	17.7%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investments	12.0%	6.7%	6.1%	11.4%
Real Estate (property)	10.0%	6.8%	6.2%	12.0%
Total	<u>100%</u>			
Assumed Inflation - Mean		2.60%		1.9%

(1) As outlined in the Plan's investment policy

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City’s net pension liability	\$ 2,949,789	\$ 1,138,376	\$ (369,018)

**Pension Plan Fiduciary Net Position**

Detailed information regarding the Pension Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

***Health Insurance Subsidy Plan (HIS)***

**Plan Description**

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Plan Benefits**

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***HIS Plan (Continued)***

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$18,141 for the fiscal year ended September 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the City reported a liability of \$440,491 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .004319202 percent, which was a decrease of .19 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$15,648. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	34,655	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	5,603	643
City Pension Plan contributions subsequent to measurement date	5,398	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	238	-
Total	<u>\$ 45,894</u>	<u>\$ 643</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***HIS Plan (Continued)***

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The deferred outflows of resources related to the Pension Plan, totaling \$5,398 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 7,009
2017	7,009
2018	7,009
2019	6,961
2020	6,937
Thereafter	4,928

**Actuarial Assumptions**

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Municipal Bond Rate	3.80%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 11 – Retirement Plans (Continued)**

***HIS Plan (Continued)***

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80%) or one percentage point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's net pension liability	\$ 501,919	\$ 440,491	\$ 389,269

**Pension Plan Fiduciary Net Position**

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

***Summarized Pension Amounts for Financial Statement Presentation***

Amounts reported on the Government-wide Statement of Net Position related to the preceding defined benefit pension note disclosures are summarized as follows:

	Net Pension Asset	Deferred Outflows related to Pensions	Deferred Inflows related to Pensions	Net Pension Liability
Volunteer Firefighter's Pension Plan	\$ 867,859	\$ 230,708	\$ 54,575	\$ -
Florida Retirement System (FRS)	-	254,974	575,793	1,138,376
FRS HIS Plan	-	45,894	643	440,491
Totals:	\$ 867,859	\$ 531,576	\$ 631,011	\$ 1,578,867

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 12 – Other Post Employment Benefits (OPEB)**

***Plan Description and Summary of Benefits***

The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate subsidy benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated October 1, 2014, the Plan had approximately 337 active participants and 1 retiree receiving benefits. The plan does not issue a separate publicly available financial report.

***Transition Year***

GASB Statement No. 45 was implemented prospectively resulting in a zero net OPEB obligation at transition. There was neither an OPEB asset nor liability at transition.

***Funding Policy***

The City has followed the pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established annually by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently, retired members pay the full premium associated with the coverage elected; no direct City subsidy is applicable; however there is an implicit cost outlined below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

State of Florida law prohibits the City from separately rating retirees and active employees. The City therefore assigns both groups equal, blended-rate premiums. Although both groups are assigned the same blended rate premiums, GAAP requires actuarial liabilities to be calculated using age-adjusted premiums approximating claim costs for retirees separate from active members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 12 – Other Post Employment Benefits (OPEB)(Continued)**

***Annual OPEB Cost and Net OPEB Obligation***

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a closed period of 30 years using the level percentage of payroll method. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 7.5% in 2015, to the ultimate rate of 4.5% in 2020. The economic rates are based on an assumed inflation rate of 2.5% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2015, based on the above assumptions and cost method, and applied to member data current at October 1, 2014. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2014, with an AAL calculated to be \$992,548, which is unfunded (or 0% funded). The annual covered payroll is \$16.15 million, resulting in an unfunded AAL of 6.1%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 1, 2014.

OPEB GASB No. 45 results are not based on the assumption that all members terminate services as of the valuation date, but rather on assumptions of future mortality, retirement, and termination. The calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of the sharing of costs between the City and plan members to that point. Actuarial valuations for the plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Plan Obligation:	
Annual Required Contribution (ARC)	\$ 166,874
Interest on Plan Obligation	30,112
Adjustment to ARC	<u>(30,732)</u>
Annual Plan OPEB Cost	166,254
Contributions Made	<u>(17,352)</u>
Change in OPEB Obligation	148,902
Net OPEB Obligation Beginning of year	<u>752,794</u>
Net OPEB Obligation End of year	<u><u>\$ 901,696</u></u>

As of September 30, 2015, the City accrued \$901,696 in the Government-Wide Statement of Net Position, with \$377,608 in the Proprietary Funds Statement of Net Position.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 12 – Other Post Employment Benefits (OPEB)(Continued)**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

Fiscal Year ended September 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net ending OPEB Obligation (Asset)
2015	\$ 166,254	\$ 17,352	10.40%	\$ 901,696
2014	\$ 206,709	\$ 34,723	16.80%	\$ 752,794
2013	\$ 193,811	\$ 32,003	16.50%	\$ 580,808

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Note 13 – Prepaid Water and Sewer Impact Fees**

The original developers of the City of Palm Coast collected impact fees to establish utility infrastructure. These amounts are considered a prepayment of current impact fees and are subtracted from the total impact fees due when a building lot is developed. As of September 30, 2015, the amount of prepaid impact fees is estimated to be \$20,693,675.

**Note 14 – Risk Management**

The City is exposed to various risks of 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. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

The City is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the City; such loss has been accrued in the accompanying financial statements. No such losses have been accrued for as of September 30, 2015. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2015. However, the remote possibility exists of losses as it relates to a class action lawsuit related to the legality of red light cameras fines charged prior to July 1, 2010. The outcome of these and remaining claims cannot be determined at this time.

***Self Insurance Program***

The City is also exposed to risks for losses related to health and other medical benefits it provides to its employees. A self-insurance program was created July 1, 2010 to handle these risks. The Self Insured Health Fund (internal service fund) was established to account for medical insurance claims of City employees and their covered dependents. Under this program, the fund provides the employee with an unlimited lifetime maximum benefit. Retention limits of \$125,000 for specific claims

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 14 – Risk Management (Continued)**

***Self Insurance Program (Continued)***

have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Sun Life Assurance Co. at a monthly rate of up to \$85.32 per participating employee, and \$6.98 in the aggregate. The City has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing, and paying claims. Settled claims have not exceeded the excess insurance limits.

All funds of the City that carry employees participate in the program and make payments to the Self Insured Health Fund based on actuarial estimates of the amounts needed to pay prior and current year claims, claims reserves, and administrative costs.

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As a result, a liability of \$142,240 is reported in the fund at September 30, 2015.

Changes in the fund's claims liability amount for fiscal years 2014 and 2015 were:

<u>Changes in Claims Liability</u>	<u>2014</u>	<u>2015</u>
Beginning fiscal year liability	\$ 243,766	\$ 358,912
Current year claims and changes in estimates	2,244,023	2,669,359
Claim payments	<u>(2,128,877)</u>	<u>(2,886,031)</u>
Balance at fiscal year end	<u>\$ 358,912</u>	<u>\$ 142,240</u>

**Note 15 - Old Kings Road Special Assessment**

During the fiscal year ended September 30, 2013, property owners within the Old King's Road Special Assessment District agreed to a repayment schedule for an interfund loan used to realign and widen a portion of Old King's Road. The interfund loan will be repaid from amounts levied against property owners within the district starting in fiscal year 2014. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment interfund loan. In the event that a deficiency exists because of unpaid or delinquent special assessments, the City can only utilize foreclosure proceeds to satisfy the special assessment. No other government resources can be used to cover any deficiencies. The interfund loan has an interest rate of 5%, with a 30 year amortization. The first three years of the agreement call for interest only, with the principal amortized over the remaining 27 years. The principal and any interest accrued can be paid in full at any time. The balance on the interfund loan was \$4,788,658 as of September 30, 2015

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 16 – Community Redevelopment Area (CRA)**

The City has established the SR100 Community Redevelopment special revenue fund to account for revenues and expenditures related to the SR100 community redevelopment area. The financial results of the CRA are presented as a blended component unit through use of a special revenue fund.

For the fiscal year ended September 30, 2015, the fund received \$947,538 in property tax revenue, a \$523,000 transfer from the general fund, and \$18,900 in miscellaneous income. The transfer included the City portion of the tax increment. Expenditures for the fiscal year were \$304,617 in road construction costs, \$17,397 in administrative costs, and \$979,981 for debt service. There was also a transfer out for the CRA portion of the construction of a community building project in the amount of \$546,000.

**Note 17 – Prior Years Restatement**

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 changes the treatment of defined benefit pension plan accounting by employers whereby the City is now required to record the net pension liability (asset) and related deferred inflows and outflows of resources for each of the City's two defined benefit pension plans on its financial statements. The requirements of GASB 68 are effective for fiscal year 2015. The implementation of GASB 68 resulted in effectively recording the net pension liability (asset) and deferred inflows and outflows of resources as of September 30, 2014. This resulted in the restatement of the beginning unrestricted net position for governmental activities in the government-wide statements.

	<b>Governmental Activities</b>
Net position, 09/30/2014	\$ 324,743,092
Net Pension Asset - VFFP, 09/30/14	904,712
Net Pension Liability - FRS, 09/30/14	(558,699)
Net Pension Liability - FRS HIS, 09/30/14	(404,631)
Combined Deferred Inflow/Outflows, 09/30/14	(1,081,436)
Net position, restated, 09/30/14	\$ 323,603,038

**Note 18 – Subsequent Events**

**Utility State Revolving Fund Loan, fiscal year 2016**

In November 2015, the City executed an agreement with the Florida Department of Environmental Protection under the State Revolving Fund (SRF) loan program for the construction of a second wastewater treatment plant and related infrastructure. The principal amount of the loan is \$30,958,400, drawn over the construction period of approximately two years. The interest rate is fixed at .67% for twenty years, with a semi-annual principal and interest payment of \$828,515, commencing on October 15, 2018.



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 19 – Fund Balance Policy**

The City has enacted a policy establishing minimum levels of unassigned fund balance and unrestricted net position. The policy was revised and update during fiscal year 2015. The details of this policy are outlined below.

***General Fund***

Adjusted unassigned fund balance (includes nonspendable advances to other funds less next fiscal year appropriations, if any), at year end, will be between ten percent and twenty percent of the following year's budgeted expenditures. Adjusted unassigned fund balance over twenty percent may be transferred to the Disaster Reserve to meet funding goals, or to the Capital Projects Fund, if necessary. If the adjusted unassigned fund balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenditures to return the adjusted unassigned fund balance to ten percent or greater within three years. If economic conditions cause a temporary loss of revenue, the adjusted unassigned fund balance may be used to help alleviate the effects of the loss of revenue. If the adjusted unassigned fund balance exceeds ten percent of the following year's budgeted General Fund expenditures, up to fifty percent of the amount over the ten percent minimum may be used to offset the shortfall. At no time should the adjusted unassigned fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

***Utility Fund***

Unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses. Unrestricted net position over twenty percent may be assigned to a rate stabilization fund or transferred to the Utility Capital Projects Fund for utility system renewal and replacement. If the unrestricted net position is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

***Stormwater Management Fund***

Unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses excluding capital expenditures. Unrestricted net position over twenty percent may be assigned for future system capital projects. If the unrestricted net position balance is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

***Solid Waste Fund***

Unrestricted net position, at year end, will be between ten percent and twenty percent of the following year's budgeted operating expenses. Unrestricted net position over twenty percent may be assigned to a rate stabilization fund. If the unrestricted net position is below ten percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to ten percent or greater within three years.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2015**

**Note 19 – Fund Balance Policy (Continued)**

***Disaster Reserve***

The Disaster Reserve is committed fund balance within the General Fund. This balance at year end will be at least two one hundredths percent (0.02%) of the just value of all property in the City on July 1 of that year. If this balance is below the minimum amount at year end, an additional amount should be committed from the General Fund unassigned fund balance in an amount sufficient to increase the Disaster Reserve above the minimum amount, within two years. The Disaster Reserve can be used to address unanticipated expenditures arising out of a hurricane, tornado, other major weather related events, and/or other massive infrastructure failures or other disasters, whether man-made or caused by nature, using emergency procedures as provided for in the City's Purchasing Policy.

***Self Insured Health Fund***

The Self Insured Health Fund unrestricted net position, at year end, will be a minimum 50% of the difference between the expected plan costs and the maximum plan costs as determined annually by an actuarial calculation. Amounts in excess of this floor can be used to hedge against future cost increases. If the unrestricted net position is below this floor, a plan must be developed using increased premiums and/or a reductions in benefits to return unrestricted net position to the minimum level within three years.

***Fleet Fund***

The Fleet Fund unrestricted net position, at year end, will be a minimum of the total expected Fleet replacement cost divided by the average life of the Fleet. Amounts in excess of this floor can be used to hedge against future cost increases and Fleet expansion. If the unrestricted net position is below this floor, a plan must be developed using increased internal lease charges to return unrestricted net position to the minimum level within three years.

***Other Funds***

All other funds, including Special Revenue Funds, Capital Project Funds, and certain Nonmajor Enterprise Funds do not have a fund balance requirement. Fund balances in these funds are dictated by revenue sources and a schedule of capital projects.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION ASSET AND  
RELATED RATIOS  
VOLUNTEER FIRE FIGHTER'S PENSION PLAN  
LAST THREE FISCAL YEARS**

	<b>9/30/2015</b>	<b>9/30/2014</b>	<b>9/30/2013</b>
<b>Total pension liability</b>			
Service Cost	\$ 104,091	\$ 113,712	\$ 105,631
Interest	94,316	103,447	95,623
Change in Excess State Money	-	237,659	-
Share Plan Allocation	180,335	-	-
Differences Between Expected and Actual Experience	(65,491)	-	-
Benefit Payments, including Refunds of Employee Contributions	(543,000)	(110,810)	(103,288)
<b>Net Change in Total Pension Liability</b>	<b>(229,749)</b>	<b>344,008</b>	<b>97,966</b>
<b>Total Pension Liability - beginning</b>	<b>2,906,032</b>	\$ 2,562,024	2,464,058
<b>Total Pension Liability - ending (a)</b>	<b>\$ 2,676,283</b>	<b>\$ 2,906,032</b>	<b>\$ 2,562,024</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - State	\$ 324,642	\$ 381,967	\$ 364,571
Net Investment Income	(6,801)	270,512	324,552
Benefit Payments, including Refunds of Employee Contributions	(543,000)	(110,810)	(103,288)
Administrative Expenses	(41,443)	(60,987)	(25,630)
<b>Net Change in Fiduciary Net Position</b>	<b>(266,602)</b>	480,682	560,205
<b>Plan Fiduciary Net Position - beginning</b>	<b>3,810,744</b>	3,330,062	2,769,857
<b>Plan Fiduciary Net Position - ending (b)</b>	<b>\$ 3,544,142</b>	<b>\$ 3,810,744</b>	<b>\$ 3,330,062</b>
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	<b>\$ (867,859)</b>	<b>\$ (904,712)</b>	<b>\$ (768,038)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>132.43%</b>	<b>131.13%</b>	<b>129.98%</b>

**Notes to Schedule:**

Plan participants are volunteers, and there is no related payroll. Information relating to this schedule is not available for prior years. Ordinance 2015-10, adopted August 4, 2015, and effective March 3, 2015, amended the Reserve Amount utilized for the initial Share Plan allocation. A letter of no actuarial impact was submitted for this amendment.

**CITY OF PALM COAST, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CITY CONTRIBUTIONS  
 VOLUNTEER FIRE FIGHTER'S PENSION PLAN  
 LAST THREE FISCAL YEARS**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Actuarially Determined Contribution	\$ 127,816	\$ 130,671	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	127,816	130,671	120,718
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -

**Notes to Schedule:**

Plan participants are volunteers, and there is no related payroll. Information relating to this schedule is not available for prior years.

Valuation Date: 10/01/2013

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. An interest load of 1.5 years has been applied for the determination of Sponsor funding requirement.
Amortization Method:	Level Dollar
Remaining Amortization Period:	30 years
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce insignificant bias above or below Market Value.
Inflation:	3.0%
Investment Rate of Return:	7.65% per year, compounded annually, net of related expenses.
Normal Retirement:	The earlier of attainment of age 55 with 10 years of credited service, age 52 with 25 years of credited service, or age 62 with 5 years of credited service. Also, any members who have reached Normal Retirement age are assumed to continue employment for one additional year.
Early Retirement:	Commencing with the attainment of Early Retirement Status (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.
Mortality Rates:	RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

**CITY OF PALM COAST, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF INVESTMENT RETURNS  
 VOLUNTEER FIRE FIGHTER'S PENSION PLAN  
 LAST THREE FISCAL YEARS**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Annual money-weighted rate of return, net of investment expense	-0.18%	8.26%	11.24%

**Notes to Schedule:**

Information relating to this schedule is not available for prior years.

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
FLORIDA RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS**

	<u>2015</u>		<u>2014</u>
City's proportion of the net pension liability (asset)	0.008813455%		0.009156791%
City's proportionate share of the net pension liability (asset)	\$ 1,138,376	\$	558,699
City's covered-employee payroll	\$ 1,310,373	\$	1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.87%		43.30%
Plan fiduciary net position as a percentage of the total pension liability	92.00%		96.09%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 6/30. Information relating to this schedule is not available for prior years.

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 272,830	\$ 257,211
Contributions in relation to the contractually required contribution	(272,830)	(257,211)
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered-employee payroll	20.41%	19.77%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 9/30.  
Information relating to this schedule is not available for prior years.



**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
HEALTH INSURANCE SUBSIDY PROGRAM (HIS)  
LAST TWO FISCAL YEARS**

	<b>2015</b>		<b>2014</b>
City's proportion of the net pension liability (asset)	0.004319202%		0.004327487%
City's proportionate share of the net pension liability (asset)	\$ 440,491	\$	404,631
City's covered-employee payroll	\$ 1,310,373	\$	1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.62%		31.36%
Plan fiduciary net position as a percentage of the total pension liability	0.50%		0.99%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 6/30. Information relating to this schedule is not available for prior years.

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
HEALTH INSURANCE SUBSIDY PROGRAM (HIS)  
LAST TWO FISCAL YEARS**

	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 18,141	\$ 15,792
Contributions in relation to the contractually required contribution	(18,141)	(15,792)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered-employee payroll	1.36%	1.21%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 9/30.  
Information relating to this schedule is not available for prior years.

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
SEPTEMBER 30, 2015**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2014	\$ -	\$ 992,548	\$ 992,548	0%	\$ 16,149,589	6.10%
10/1/2012	-	1,027,559	1,027,559	0%	15,163,229	6.80%
3/1/2011	-	724,000	724,000	0%	14,792,000	4.90%
3/1/2008	-	319,000	319,000	0%	14,671,000	2.20%

The actuarial valuation dated March 2008 was the first OPEB valuation completed. The next valuation will be dated October 2015.

**Schedule of Employer Contributions**

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2015	\$ 166,874	\$ 17,352	10.40	1.10%
2014	208,138	34,723	16.68	2.30%
2013	194,157	32,003	16.48	2.10%
2012	145,000	31,000	21.38	2.10%
2011	137,000	25,000	18.25	1.70%
2010	105,000	9,000	8.57	0.1%
2009	98,000	-	-	0.0%

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 19,682,074	\$ 19,670,000	\$ 19,648,327	\$ (21,673)
Licenses and permits	226,500	240,500	221,940	(18,560)
Intergovernmental revenue	3,571,625	3,911,055	4,002,969	91,914
Charges for services	4,509,226	4,130,227	4,098,519	(31,708)
Fines and forfeitures	559,000	557,000	537,401	(19,599)
Contributions	2,500	6,300	5,739	(561)
Investment earnings	10,000	-	3,653	3,653
Miscellaneous	69,478	50,200	41,504	(8,696)
Total Revenues	<u>28,630,403</u>	<u>28,565,282</u>	<u>28,560,052</u>	<u>(5,230)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Major and Council	95,317	97,134	97,009	125
City Administration	1,952,006	1,939,770	1,788,808	150,962
City Attorney	393,678	393,678	375,543	18,135
Financial Services	735,725	726,305	716,124	10,181
Community Development	3,912,396	3,846,234	3,680,738	165,496
Nondepartmental	219,706	113,500	89,178	24,322
Total general government	<u>7,308,828</u>	<u>7,116,621</u>	<u>6,747,400</u>	<u>369,221</u>
Public safety:				
Fire	7,435,224	7,867,333	7,844,397	22,936
Law Enforcement	2,623,433	2,623,433	2,623,433	-
Total public safety	<u>10,058,657</u>	<u>10,490,766</u>	<u>10,467,830</u>	<u>22,936</u>
Transportation & physical environment:				
Streets and Drainage	8,402,646	8,338,546	5,879,732	2,458,814
Engineering	458,630	453,707	433,314	20,393
Total transportation & physical environment	<u>8,861,276</u>	<u>8,792,253</u>	<u>6,313,046</u>	<u>2,479,207</u>
Culture and recreation	4,636,164	4,563,424	4,192,350	371,074
Total expenditures	<u>30,864,925</u>	<u>30,963,064</u>	<u>27,720,626</u>	<u>3,242,438</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,234,522)</u>	<u>(2,397,782)</u>	<u>839,426</u>	<u>3,237,208</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	777,000	779,125	769,740	(9,385)
Transfers out	(821,800)	(808,900)	(807,832)	1,068
Total other financing sources (uses)	<u>(44,800)</u>	<u>(29,775)</u>	<u>(38,092)</u>	<u>(8,317)</u>
Net change in fund balance*	<u>(2,279,322)</u>	<u>(2,427,557)</u>	<u>801,334</u>	<u>3,228,891</u>
Fund balance - beginning	<u>7,920,239</u>	<u>7,920,239</u>	<u>7,920,239</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,640,917</u>	<u>\$ 5,492,682</u>	<u>\$ 8,721,573</u>	<u>\$ 3,228,891</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spenddown) of fund balance

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Transportation Impact Fee Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 988,000	\$ 1,225,000	\$ 1,246,201	\$ 21,201
Investment earnings	-	-	1,771	1,771
Total revenues	<u>988,000</u>	<u>1,225,000</u>	<u>1,247,972</u>	<u>22,972</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	<u>1,418,000</u>	<u>1,261,599</u>	-	<u>1,261,599</u>
Total expenditures	<u>1,418,000</u>	<u>1,261,599</u>	-	<u>1,261,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(430,000)</u>	<u>(36,599)</u>	<u>1,247,972</u>	<u>1,284,571</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(150,000)</u>	<u>(542,341)</u>	<u>(541,088)</u>	<u>1,253</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(542,341)</u>	<u>(541,088)</u>	<u>1,253</u>
Net change in fund balance*	<u>(580,000)</u>	<u>(578,940)</u>	<u>706,884</u>	<u>1,285,824</u>
Fund balance - beginning	<u>(1,440,993)</u>	<u>(1,440,993)</u>	<u>(1,440,993)</u>	<u>-</u>
Fund balance - ending	<u>\$ (2,020,993)</u>	<u>\$ (2,019,933)</u>	<u>\$ (734,109)</u>	<u>\$ 1,285,824</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spendown) of fund balance.

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Streets Improvement Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,582,000	\$ 1,662,390	\$ 1,712,651	\$ 50,261
Intergovernmental revenue	15,438,420	8,278,849	7,493,105	(785,744)
Fines and forfeitures	850,000	850,000	310,728	(539,272)
Investment earnings	2,493	-	-	-
Total revenues	<u>17,872,913</u>	<u>10,791,239</u>	<u>9,516,484</u>	<u>(1,274,755)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	550,000	1,870,000	1,334,374	535,626
Capital Outlay:				
Transportation and physical environment	<u>20,525,495</u>	<u>11,413,019</u>	<u>10,036,082</u>	<u>1,376,937</u>
Total expenditures	<u>21,075,495</u>	<u>13,283,019</u>	<u>11,370,456</u>	<u>1,912,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,202,582)</u>	<u>(2,491,780)</u>	<u>(1,853,972)</u>	<u>637,808</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	300,000	300,000	-
Total other financing sources (uses)	<u>-</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Net change in fund balance*	(3,202,582)	(2,191,780)	(1,553,972)	637,808
Fund balance - beginning	<u>6,083,536</u>	<u>6,083,536</u>	<u>6,083,536</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,880,954</u>	<u>\$ 3,891,756</u>	<u>\$ 4,529,564</u>	<u>\$ 637,808</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**SR100 CRA Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 947,538	\$ 947,538	\$ 947,538	\$ -
Miscellaneous	-	15,000	18,900	3,900
Total revenues	<u>947,538</u>	<u>962,538</u>	<u>966,438</u>	<u>3,900</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	10,000	20,000	17,397	2,603
Capital Outlay:				
Transportation and physical environment	546,000	420,000	304,617	115,383
Debt service:				
Principal	623,000	623,000	623,000	-
Interest and Other	356,988	356,988	356,981	7
Total expenditures	<u>1,535,988</u>	<u>1,419,988</u>	<u>1,301,995</u>	<u>117,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(588,450)</u>	<u>(457,450)</u>	<u>(335,557)</u>	<u>121,893</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	523,000	523,000	523,000	-
Transfers out	-	(546,000)	(546,000)	-
Total other financing sources (uses)	<u>523,000</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>-</u>
Net change in fund balance*	(65,450)	(480,450)	(358,557)	121,893
Fund balance - beginning	557,400	557,400	557,400	-
Fund balance - ending	<u>\$ 491,950</u>	<u>\$ 76,950</u>	<u>\$ 198,843</u>	<u>\$ 121,893</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spendown) of fund balance.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, SR100 CRA special revenue fund, streets improvement special revenue fund and the transportation impact fee special revenue fund. Encumbrance accounting is employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and may be reappropriated in the ensuing year.



**COMBINING NONMAJOR GOVERNMENTAL AND  
OTHER INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



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## CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Capital Projects Fund** – This fund accounts for a portion of property taxes, local sales taxes, and grant revenues for the construction of general government, public safety, recreational, and transportation related public projects.

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Police Education Fund** -This fund accounts for the costs of educational expenses for police officers. Revenues come from fines and forfeitures.

**Police Automation Fund** -This fund accounts for funds collected and disbursements made for the purpose of acquisition of equipment to upgrade the technology of existing police equipment.

**Recreation Impact Fee Fund** -This fund accounts for fees collected from new development for the purpose of funding capital and other costs related to park land acquisition and improvements, and to track the related expenditures.

**Fire Impact Fee Fund** -This fund accounts for fees collected from new development for the purpose of funding capital and other costs related to expanding fire services, and to track the related expenditures.

**Neighborhood Stabilization Fund** -This fund accounts for the acquisition and rehabilitation of homes for sale and lease to individuals and families as part of the grant under the Neighborhood Stabilization Program.

**Old Kings Road Special Assessment Fund** -This fund accounts for the collection and disbursement of special assessments for the widening and realignment of Old Kings Road.

**CDBG Fund** -This fund accounts for two Community Development Block Grant programs. These include a housing rehab program, and an annual entitlement grant.



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**City of Palm Coast, Florida**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,371,500	\$ 2,371,500	\$ 2,587,863	\$ 216,363
Intergovernmental revenue	-	10,000	5,589	(4,411)
Investment earnings	3,000	-	5,973	5,973
Total revenues	<u>2,374,500</u>	<u>2,381,500</u>	<u>2,599,425</u>	<u>217,925</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
General government	6,210,353	8,814,617	8,104,364	710,253
Public Safety	50,000	50,000	13,750	36,250
Transportation and physical environment	650,000	399,702	398,898	804
Culture and recreation	5,472,000	2,000,000	1,930,003	69,997
Total expenditures	<u>12,382,353</u>	<u>11,264,319</u>	<u>10,447,015</u>	<u>817,304</u>
Excess (deficiency) of revenues over (under) expenditures	(10,007,853)	(8,882,819)	(7,847,590)	1,035,229
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,687,334	2,589,675	2,608,573	18,898
Total other financing sources (uses)	<u>1,687,334</u>	<u>2,589,675</u>	<u>2,608,573</u>	<u>18,898</u>
Net change in fund balance*	(8,320,519)	(6,293,144)	(5,239,017)	1,054,127
Fund balance - beginning	<u>9,999,610</u>	<u>9,999,610</u>	<u>9,999,610</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,679,091</u>	<u>\$ 3,706,466</u>	<u>\$ 4,760,593</u>	<u>\$ 1,054,127</u>

\*The net change in fund balance was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2015**

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 13,985	\$ 10,577	\$ 417,494	\$ 367,628	\$ 16,992	\$ 194,007	\$ 48,084	\$ 1,068,767
Special Assessment receivable - net	-	-	-	-	-	4,788,658	-	4,788,658
Due from other governments	-	-	-	-	-	506	28,256	28,762
<b>Total assets</b>	<b>\$ 13,985</b>	<b>\$ 10,577</b>	<b>\$ 417,494</b>	<b>\$ 367,628</b>	<b>\$ 16,992</b>	<b>\$ 4,983,171</b>	<b>\$ 76,340</b>	<b>\$ 5,886,187</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 585	\$ 4,002	\$ 36,915	\$ 41,502
Advances from other funds	-	-	-	-	-	4,788,658	-	4,788,658
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>585</b>	<b>4,792,660</b>	<b>36,915</b>	<b>4,830,160</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - Special assessments	-	-	-	-	-	4,788,658	-	4,788,658
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,788,658</b>	<b>-</b>	<b>4,788,658</b>
<b>FUND BALANCES</b>								
Restricted for								
Public safety	13,985	10,577	-	367,628	-	-	-	392,190
Parks and Recreation	-	-	417,494	-	-	-	-	417,494
Grants	-	-	-	-	16,407	-	39,425	55,832
Unassigned	-	-	-	-	-	(4,598,147)	-	(4,598,147)
<b>Total fund balances (deficits)</b>	<b>13,985</b>	<b>10,577</b>	<b>417,494</b>	<b>367,628</b>	<b>16,407</b>	<b>(4,598,147)</b>	<b>39,425</b>	<b>(3,732,631)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,985</b>	<b>\$ 10,577</b>	<b>\$ 417,494</b>	<b>\$ 367,628</b>	<b>\$ 16,992</b>	<b>\$ 4,983,171</b>	<b>\$ 76,340</b>	<b>\$ 5,886,187</b>

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2015**

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 26,500	\$ -	\$ 719,509	\$ 746,009
Special assessments	-	-	-	-	-	247,559	-	247,559
Fines and forfeitures	6,058	-	-	-	-	-	-	6,058
Impact fees	-	-	346,587	106,431	-	-	-	453,018
Investment earnings	-	-	134	228	-	746	-	1,108
Total revenues	6,058	-	346,721	106,659	26,500	248,305	719,509	1,453,752
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	89,970	-	281,186	371,156
Transportation and physical environment	-	-	-	-	-	13,573	-	13,573
Public safety	9,880	135,000	-	-	-	-	-	144,880
Debt Service:								
Interest and Other	-	-	-	-	-	247,053	-	247,053
Total expenditures	9,880	135,000	-	-	89,970	260,626	281,186	776,662
Excess (deficiency) of revenues over (under) expenditures	(3,822)	(135,000)	346,721	106,659	(63,470)	(12,321)	438,323	677,090
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	188,747	-	188,747
Transfers out	-	-	(500,000)	-	-	-	(398,898)	(898,898)
Total other financing sources (uses)	-	-	(500,000)	-	-	188,747	(398,898)	(710,151)
Net change in fund balances	(3,822)	(135,000)	(153,279)	106,659	(63,470)	176,426	39,425	(33,061)
Fund balances (deficits) - beginning	17,807	145,577	570,773	260,969	79,877	(4,774,573)	-	(3,699,570)
Fund balances (deficits) - ending	\$ 13,985	\$ 10,577	\$ 417,494	\$ 367,628	\$ 16,407	\$ (4,598,147)	\$ 39,425	\$ (3,732,631)

**City of Palm Coast, Florida**  
**Police Education**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 14,000	\$ 10,000	\$ 6,058	\$ (3,942)
Total revenues	14,000	10,000	6,058	(3,942)
<b>EXPENDITURES</b>				
Current:				
Public safety	30,000	26,000	9,880	16,120
Total expenditures	30,000	26,000	9,880	16,120
Net change in fund balance*	(16,000)	(16,000)	(3,822)	12,178
Fund balance - beginning	17,807	17,807	17,807	-
Fund balance - ending	\$ 1,807	\$ 1,807	\$ 13,985	\$ 12,178

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.



**City of Palm Coast, Florida**  
**Police Automation**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 145,000	\$ 145,000	\$ 135,000	\$ 10,000
Total expenditures	145,000	145,000	135,000	10,000
Net change in fund balance*	(145,000)	(145,000)	(135,000)	10,000
Fund balance - beginning	145,577	145,577	145,577	-
Fund balance - ending	\$ 577	\$ 577	\$ 10,577	\$ 10,000

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**Recreation Impact Fee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 260,000	\$ 340,000	\$ 346,587	\$ 6,587
Investment earnings	503	-	134	134
Total revenues	<u>260,503</u>	<u>340,000</u>	<u>346,721</u>	<u>6,721</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(300,000)	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>(300,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net change in fund balance*	(39,497)	(160,000)	(153,279)	6,721
Fund balance - beginning	<u>570,773</u>	<u>570,773</u>	<u>570,773</u>	<u>-</u>
Fund balance - ending	<u>\$ 531,276</u>	<u>\$ 410,773</u>	<u>\$ 417,494</u>	<u>\$ 6,721</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**Fire Impact Fee**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 83,200	\$ 105,000	\$ 106,431	\$ 1,431
Investment earnings	247	-	228	228
Total revenues	<u>83,447</u>	<u>105,000</u>	<u>106,659</u>	<u>1,659</u>
<b>EXPENDITURES</b>				
Public safety	83,447	105,000	-	105,000
Total expenditures	<u>83,447</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Net change in fund balance*	-	-	106,659	106,659
Fund balance - beginning	<u>260,969</u>	<u>260,969</u>	<u>260,969</u>	<u>-</u>
Fund balance - ending	<u>\$ 260,969</u>	<u>\$ 260,969</u>	<u>\$ 367,628</u>	<u>\$ 106,659</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**Neighborhood Stabilization**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 26,500	\$ 26,500	\$ -
Total revenues	-	26,500	26,500	-
<b>EXPENDITURES</b>				
Current:				
General government	100,000	94,500	89,970	4,530
Total expenditures	100,000	94,500	89,970	4,530
Net change in fund balance*	(100,000)	(68,000)	(63,470)	4,530
Fund balance - beginning	79,877	79,877	79,877	-
Fund balance - ending	\$ (20,123)	\$ 11,877	\$ 16,407	\$ 4,530

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**OKR Special Assessment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 239,435	\$ 239,435	\$ 247,559	\$ 8,124
Investment earnings	-	-	746	746
Total revenues	<u>239,435</u>	<u>239,435</u>	<u>248,305</u>	<u>8,870</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	82,500	151,648	13,573	138,075
Debt Service:				
Interest and Other	306,935	247,787	247,053	734
Total expenditures	<u>389,435</u>	<u>399,435</u>	<u>260,626</u>	<u>138,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150,000)</u>	<u>(160,000)</u>	<u>(12,321)</u>	<u>147,679</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	150,000	160,000	188,747	28,747
Total other financing sources (uses)	<u>150,000</u>	<u>160,000</u>	<u>188,747</u>	<u>28,747</u>
Net change in fund balance*	-	-	176,426	176,426
Fund balance - beginning	<u>(4,774,573)</u>	<u>(4,774,573)</u>	<u>(4,774,573)</u>	<u>-</u>
Fund balance - ending	<u>\$ (4,774,573)</u>	<u>\$ (4,774,573)</u>	<u>\$ (4,598,147)</u>	<u>\$ 176,426</u>

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**City of Palm Coast, Florida**  
**CDBG Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 696,439	\$ 738,604	\$ 719,509	\$ (19,095)
Total revenues	696,439	738,604	719,509	(19,095)
<b>EXPENDITURES</b>				
Current:				
General government	410,439	337,428	281,186	56,242
Total expenditures	410,439	337,428	281,186	56,242
Excess (deficiency) of revenues over (under) expenditures	286,000	401,176	438,323	37,147
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(286,000)	(401,176)	(398,898)	2,278
Total other financing sources (uses)	(286,000)	(401,176)	(398,898)	2,278
Net change in fund balance*	-	-	39,425	39,425
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 39,425	\$ 39,425

\*The net change in fund balances was included in the budget as an appropriation (i.e. spenddown) of fund balance.

**COMBINING NONMAJOR ENTERPRISE  
FUND STATEMENTS**



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## NONMAJOR ENTERPRISE FUNDS

Enterprise Funds account for the functions that are financed and operated in a manner similar to private business enterprises and where the costs of providing goods or services to the general public are recovered primarily through user charges, or where the City has decided that determination of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

***Golf Course Fund*** -This fund accounts for the operations of the Palm Harbor Golf Course financed primarily by user fees. This function was combined with the General Fund for the year ended September 30, 2015.

***Tennis Center Fund*** -This fund accounts for the operations of a tennis center financed primarily by user fees. This function was combined with the General Fund for the year ended September 30, 2015.

***Building Permits Fund*** -This fund accounts for the operations and enforcement of State and local building regulations financed primarily by user fees.

***Information Technology (IT) Fund*** -This fund accounts for the fiber optic network and wireless communications provided to external users, and technology support and implementation for internal users. This is financed through a combination of user fees and internal charges.

**City of Palm Coast, Florida**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**September 30, 2015**

**Business-type Activities-Enterprise Funds**

	Golf Course Fund	Tennis Center Fund	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and investments	\$ -	\$ -	\$ 1,990,505	\$ 1,881,003	\$ 3,871,508
Accounts receivable - net	-	-	701	64,519	65,220
Prepaid Items	-	-	6,523	7,886	14,409
Total current assets	-	-	1,997,729	1,953,408	3,951,137
Noncurrent assets:					
Capital assets:					
Infrastructure	-	-	-	4,603,606	4,603,606
Equipment	-	-	-	1,109,685	1,109,685
Less accumulated depreciation	-	-	-	(2,022,020)	(2,022,020)
Total noncurrent assets	-	-	-	3,691,271	3,691,271
Total assets	\$ -	\$ -	\$ 1,997,729	\$ 5,644,679	\$ 7,642,408
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 3,486	\$ 212,158	\$ 215,644
Due to other governments	-	-	9,797	600,000	609,797
Loans payable	-	-	-	68,424	68,424
Compensated absences	-	-	41,529	32,845	74,374
Accrued liabilities	-	-	41,700	25,881	67,581
Accrued loan interest payable	-	-	-	2,280	2,280
Unearned revenue	-	-	-	159,790	159,790
Total current liabilities	-	-	96,512	1,101,378	1,197,890
Noncurrent liabilities:					
Compensated absences	-	-	70,398	80,361	150,759
Net OPEB obligation	-	-	36,288	25,309	61,597
Loans payable	-	-	-	50,517	50,517
Total noncurrent liabilities	-	-	106,686	156,187	262,873
Total liabilities	-	-	203,198	1,257,565	1,460,763
<b>NET POSITION</b>					
Net investment in capital assets	-	-	-	3,572,330	3,572,330
Unrestricted	-	-	1,794,531	814,784	2,609,315
Total net position	\$ -	\$ -	\$ 1,794,531	\$ 4,387,114	\$ 6,181,645

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2015**

**Business-type Activities - Enterprise Funds**

	Golf Course Fund	Tennis Center Fund	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>					
Charges for services:					
Building permit and inspection charges	\$ -	\$ -	\$ 1,717,303	\$ -	\$ 1,717,303
IT charges	-	-	-	2,578,746	2,578,746
Total operating revenues	-	-	1,717,303	2,578,746	4,296,049
<b>Operating Expenses:</b>					
Building permits and inspections	-	-	1,294,427	-	1,294,427
Information Technology	-	-	-	1,943,845	1,943,845
Depreciation	-	-	-	348,910	348,910
Total operating expenses	-	-	1,294,427	2,292,755	3,587,182
Operating income (loss)	-	-	422,876	285,991	708,867
<b>Nonoperating Revenues (Expenses):</b>					
Investment revenue	-	-	388	1,603	1,991
Interest/amortization expense	-	-	-	(4,490)	(4,490)
Total nonoperating revenues (expenses)	-	-	388	(2,887)	(2,499)
Income (loss) before capital contributions and transfers	-	-	423,264	283,104	706,368
<b>TRANSFERS AND CONTRIBUTIONS</b>					
Transfers in	-	2,763	-	-	2,763
Transfers out	(2,740)	-	(1,134,634)	(14,000)	(1,151,374)
Assignment of Capital Assets to Governmental Activities	(5,801,176)	(9,380)	-	-	(5,810,556)
Total transfers and contributions	(5,803,916)	(6,617)	(1,134,634)	(14,000)	(6,959,167)
Change in net position	(5,803,916)	(6,617)	(711,370)	269,104	(6,252,799)
<b>NET POSITION</b>					
Net position - beginning	5,803,916	6,617	2,505,901	4,118,010	12,434,444
Net position - ending	\$ -	\$ -	\$ 1,794,531	\$ 4,387,114	\$ 6,181,645

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2015**

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ -	\$ -	\$ 1,719,503	\$ 2,800,891	\$ 4,520,394
Cash paid to suppliers	-	-	(564,131)	(1,381,262)	(1,945,393)
Cash paid to employees	-	-	(698,718)	(531,151)	(1,229,869)
Net cash provided by (used in) operating activities	-	-	456,654	888,478	1,345,132
<b>Cash flow from noncapital financing activities</b>					
Transfers in from other funds	-	-	-	-	-
Transfers out to other funds	(45,822)	(17,865)	(1,134,634)	(14,000)	(1,212,321)
Advances to other funds	-	-	-	-	-
Advances from other funds	-	-	135,000	-	135,000
Net cash provided by (used in) noncapital financing activities	(45,822)	(17,865)	(999,634)	(14,000)	(1,077,321)
<b>Cash flow from capital and related financing activities</b>					
Proceeds from issuance of long-term debt	-	-	-	-	-
Loan principal payments	-	-	-	(78,231)	(78,231)
Interest paid	-	-	-	(4,419)	(4,419)
Acquisition and construction of property, plant and equipment	-	-	-	(333,192)	(333,192)
Net cash provided by (used in) capital and related financing activities	-	-	-	(415,842)	(415,842)
<b>Cash flow from investing activities</b>					
Interest on investments	-	-	388	1,603	1,991
Net cash provided by (used in) investing activities	-	-	388	1,603	1,991
Net increase (decrease) in cash and cash equivalents	(45,822)	(17,865)	(542,592)	460,239	(146,040)
Beginning cash and cash equivalents	45,822	17,865	2,533,097	1,420,764	4,017,548
Ending cash and cash equivalents	\$ -	\$ -	\$ 1,990,505	\$ 1,881,003	\$ 3,871,508

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2015**

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ -	\$ -	\$ 422,876	\$ 285,991	\$ 708,867
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	-	-	-	348,910	348,910
Change in assets and liabilities:					
Accounts receivable	-	-	2,200	91,203	93,403
Inventories	-	-	-	-	-
Prepays	-	-	(1,849)	979	(870)
Accounts payable	-	-	(3,107)	22,742	19,635
Accrued liabilities	-	-	16,751	2,659	19,410
Customer Deposits	-	-	-	130,942	130,942
Compensated absences	-	-	19,783	5,052	24,835
Net cash provided by (used in) operating activities	\$ -	\$ -	\$ 456,654	\$ 888,478	\$ 1,345,132
<b>Cash and cash equivalents classified as:</b>					
Equity in pooled cash and investments in current assets	\$ -	\$ -	\$ 1,990,505	\$ 1,881,003	\$ 3,871,508
Total cash and cash equivalents	\$ -	\$ -	\$ 1,990,505	\$ 1,881,003	\$ 3,871,508



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## **INTERNAL SERVICE FUNDS**



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## INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

***Fleet Management Fund*** -This fund is used to account for the leasing of motor vehicles and heavy equipment to other departments as well as related maintenance and replacement costs.

***Self Insured Health Fund*** -This fund accounts for the management and allocation of costs associated with the self-insured health benefits program for eligible employees and their dependents

**City of Palm Coast, Florida**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2015**

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and investments	\$ 973,165	\$ 6,078,610	\$ 7,051,775
Accounts receivable - net	36,647	-	36,647
Inventories	-	14,939	14,939
Prepaid Items	-	23,302	23,302
Due from other governments	-	2,665	2,665
Total current assets	1,009,812	6,119,516	7,129,328
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	15,025,974	15,025,974
Less accumulated depreciation	-	(9,121,356)	(9,121,356)
Total noncurrent assets	-	7,001,762	7,001,762
Total assets	\$ 1,009,812	\$ 13,121,278	\$ 14,131,090
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 157,758	\$ 157,758
Claims payable	142,240	-	142,240
Due to other governments	29,172	-	29,172
Compensated absences	-	8,888	8,888
Accrued liabilities	-	15,267	15,267
Total current liabilities	171,412	181,913	353,325
Noncurrent liabilities:			
Compensated absences	-	18,054	18,054
Net OPEB obligation	-	10,084	10,084
Total noncurrent liabilities	-	28,138	28,138
Total liabilities	171,412	210,051	381,463
<b>NET POSITION</b>			
Net investment in capital assets	-	7,001,762	7,001,762
Unrestricted	838,400	5,909,465	6,747,865
Total net position	\$ 838,400	\$ 12,911,227	\$ 13,749,627

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended September 30, 2015**

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Operating Revenues:</b>			
Charges for services:			
Risk management	\$ 3,571,785	\$ -	\$ 3,571,785
Fleet management	-	3,920,332	3,920,332
Total operating revenues	3,571,785	3,920,332	7,492,117
<b>Operating Expenses:</b>			
Administrative	3,440,231	1,788,442	5,228,673
Depreciation	-	1,353,586	1,353,586
Total operating expenses	3,440,231	3,142,028	6,582,259
Operating income (loss)	131,554	778,304	909,858
<b>Nonoperating Revenues (Expenses):</b>			
Investment revenue	-	5,391	5,391
Other	-	208,563	208,563
Total nonoperating revenues (expenses)	-	213,954	213,954
Income (loss) before capital contributions and transfers	131,554	992,258	1,123,812
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers in	-	576,770	576,770
Total transfers and contributions	-	576,770	576,770
Change in net position	131,554	1,569,028	1,700,582
<b>NET POSITION</b>			
Net position - beginning	706,846	11,342,199	12,049,045
Net position - ending	\$ 838,400	\$ 12,911,227	\$ 13,749,627

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2015**

	Self Insured		Totals
	Health	Fleet	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ -	\$ 21,930	\$ 21,930
Cash received interfund charges	3,535,408	3,901,085	7,436,493
Cash paid to suppliers	(3,686,256)	(1,489,905)	(5,176,161)
Cash paid to employees	-	(226,036)	(226,036)
Net cash provided by (used in) operating activities	(150,848)	2,207,074	2,056,226
<b>Cash flow from noncapital financing activities</b>			
Transfer in from other funds	-	576,770	576,770
Net cash provided by (used in) noncapital financing activities	-	576,770	576,770
<b>Cash flow from capital and related financing activities</b>			
Acquisition and construction of property, plant and equipment	-	(1,525,461)	(1,525,461)
Proceeds from the sale of capital assets	-	208,563	208,563
Net cash provided by (used in) capital and related financing activities	-	(1,316,898)	(1,316,898)
<b>Cash flow from investing activities</b>			
Interest on investments	-	5,391	5,391
Net cash provided by (used in) investing activities	-	5,391	5,391
Net increase (decrease) in cash and cash equivalents	(150,848)	1,472,337	1,321,489
Beginning cash and cash equivalents	1,124,013	4,606,273	5,730,286
Ending cash and cash equivalents	\$ 973,165	\$ 6,078,610	\$ 7,051,775

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Internal Service Funds**  
**For the Year Ended September 30, 2015**

	Self Insured Health	Fleet	Totals
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 131,554	\$ 778,304	\$ 909,858
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,353,586	1,353,586
Change in assets and liabilities:			
Accounts receivable	(36,377)	2,683	(33,694)
Inventories	-	33,089	33,089
Prepays	-	(4,860)	(4,860)
Accounts payable	(246,025)	36,758	(209,267)
Accrued liabilities	-	6,196	6,196
Compensated absences	-	1,318	1,318
Net cash provided by (used in) operating activities	\$ (150,848)	\$ 2,207,074	\$ 2,056,226
<b>Cash and cash equivalents classified as:</b>			
Equity in pooled cash and investments in current assets	\$ 973,165	\$ 6,078,610	\$ 7,051,775
Total cash and cash equivalents	\$ 973,165	\$ 6,078,610	\$ 7,051,775



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