

# THE CITY OF PALM COAST FLORIDA



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2013

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**CITY OF PALM COAST, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2013**

**Prepared by:**

**City of Palm Coast  
Financial Services Department**



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# INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart
- List of Principal Officials



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF PALM COAST, FLORIDA  
For The Year Ended September 30, 2013**

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# **LETTER OF TRANSMITTAL**



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## CITY MANAGER'S OFFICE

January 22, 2014

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Palm Coast:

This report consists of management representations concerning the finances of the City of Palm Coast (City). Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Palm Coast's financial statements have been audited by James Moore & Co., P.L., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Coast for the fiscal year ended September 30, 2013, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are in the compliance section of this report.

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

### **Profile of the Government**

Palm Coast is situated in the eastern portion of Flagler County. The City was developed in 1969 on 68,000 acres formerly owned by the ITT Corporation. The original ITT development plan encompassed 48,000 home sites on approximately 42,000 acres (65.62 square miles). Paved streets and central water and sewer serve all lots developed within the City. An extensive water management system was designed to replenish the area's water table, which includes 26 miles of freshwater canals and 23 miles of saltwater canals.

In 1975, the Flagler County Board of County Commissioners established the Palm Coast Service District, consisting of almost 40,000 acres. Funds for the district were derived primarily from ad valorem taxes and were utilized to provide fire services, fire hydrants, street maintenance and lighting, animal control and emergency services.

In September 1999, the citizenry of Palm Coast voted overwhelmingly by a margin of two to one to incorporate as a council/manager form of government. On December 31, 1999, the City of Palm Coast was officially incorporated. On October 1, 2000, all services were officially transferred from the former Service District to the City of Palm Coast. The five-member City Council is elected at large and serves staggered four-year terms. One member is elected as Mayor. The promulgation and adoption of policy are the responsibility of the Council and the execution of such policy is the responsibility of the Council appointed city manager. The City hired its first city manager on April 17, 2000.

The City of Palm Coast currently has a population of 77,068 residents and covers an area of approximately 81 square miles. For fiscal year 2014, property within the City has a taxable value of \$3,690,312,857. This was an increase of approximately one percent from 2013. The City's property tax rate for fiscal year 2013 is set at \$4.2705 per \$1,000 of taxable value. Approximately two percent of the property taxes levied have been committed to capital projects for fiscal year 2014.

The City provides a wide range of services including development services, fire services, street construction and maintenance, a water and wastewater utility, stormwater management, parks, and recreational activities. Palm Coast contracts with the Flagler County Sheriff for law enforcement services.

## **Economic Outlook**

The City's economy is recovering from the collapse of the housing market, both in existing home sales and new construction. Real estate values began to rise in 2013 and are expected to appreciate in 2014. Single-family permits are at the highest level since 2007, with 263 permits issued in 2013. Population projections are positioning Palm Coast to be the second fastest growing area over the next five years. The City has also seen the largest drop in the unemployment rate in Florida, year over year. Even with this improvement and the creation of approximately 3,700 jobs in the local economy, the unemployment rate as of September 30, 2013 was still 9.6%.

A particular bright spot has been taxable sales within the City. We have seen over a 27% increase in taxable sales since 2007. Some of the recent commercial additions include numerous retailers and Gioia Sails, a manufacturer of canvas products for the boating industry. Previously vacant commercial plazas, such as City Marketplace and European Village, have seen renewed activity with many new businesses opening.

## **Long-term Financial Planning**

The City Council top priorities going into fiscal year 2014 are economic development, stormwater system rehabilitation, and renewed investment in infrastructure. Economic development is guided by the City's Prosperity 2021 plan. This plan takes an inside out approach, by strengthening our existing neighborhoods and commercial areas. Future funding for these initiatives presents a significant challenge. In addition to a number of grants noted below, the City also became a CDBG entitlement community. This will provide a regular level of funding to assist with our economic development goals.

The City stormwater system infrastructure had an expected life of 30 years. Much of that infrastructure has met or exceeded its useful life. Funding for capital improvements in 2014 is being provided through a combination of a stormwater user fees and property taxes. A rate increase of 46% was initiated in 2013 to provide funds for future year's improvements.

The water and sewer utility capital improvements were affected by the poor economy. In order to fund the five year capital improvement program, the City conducted a rate study and enacted a series of rate increases totaling 16%. These increases will provide funding for infrastructure expansion and replacements.

### **Future Projects and Programs**

The need for infrastructure projects grew during the economic recession, as the population increased, even though financial resources contracted. During the upcoming year, the City will invest in infrastructure improvements necessary to support both the existing and future population. In 2014, the City will undertake the following major projects: Seminole Woods Path, Long Creek Nature Preserve, Holland Park Renovation, Street Resurfacing, Palm Coast Parkway Six-Lane, Palm Harbor Parkway Extension, Palm Harbor Parkway Bridge Rehab at Collage Waterway, Bulldog Drive FPCHS/SR100 Improvements, WTP 2 – Concentrate Zero Liquid Discharge Treatment (ZLD), Old Kings Road Master Pump Station, Swale Rehab & Pipe Replacement, Modeling Improvements, and Weir Replacement.

The Palm Coast Business Assistance Center, or BAC, was established in May 2011 to help our existing business grow through a unique partnership with the Small Business Development Center at the University of Central Florida (SBDC at UCF). Since its inception, the BAC has helped businesses maintain or create 153 jobs and invest approximately \$11.5 million in our local economy through capital investment, increased sales, and salaries. In the upcoming year, the BAC will continue to expand its services to serve local businesses and grow the economy "one job at a time."

The City in partnership with our local sports clubs and the Flagler County Tourist Development Council continues to attract sports tournaments and the associated visitor spending (5% increase in bed tax collections over last year) to our local economy. Through a unique public-private partnership, the Players Development Academy of Florida will develop additional sports fields to attract even larger tournaments and more visitors to our local economy.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Coast for its comprehensive annual financial report for the fiscal year ended September 30, 2012. This is the twelfth year that Palm Coast has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2013 budget document. This is the tenth consecutive year that Palm Coast has received this award.

The City of Palm Coast also received the Association of Public Treasurers of the United States & Canada's Investment Policy Certificate of Excellence Award. This is the first time that Palm Coast has received this award.

### **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire Finance staff. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Palm Coast's finances.

Respectfully submitted,



Jim Landon  
City Manager



Christopher M. Quinn  
Finance Director



Government Finance Officers Association

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

Presented to

**City of Palm Coast  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

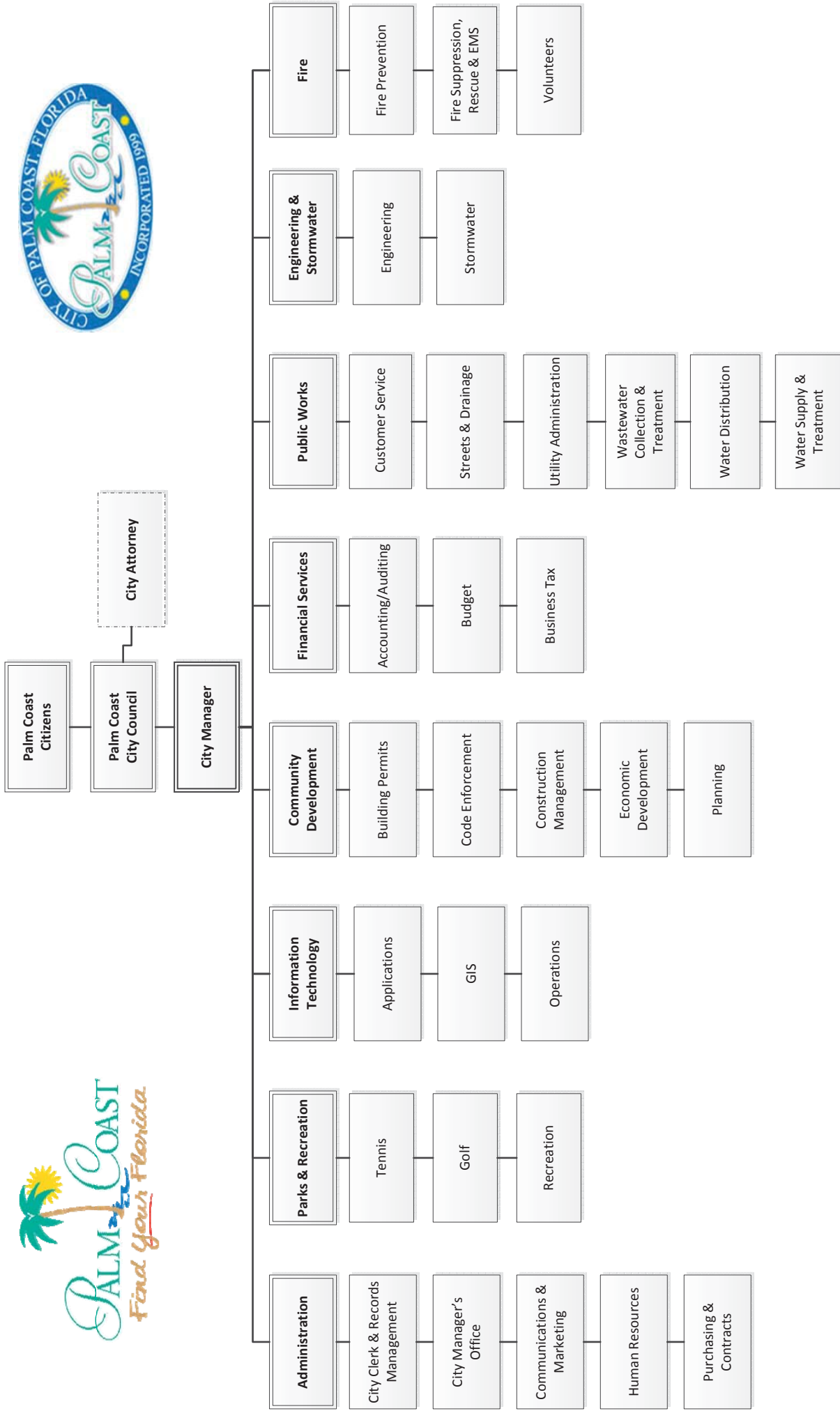
**September 30, 2012**

Executive Director/CEO





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**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2013**

**ELECTED OFFICIALS**

Mayor

Honorable Jon Netts

City Council Members:

Jason Delorenzo  
Bill McGuire  
Dave Ferguson  
William Lewis

**CITY OFFICIALS**

City Manager

James S. Landon

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Christopher M. Quinn

# **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 (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure 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 principles 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, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Change in Accounting Principle***

As discussed in Note 17 to the financial statements, in 2013, the entity adopted Governmental Accounting Standards Board (GASB) *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred*

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

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*Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported As Assets and Liabilities.* See Note 17 for the effect of GASB 65 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, to 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*

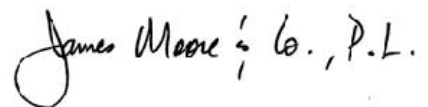
Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Palm Coast, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, 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 January 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Daytona Beach, Florida  
January 22, 2014

**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, 2013. 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 vii-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 of the City of Palm Coast exceeded its liabilities and deferred inflows at the close of fiscal year 2013 by \$409,041,236. Of this amount, \$32,670,044 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$6,787,602. Nearly \$5 million of the increase is due special assessments levied for the Old Kings Road expansion project. Over \$1.4 million of the increase was due to revenue collections in excess of expenditures in the general fund.
- As of the close of fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$17,368,638 an increase of \$8,210,315 over the prior year. The combined ending fund balances includes negative unassigned fund balance of \$2,256,682, which was due to capital expenditures in advance of related revenues. The increase in combined ending fund balance was primarily due to approximately \$4 million in revenues collected for future capital expenditures, \$2 million in new debt in the CRA fund for a 2014 project, and \$1.4 million of revenue collections in excess of expenditures in the general fund.
- At the end of fiscal year 2013, unassigned fund balance in the general fund was \$5,900,427 or 24.0% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$14,672,345 during the current fiscal year. This was primarily due to new debt of approximately \$21 million in the Utility Fund combined with \$2 million in new debt in the CRA fund, less principal payments on the outstanding debt.

### 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 inspections, information technology and communications (IT&C), a tennis center, and a golf course.

The government-wide financial statements can be found on pages 23-24 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 26-29 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 inspections, information technology and communications (IT&C), a tennis center, and golf course. 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 inspections, information technology and communications (IT&C), golf course and tennis center 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 30-35 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 two fiduciary funds, which are the volunteer firefighters' pension fund and the Coquina Coast Cooperative agency fund.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-81 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 and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 84-90 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 \$409,041,236 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 1.9% 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 (90.1%) 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 Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 35,916,770	\$ 24,393,452	\$ 47,927,664	\$ 36,997,310	\$ 83,844,434	\$ 61,390,762
Capital assets	300,817,336	305,708,015	222,670,169	224,064,135	523,487,505	529,772,150
Total assets	336,734,106	330,101,467	270,597,833	261,061,445	607,331,939	591,162,912
Long-term liabilities	7,108,298	5,157,617	179,407,480	166,685,816	186,515,778	171,843,433
Other liabilities	8,984,812	11,219,526	1,974,839	2,186,674	10,959,651	13,406,200
Total liabilities	16,093,110	16,377,143	181,382,319	168,872,490	197,475,429	185,249,633
Total deferred inflows of resources	-	-	815,274	-	815,274	-
Net position:						
Net investment in capital assets	298,779,350	303,986,665	69,651,643	68,131,604	368,430,993	372,118,269
Restricted	1,184,424	840,001	6,755,775	13,833,001	7,940,199	14,673,002
Unrestricted	20,677,222	8,897,658	11,992,822	10,224,350	32,670,044	19,122,008
Total net position	\$ 320,640,996	\$ 313,724,324	\$ 88,400,240	\$ 92,188,955	\$ 409,041,236	\$ 405,913,279

## Governmental Activities

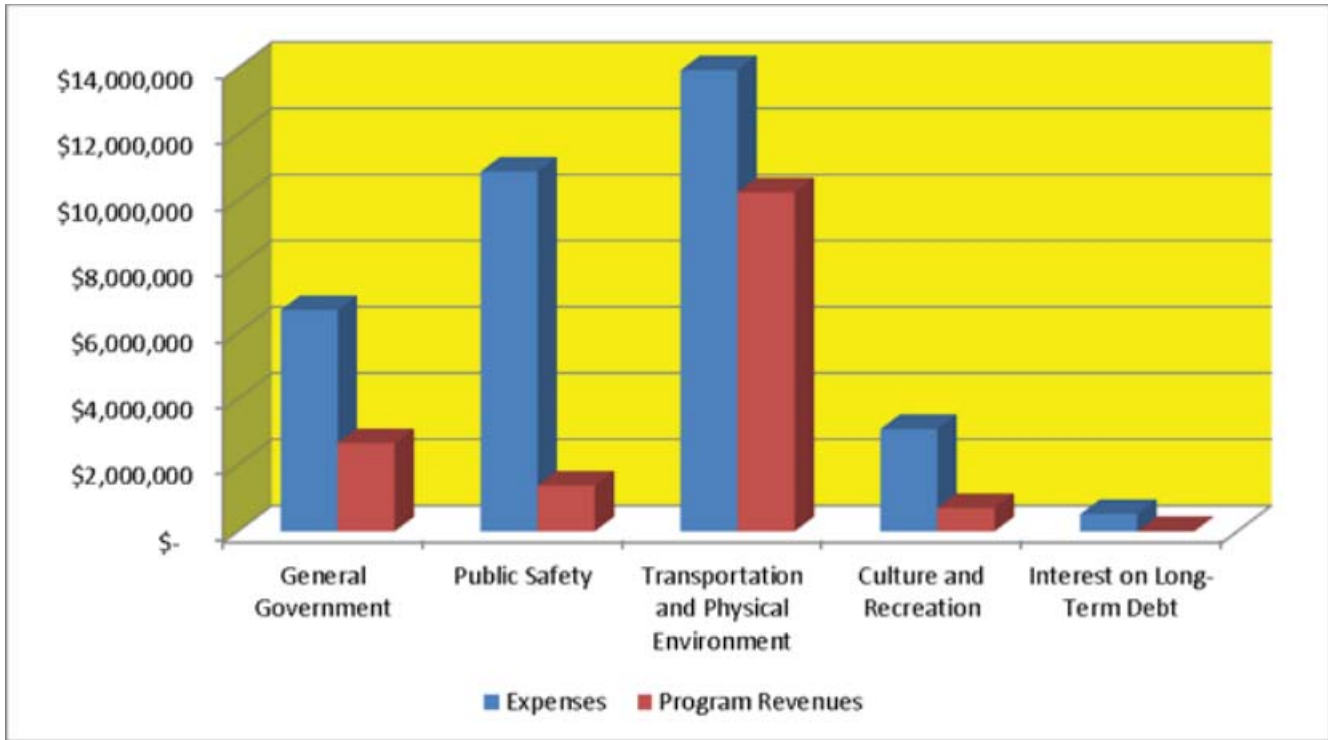
Governmental activities increased the City of Palm Coast's net position by \$6,916,672 during the current fiscal year. This is primarily due to the establishment of the Old King Road special assessments for nearly \$5 million. The balance is mostly due to revenues in excess of expenditures in the general fund. Long term liabilities increased nearly \$2 million due to new debt issued in the CRA Fund for infrastructure projects. Governmental activities unrestricted net position increased by \$11,779,564. The establishment of Old King Road special assessments for nearly \$5 million, plus increases in primarily the general, capital projects, and streets improvement funds account for the

increase. The general fund increase was due to expense savings versus the budget, and the streets improvement and capital projects fund increases were due to capital projects being delayed until fiscal year 2014. Property taxes increased \$1,623,237 from the previous year. This was primarily due to the allocation of \$1,686,100 of property taxes to the stormwater enterprise fund in fiscal year 2012. Capital grants and contributions increased \$3,727,487 due to the establishment of Old King Road special assessments noted above. The significant change in transfers was due to the interfund loan reclassifications in fiscal year 2012. General government expenses increased \$815,944. This was primarily due to grant activity in the NSP and CDBG funds for the current year.

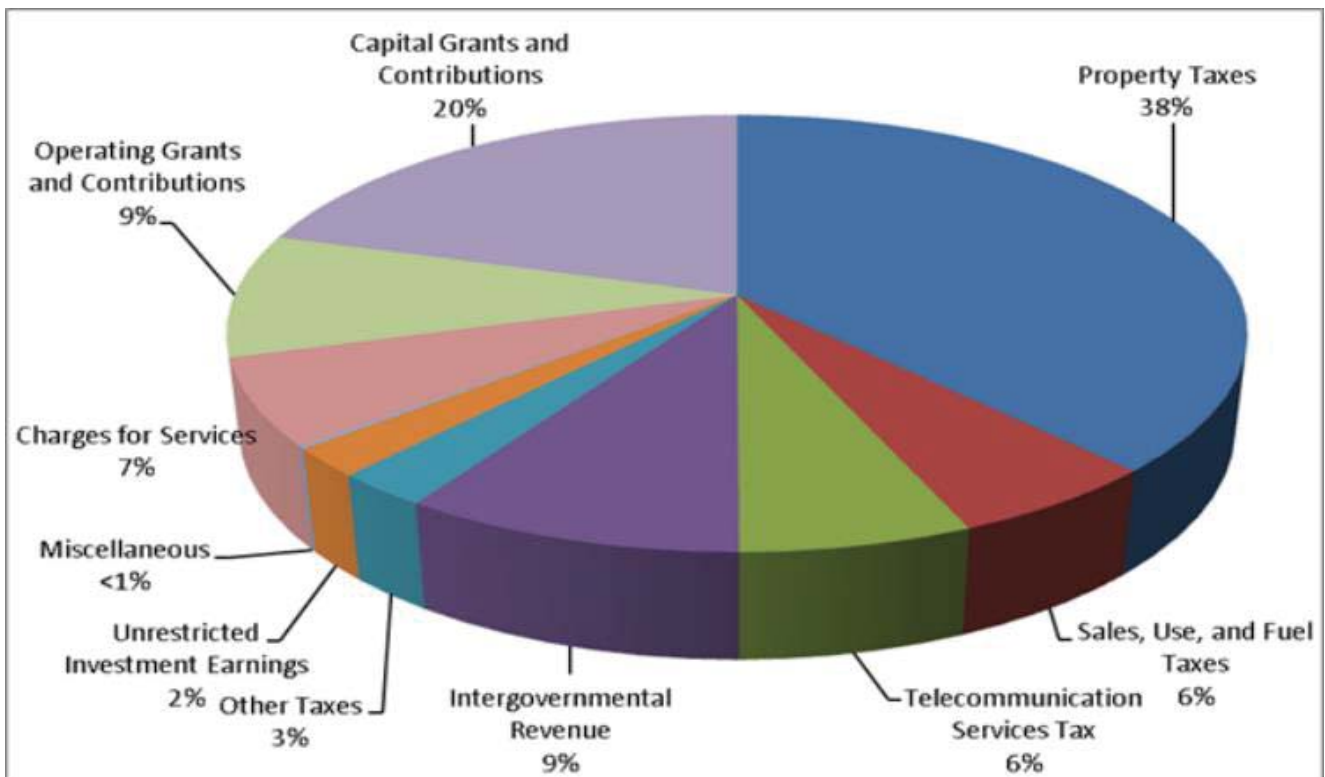
Table II  
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,669,247	\$ 1,927,224	\$ 47,621,515	\$ 45,213,517	\$ 50,290,762	\$ 47,140,741
Operating grants and contributions	3,819,858	3,239,141	-	477,582	3,819,858	3,716,723
Capital grants and contributions	8,499,395	4,771,908	1,238,990	2,112,690	9,738,385	6,884,598
General revenues:						
Property taxes	15,803,692	14,180,455	245,750	1,686,100	16,049,442	15,866,555
Other taxes	6,077,482	6,456,874	-	-	6,077,482	6,456,874
Intergovernmental	3,841,166	3,649,676	-	-	3,841,166	3,649,676
Other	555,754	503,800	6,552	226,183	562,306	729,983
Total revenues	41,266,594	34,729,078	49,112,807	49,716,072	90,379,401	84,445,150
Expenses:						
General government	6,683,303	5,867,359	-	-	6,683,303	5,867,359
Public safety	10,874,585	10,144,341	-	-	10,874,585	10,144,341
Transportation and physical environment	13,932,669	13,333,183	-	-	13,932,669	13,333,183
Culture & recreation	3,092,100	3,072,489	-	-	3,092,100	3,072,489
Utility	-	-	33,363,682	30,545,189	33,363,682	30,545,189
Solid Waste	-	-	7,154,429	7,533,852	7,154,429	7,533,852
Stormwater	-	-	4,206,765	3,904,173	4,206,765	3,904,173
Building Permits and Inspections	-	-	1,225,965	1,286,637	1,225,965	1,286,637
IT&C	-	-	490,030	351,525	490,030	351,525
Golf Course	-	-	1,753,323	1,806,088	1,753,323	1,806,088
Tennis Center	-	-	295,279	267,918	295,279	267,918
Interest on long-term debt	519,669	652,050	-	-	519,669	652,050
Total expenses	35,102,326	33,069,422	48,489,473	45,695,382	83,591,799	78,764,804
Increase (decrease) in net position before transfers	6,164,268	1,659,656	623,334	4,020,690	6,787,602	5,680,346
Transfers	752,404	(7,463,594)	(752,404)	7,463,594	-	-
Increase (decrease) in net position	6,916,672	(5,803,938)	(129,070)	11,484,284	6,787,602	5,680,346
Net position - beginning, restated	313,724,324	319,528,262	88,529,310	80,704,671	402,253,634	400,232,933
Net position - ending	\$ 320,640,996	\$ 313,724,324	\$ 88,400,240	\$ 92,188,955	\$ 409,041,236	\$ 405,913,279

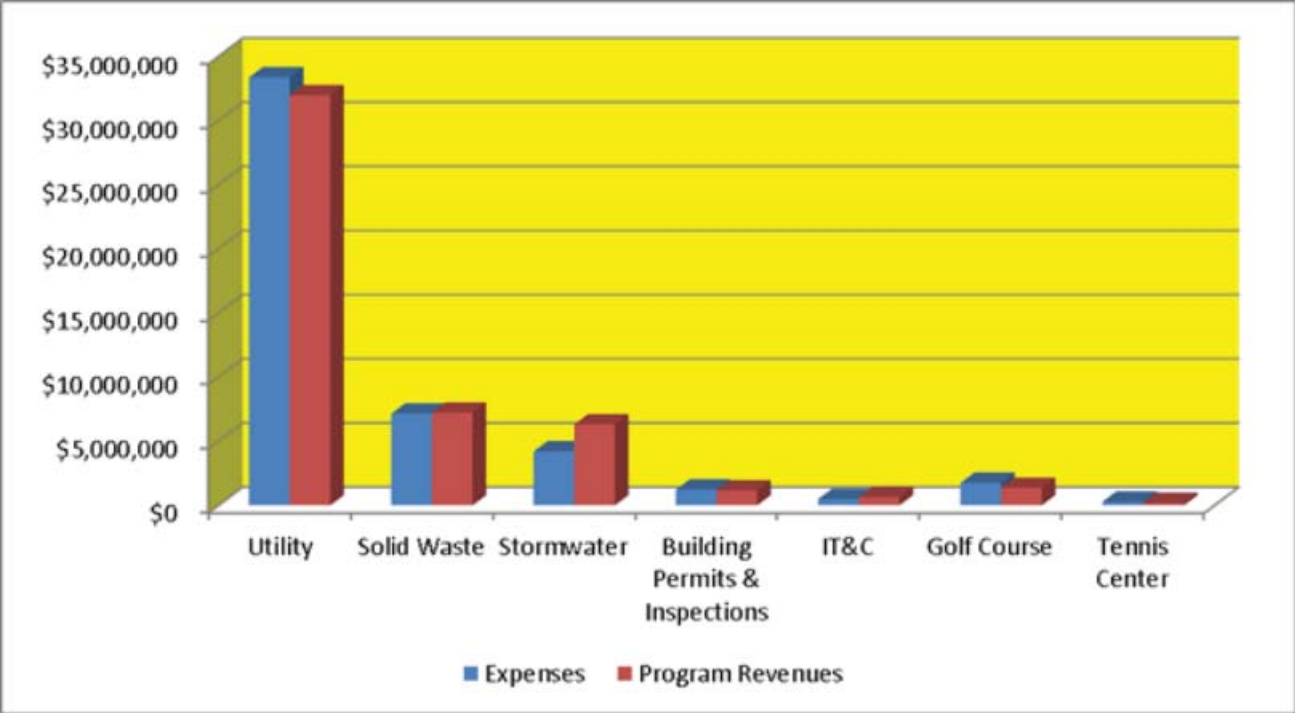
### Expenses and Program Revenues – Governmental Activities



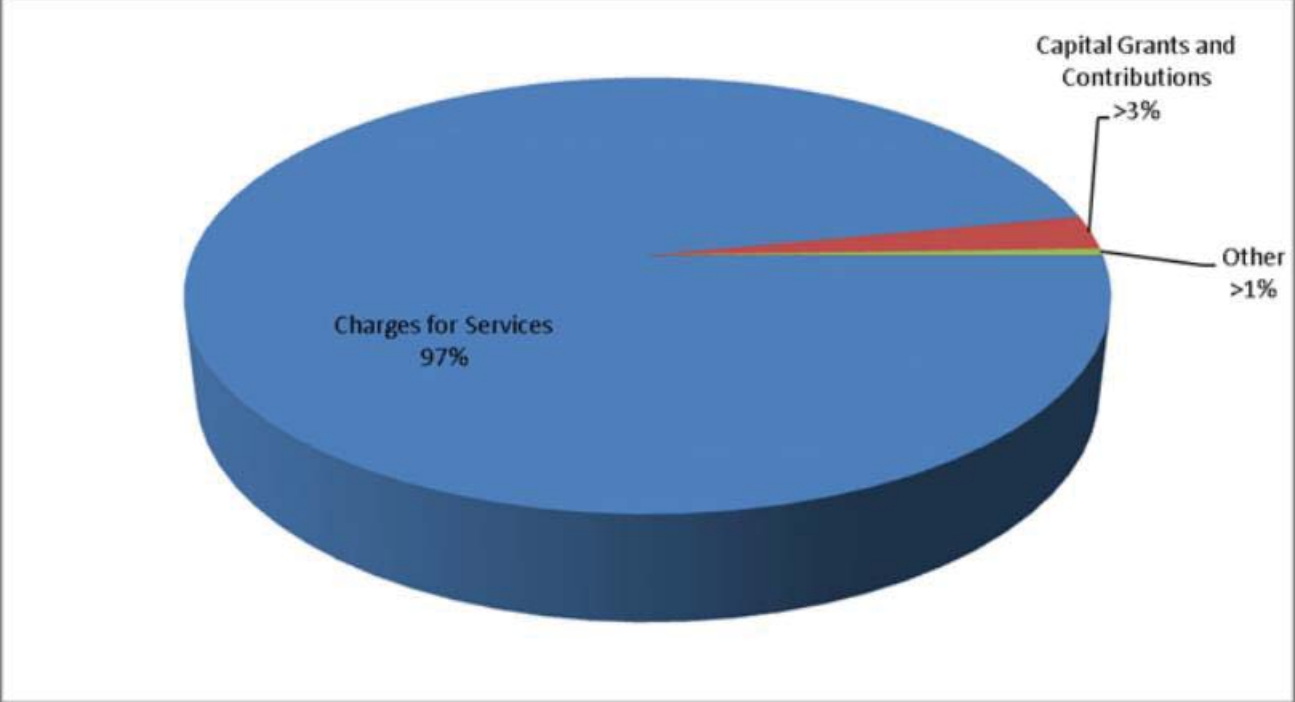
### Revenues by Source – Governmental Activities



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



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



## **Business-type Activities**

Business-type activities decreased the City of Palm Coast's net position by \$129,070. The decrease in net position was attributable to an approximately \$2.3 million decrease in the utility fund partially offset by a \$2.2 million increase in the stormwater fund. The utility fund decrease relates to bond costs as part of the refunding of the 2003 revenue bonds. With the adoption of GASB Statement No. 65, these costs are now expensed in the period incurred instead of amortized over the life of the debt. This refunding also included approximately \$21 million in new debt issued for future capital projects, and a rate increase during the fiscal year. The stormwater fund increase was primarily due to a rate increase during the fiscal year to address the ongoing capital investment program. The net results of the above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$1.77 million. The decrease of over \$7 million in restricted net position was primarily related to the release of a debt service reserve with the refunding of the 2003 revenue bonds. The over \$8 million decrease in business-type transfers relates to one-time interfund loan reclassifications in fiscal year 2012.

## **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 \$5,900,427, with an additional \$2,204,711 committed for a disaster reserve. The total fund balance stood at \$14,146,546. 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 24% of total general fund expenditures versus 19% for fiscal year 2012. Total fund balance represents approximately 58% of the total general fund expenditures versus 53% for fiscal year 2012.

The fund balance of the City of Palm Coast's general fund increased by \$1,417,965 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 increases in general fund revenues. Taxes increased \$1,306,756 over 2012. This was due to property taxes in the general fund increasing because of a decrease in these taxes allocated to the stormwater fund. Property taxes allocated to the stormwater fund in 2012 were \$1,686,100 versus \$245,750 in fiscal year 2013.

The capital projects fund has a total fund balance of \$3,602,446, an increase of \$1,692,926. A new half cent local sales tax was enacted in the County, replacing an expiring infrastructure surtax. This new tax was not originally budgeted in fiscal year 2013, and was accumulated for capital projects beginning in 2014. The transportation impact fee total fund balance was (\$2,432,738), a decrease of \$6,673. Due to limited impact fee collections from slow development, no projects expenditures were made from this fund. The streets improvement fund balance was \$6,647,552 representing an increase of \$2,187,022. Collection of revenue in advance of related capital projects is the primary reason for this increase. A major street expansion project expected to start during the fiscal year was delayed until 2014. The SR100 CRA fund balance was (\$825,340), an increase of \$2,274,476. New debt of just over \$2 million was issued during the year. This new debt, in addition to the collection of revenue in advance of related capital projects, is the primary reasons for this increase. A major roadway and drainage project is budgeted for fiscal year 2014.

The other governmental funds have a total fund balance (\$3,769,828). This was an increase of \$644,599 during the current fiscal year. The increase is primarily due to impact fee collections in advance of capital projects, and principal payments on the Old Kings Road special assessment interfund loan.

**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 \$5,785,056 at the end of the year, with the total fund balance at \$59,261,320. The unrestricted net position increased \$2,202,937 for the year. Approximately \$900 thousand was due to increased operating income related to a mid-year rate increase. The net release of restrictions due to the refinancing of the 2003 bonds is a primary contributor to the balance.

Unrestricted net position of the solid waste fund was \$877,968, which represents an increase of \$73,157. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$991,954, which represents a decrease of \$794,807. This decrease was due to planned usage for capital projects.

Unrestricted net position in the golf course fund was (\$18,705), which represents a decrease of \$18,669. This decrease is primarily due to revenues coming in less than expected for the year.

Unrestricted net position in the tennis center fund was (\$3,670), which represents an increase of \$1,957. This increase is primarily due to transfers from the general fund to support the operations of the center.

Unrestricted net position in the building permits and inspections fund was \$2,179,744, which represents a decrease of \$73,864. This decrease is primarily due to a planned use of unrestricted net position through a ninety percent reduction in building permit fees. This program expired early in fiscal year 2013.

Unrestricted net position in the information technology and communications fund (IT&C) was \$347,016, which represents an increase of \$255,341. This increase is primarily due to revenues in excess of expenditures for the year.

### **Fund Balance Policy Compliance**

**Governmental funds.** The general fund adjusted unassigned fund balance exceeds the policy maximum of twenty 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 fund, stormwater fund, and solid waste funds unrestricted net position exceed 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 golf course and tennis center funds unrestricted net position are below the minimum fund balance threshold. A plan is currently in place to return unrestricted net position to the minimum threshold within three years.

Additional information relating to the fund balance policy can be found in Note 18 on pages 80-81 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 \$318,166. The change was due to net budget revisions in various departments of expenses and related revenues. During the year, final amended expenditures exceeded the revenues budget by \$2,394,743. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,359,023. 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 with one exception. Current expenditures in the streets improvement fund exceeded the related appropriation by \$171,565, causing total expenditures to exceed total appropriations by \$103,649. This was due to higher than expected revenues from the red light camera program, as well as, higher than expected related expenditures.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2013, amounts to \$523,487,505 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is a decrease of \$6,284,645 for the current fiscal year. The overall decrease is due to depreciation for the current fiscal year exceeding fixed asset additions.

Table III  
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 86,899,381	\$ 85,752,095	\$ 16,067,448	\$ 16,067,448	\$ 102,966,829	\$ 101,819,543
Buildings and improvements						
other than buildings	32,297,136	30,321,086	70,772,090	71,183,365	103,069,226	101,504,451
Infrastructure	167,144,405	174,347,235	128,857,885	130,729,830	296,002,290	305,077,065
Equipment	7,062,922	7,237,040	453,048	653,750	7,515,970	7,890,790
Construction in progress	7,413,492	8,050,559	6,519,698	5,429,742	13,933,190	13,480,301
Total	\$ 300,817,336	\$ 305,708,015	\$ 222,670,169	\$ 224,064,135	\$ 523,487,505	\$ 529,772,150

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on pages 55-56 of this report.



**Long-term debt.** The City of Palm Coast owes \$142,624,496 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 \$35,420,066 primarily for utility and stormwater improvements. The City also has a CRA revenue loan for redevelopment costs with a balance of \$5,055,000 at year end. The remainder of the long-term debt is made up of compensated absences, capital leases, and an unfunded net OPEB liability. The total long-term debt of the City is \$186,515,778.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Loans from other governments	\$ -	\$ -	\$ 27,577,755	\$ 29,198,491	\$ 27,577,755	\$ 29,198,491
Loans from financial institutions	5,055,000	3,360,000	7,842,311	8,557,825	12,897,311	11,917,825
Revenue bonds, net	-	-	142,624,496	127,632,882	142,624,496	127,632,882
Capital leases	-	-	18,459	57,333	18,459	57,333
Net OPEB liability	353,105	272,000	227,703	147,000	580,808	419,000
Compensated absences	1,700,193	1,525,617	1,116,756	1,092,285	2,816,949	2,617,902
<b>Total</b>	<b>\$ 7,108,298</b>	<b>\$ 5,157,617</b>	<b>\$ 179,407,480</b>	<b>\$ 166,685,816</b>	<b>\$ 186,515,778</b>	<b>\$ 171,843,433</b>

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on page 59 of this report.

### Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$5,900,427. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 24%.

The City Council approved a millage rate of 4.2705 mills for fiscal year 2014. Of the total millage, 0.0773 mills will be dedicated to the stormwater fund for capital improvements. The balance of 4.1932 mills is assigned to the general fund. Market values of properties have increased for the first time in six years due to the recession. The increase in taxable value was approximately 1.2%. New construction added approximately 0.6% to the taxable value; therefore the City had a net 0.6% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2013 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 8% for all customers effective April 1, 2013. Additional increases of 4% per year will take place in fiscal year 2014 and 2015. 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 funding stormwater capital improvements primarily through user fees. This required a rate study to determine the sufficiency of current rates in order to fund the five year capital program. The results were a rate increase from \$8 per ERU billing unit to \$11.65 per ERU billing unit. The new rate took effect in January 2013, and will continue through fiscal year 2014.

The City Council is also evaluating the current park impact fees for sufficiency. This impact fee study is expected to be completed in early 2014, with a new rate structure in place by the end of the first calendar quarter.

Due to the recent recession, the City significantly reduced the capital infrastructure investment program. The fiscal year 2014 budget includes over \$30 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, new and refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, 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 Cypress Point Parkway, Suite B-106  
Palm Coast, FL 32164

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

## **BASIC FINANCIAL STATEMENTS**



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City of Palm Coast, Florida  
Statement of Net Position  
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 25,648,342	\$ 9,389,948	\$ 35,038,290
Accounts receivable - net	6,688,843	7,329,055	14,017,898
Due from other governments	3,342,266	-	3,342,266
Prepaid items	211,106	245,181	456,287
Inventories	26,213	343,488	369,701
Restricted assets:			
Equity in pooled cash and investments	-	30,117,122	30,117,122
Due from other governments	-	502,870	502,870
Capital assets not being depreciated			
Land	86,899,381	16,067,448	102,966,829
Construction in progress	7,413,492	6,519,698	13,933,190
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	32,297,136	70,772,090	103,069,226
Infrastructure	167,144,405	128,857,885	296,002,290
Equipment	7,062,922	453,048	7,515,970
Total assets	336,734,106	270,597,833	607,331,939
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,738,429	2,025,063	3,763,492
Due to other governments	261,923	311,166	573,089
Internal balances	6,764,300	(6,764,300)	-
Accrued loan interest payable	-	1,137	1,137
Customer deposits	220,160	3,411,151	3,631,311
Unearned revenue	-	65,713	65,713
Payable from restricted assets:			
Accrued bond interest payable	-	1,951,411	1,951,411
Accrued loan interest payable	-	179,322	179,322
Accounts payable	-	595,069	595,069
Contracts payable	-	199,107	199,107
Noncurrent liabilities:			
Due within one year	652,364	3,394,113	4,046,477
Due in more than one year	6,455,934	176,013,367	182,469,301
Total Liabilities	16,093,110	181,382,319	197,475,429
Deferred Inflows of Resources:			
Deferred Gain on Refunding	-	815,274	815,274
Total deferred inflows of resources	-	815,274	815,274
<b>NET POSITION</b>			
Net investment in capital assets	298,779,350	69,651,643	368,430,993
Restricted for:			
Construction	839,338	473,905	1,313,243
Debt service	-	5,406,109	5,406,109
Renewal and replacements	-	875,761	875,761
Public safety	223,008	-	223,008
Grants	122,078	-	122,078
Unrestricted	20,677,222	11,992,822	32,670,044
Total net position	\$ 320,640,996	\$ 88,400,240	\$ 409,041,236

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, 2013

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	\$ 6,683,303	\$ 967,910	\$ 1,696,324	\$ -	\$ (4,019,069)	\$ -	\$ (4,019,069)
Public safety	10,874,585	1,215,566	-	168,718	(9,490,301)	-	(9,490,301)
Transportation and physical environment	13,932,669	125,186	2,101,317	8,011,686	(3,694,480)	-	(3,694,480)
Culture and recreation	3,092,100	360,585	22,217	318,991	(2,390,307)	-	(2,390,307)
Interest on long-term debt	519,669	-	-	-	(519,669)	-	(519,669)
Total governmental activities	35,102,326	2,669,247	3,819,858	8,499,395	(20,113,826)	-	(20,113,826)
Business-Type Activities							
Utility	33,363,682	30,730,934	-	1,238,479	-	(1,394,269)	(1,394,269)
Solid Waste	7,154,429	7,227,081	-	-	-	72,652	72,652
Stormwater	4,206,765	6,316,447	-	511	-	2,110,193	2,110,193
Building Permits & Inspections	1,225,965	1,152,945	-	-	-	(73,020)	(73,020)
Information Technology & Communication	490,030	639,557	-	-	-	149,527	149,527
Golf Course	1,753,323	1,364,274	-	-	-	(389,049)	(389,049)
Tennis Center	295,279	190,277	-	-	-	(105,002)	(105,002)
Total Business-Type Activities	48,489,473	47,621,515	-	1,238,990	-	371,032	371,032
Total Primary Government	\$ 83,591,799	\$ 50,290,762	\$ 3,819,858	\$ 9,738,385	(20,113,826)	371,032	(19,742,794)
General revenues:							
Property taxes					15,803,692	245,750	16,049,442
Sales and use taxes					2,403,052	-	2,403,052
Telecommunication services tax					2,608,306	-	2,608,306
Franchise taxes					661,438	-	661,438
Other local taxes					404,686	-	404,686
Intergovernmental Revenue, non-program					3,841,166	-	3,841,166
Unrestricted investment earnings					287,289	6,552	293,841
Miscellaneous					77,326	-	77,326
Gain on sale of capital assets					191,139	-	191,139
Transfers					752,404	(752,404)	-
Total general revenues					27,030,498	(500,102)	26,530,396
Change in Net Position					6,916,672	(129,070)	6,787,602
Net position - beginning of year, restated					313,724,324	88,529,310	402,253,634
Net position - end of year					\$ 320,640,996	\$ 88,400,240	\$ 409,041,236

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



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City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2013

	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	\$ 8,301,360	\$ 3,234,108	\$ 262	\$ 2,811,846	\$ 4,979,491	\$ 1,174,462	\$ 20,501,529
Accounts receivable - net	1,385,037	-	-	268,946	-	-	1,653,983
Special Assessment receivable - net	-	-	-	-	-	4,930,841	4,930,841
Prepaid items	193,658	-	-	-	-	-	193,658
Due from other governments	958,748	458,795	-	1,878,121	-	14,250	3,309,914
Advances to other funds	5,792,529	-	-	2,433,000	-	-	8,225,529
<b>Total assets</b>	<b>\$ 16,631,332</b>	<b>\$ 3,692,903</b>	<b>\$ 262</b>	<b>\$ 7,391,913</b>	<b>\$ 4,979,491</b>	<b>\$ 6,119,553</b>	<b>\$ 38,815,454</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 333,802	\$ 90,457	\$ -	\$ 475,415	\$ 12,302	\$ 27,699	\$ 939,675
Accrued liabilities	420,910	-	-	-	-	-	420,910
Due to other governments	260,010	-	-	-	-	-	260,010
Customer deposits	220,160	-	-	-	-	-	220,160
Advances from other funds	-	-	2,433,000	-	5,792,529	4,930,841	13,156,370
<b>Total liabilities</b>	<b>1,234,882</b>	<b>90,457</b>	<b>2,433,000</b>	<b>475,415</b>	<b>5,804,831</b>	<b>4,958,540</b>	<b>14,997,125</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - Special assessments	-	-	-	-	-	4,930,841	4,930,841
Unavailable revenue - Taxes	25,230	-	-	-	-	-	25,230
Unavailable revenue - Charges for services	4,368	-	-	-	-	-	4,368
Unavailable revenue - Fines & forfeitures	1,220,306	-	-	268,946	-	-	1,489,252
<b>Total deferred inflows of resources</b>	<b>1,249,904</b>	<b>-</b>	<b>-</b>	<b>268,946</b>	<b>-</b>	<b>4,930,841</b>	<b>6,449,691</b>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	193,658	-	-	-	-	-	193,658
Advances to other funds	5,792,529	-	-	-	-	-	5,792,529
Restricted for							
Public safety	-	-	-	-	-	223,008	223,008
Construction	-	-	-	-	-	839,338	839,338
Grants	-	-	-	-	-	66,857	66,857
Business Assistance	55,221	-	-	-	-	-	55,221
Committed for							
Disaster Reserve	2,204,711	-	-	-	-	-	2,204,711
Construction	-	3,602,446	-	6,647,552	-	-	10,249,998
Unassigned	5,900,427	-	(2,432,738)	-	(825,340)	(4,899,031)	(2,256,682)
<b>Total fund balances (deficits)</b>	<b>14,146,546</b>	<b>3,602,446</b>	<b>(2,432,738)</b>	<b>6,647,552</b>	<b>(825,340)</b>	<b>(3,769,828)</b>	<b>17,368,638</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 16,631,332</b>	<b>\$ 3,692,903</b>	<b>\$ 262</b>	<b>\$ 7,391,913</b>	<b>\$ 4,979,491</b>	<b>\$ 6,119,553</b>	<b>\$ 38,815,454</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, 2013**

Fund balances - total governmental funds	\$	17,368,638
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		294,886,509
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		6,449,691
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 service funds are included in governmental activities in the statement of net position.		9,022,978
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(7,086,820)
Net position of governmental activities	\$	320,640,996

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, 2013

	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	\$ 18,793,131	\$ 1,861,525	\$ -	\$ 2,485,605	\$ 856,901	\$ -	\$ 23,997,162
Licenses and permits	229,590	-	-	-	-	-	229,590
Intergovernmental revenue	3,286,399	357,853	-	2,555,804	-	1,695,129	7,895,185
Charges for services	2,572,727	-	-	-	-	-	2,572,727
Fines and forfeitures	612,347	-	-	934,962	-	30,830	1,578,139
Impact fees	-	-	885,271	-	-	369,709	1,254,980
Contributions	2,217	-	-	-	-	-	2,217
Investment earnings	277,789	4,879	3,687	-	341	593	287,289
Miscellaneous	77,326	-	-	-	-	-	77,326
Total revenues	<u>25,851,526</u>	<u>2,224,257</u>	<u>888,958</u>	<u>5,976,371</u>	<u>857,242</u>	<u>2,096,261</u>	<u>37,894,615</u>
<b>EXPENDITURES</b>							
Current:							
General government	6,857,737	5,294	-	-	-	1,628,272	8,491,303
Transportation and physical environment	5,633,147	-	123,197	-	7,315	179	5,763,838
Public safety	9,743,262	-	-	657,265	-	123,566	10,524,093
Culture and recreation	2,161,053	-	-	-	-	-	2,161,053
Capital outlay:							
Public Safety	173,049	-	-	-	-	-	173,049
Transportation and physical environment	14,402	427,981	219,239	3,132,084	324,622	-	4,118,328
Culture and recreation	-	298,056	-	-	-	-	298,056
Debt service:							
Principal	-	-	-	-	393,000	-	393,000
Interest and Other	-	-	-	-	466,829	52,840	519,669
Total expenditures	<u>24,582,650</u>	<u>731,331</u>	<u>342,436</u>	<u>3,789,349</u>	<u>1,191,766</u>	<u>1,804,857</u>	<u>32,442,389</u>
Excess (deficiency) of revenues over (under) expenditures	1,268,876	1,492,926	546,522	2,187,022	(334,524)	291,404	5,452,226
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	961,976	200,000	-	-	521,000	353,195	2,036,171
Transfers out	(812,887)	-	(553,195)	-	-	-	(1,366,082)
Issuance of long term debt	-	-	-	-	2,088,000	-	2,088,000
Total other financing sources (uses)	<u>149,089</u>	<u>200,000</u>	<u>(553,195)</u>	<u>-</u>	<u>2,609,000</u>	<u>353,195</u>	<u>2,758,089</u>
Net change in fund balances	1,417,965	1,692,926	(6,673)	2,187,022	2,274,476	644,599	8,210,315
Fund balances (deficits) - beginning	12,728,581	1,909,520	(2,426,065)	4,460,530	(3,099,816)	(4,414,427)	9,158,323
Fund balances (deficits) - ending	<u>\$ 14,146,546</u>	<u>\$ 3,602,446</u>	<u>\$ (2,432,738)</u>	<u>\$ 6,647,552</u>	<u>\$ (825,340)</u>	<u>\$ (3,769,828)</u>	<u>\$ 17,368,638</u>

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, 2013**

Net change in fund balances - total governmental funds \$ 8,210,315

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	4,589,433	
Less current year depreciation	<u>(9,498,193)</u>	(4,908,760)

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

Contributed capital assets		57,901
Change in revenue collections expected after 60 days		5,054,746

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

30,078

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.

(1,695,000)

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		(172,652)
Annual OPEB Cost		(78,623)

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.

418,667

Change in net position of governmental activities.

\$ 6,916,672

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, 2013

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	\$ 6,347,661	\$ 250,025	\$ 2,426	\$ 2,789,836	\$ 9,389,948	\$ 5,146,813
Accounts receivable - net	4,090,798	1,178,041	1,970,119	90,097	7,329,055	104,019
Inventories	319,154	-	-	24,334	343,488	26,213
Prepaid Items	182,676	-	18,831	43,674	245,181	17,448
Due from other funds	-	-	-	380,000	380,000	-
Restricted current assets:						
Cash with fiscal agent	3,196,411	-	-	-	3,196,411	-
Due from other governments	502,870	-	-	-	502,870	32,352
<b>Total current assets</b>	<b>14,639,570</b>	<b>1,428,066</b>	<b>1,991,376</b>	<b>3,327,941</b>	<b>21,386,953</b>	<b>5,326,845</b>
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	4,105,324	-	235,107	-	4,340,431	-
Renewal and replacements	1,103,432	-	-	-	1,103,432	-
Bond proceeds	21,476,848	-	-	-	21,476,848	-
Advances to other funds	4,930,841	-	-	-	4,930,841	-
Land	12,927,925	-	857,042	2,282,481	16,067,448	-
Building and improvements other than buildings	97,663,598	-	-	387,554	98,051,152	1,097,144
Infrastructure	132,107,694	-	32,621,116	8,800,124	173,528,934	-
Equipment	939,209	-	717,539	931,114	2,587,862	13,030,198
Less accumulated depreciation	(63,736,213)	-	(7,714,571)	(2,634,141)	(74,084,925)	(8,196,515)
Construction in progress	6,519,698	-	-	-	6,519,698	-
<b>Total noncurrent assets</b>	<b>218,038,356</b>	<b>-</b>	<b>26,716,233</b>	<b>9,767,132</b>	<b>254,521,721</b>	<b>5,930,827</b>
<b>Total assets</b>	<b>\$ 232,677,926</b>	<b>\$ 1,428,066</b>	<b>\$ 28,707,609</b>	<b>\$ 13,095,073</b>	<b>\$ 275,908,674</b>	<b>\$ 11,257,672</b>

City of Palm Coast, Florida  
Statement of Net Position (continued)  
Proprietary Funds  
September 30, 2013

**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	\$ 580,028	\$ 550,098	\$ 395,333	\$ 128,330	\$ 1,653,789	\$ 126,857
Claims payable	-	-	-	-	-	243,766
Due to other governments	-	-	-	311,166	311,166	1,913
Loans payable	1,333,387	-	329,989	62,394	1,725,770	-
Compensated absences	301,162	-	59,522	62,659	423,343	5,045
Accrued liabilities	234,681	-	50,190	86,403	371,274	7,221
Accrued loan interest payable	-	-	-	1,137	1,137	-
Customer deposits	3,411,151	-	-	-	3,411,151	-
Unearned revenue	-	-	-	65,713	65,713	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	1,245,000	-	-	-	1,245,000	-
Accrued bond interest payable	1,951,411	-	-	-	1,951,411	-
Accrued loan interest payable	165,637	-	13,685	-	179,322	-
Accounts payable	595,069	-	-	-	595,069	-
Contract payable	199,107	-	-	-	199,107	-
<b>Total current liabilities</b>	<b>10,016,633</b>	<b>550,098</b>	<b>848,719</b>	<b>717,802</b>	<b>12,133,252</b>	<b>384,802</b>
Noncurrent liabilities:						
Compensated absences	486,098	-	74,869	132,446	693,413	11,951
Net OPEB obligation	152,493	-	39,508	35,702	227,703	4,482
Bonds payable	141,379,496	-	-	-	141,379,496	-
Loans payable	20,566,612	-	13,016,767	129,376	33,712,755	-
Due to other funds	-	-	380,000	-	380,000	-
<b>Total noncurrent liabilities</b>	<b>162,584,699</b>	<b>-</b>	<b>13,511,144</b>	<b>297,524</b>	<b>176,393,367</b>	<b>16,433</b>
Deferred inflows of resources						
Deferred gain on refunding	815,274	-	-	-	815,274	-
<b>Total deferred inflows of resources</b>	<b>815,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>815,274</b>	<b>-</b>
<b>Total liabilities and deferred inflows</b>	<b>173,416,606</b>	<b>550,098</b>	<b>14,359,863</b>	<b>1,015,326</b>	<b>189,341,893</b>	<b>401,235</b>
<b>NET POSITION</b>						
Net investment in capital assets	46,941,911	-	13,134,370	9,575,362	69,651,643	5,930,827
Restricted for construction	473,905	-	-	-	473,905	-
Restricted for renewal & replacements	875,761	-	-	-	875,761	-
Restricted for debt service	5,184,687	-	221,422	-	5,406,109	-
Unrestricted	5,785,056	877,968	991,954	2,504,385	10,159,363	4,925,610
<b>Total net position</b>	<b>\$ 59,261,320</b>	<b>\$ 877,968</b>	<b>\$ 14,347,746</b>	<b>\$ 12,079,747</b>	<b>86,566,781</b>	<b>\$ 10,856,437</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					1,833,459	
					<u>1,833,459</u>	
					<u>\$88,400,240</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, 2013

**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	\$ 17,789,590	\$ -	\$ -	\$ -	\$ 17,789,590	\$ -
Sewer charges	11,817,305	-	-	-	11,817,305	-
Garbage charges	-	7,227,081	-	-	7,227,081	-
Stormwater charges	-	-	6,316,447	-	6,316,447	-
Tennis program charges	-	-	-	190,277	190,277	-
Golf Course charges	-	-	-	1,364,274	1,364,274	-
Building permit and inspection charges	-	-	-	1,152,945	1,152,945	-
IT&C charges	-	-	-	2,885,894	2,885,894	-
Miscellaneous	1,124,039	-	-	-	1,124,039	-
Risk management	-	-	-	-	-	2,985,360
Fleet management	-	-	-	-	-	3,792,107
<b>Total operating revenues</b>	<b>30,730,934</b>	<b>7,227,081</b>	<b>6,316,447</b>	<b>5,593,390</b>	<b>49,867,852</b>	<b>6,777,467</b>
<b>OPERATING EXPENSES</b>						
Administrative	4,318,782	-	-	-	4,318,782	5,333,051
Water system	6,424,471	-	-	-	6,424,471	-
Sewer system	4,475,280	-	-	-	4,475,280	-
Solid waste system	-	7,154,429	-	-	7,154,429	-
Stormwater system	-	-	2,242,698	-	2,242,698	-
Golf Course	-	-	-	1,489,943	1,489,943	-
Tennis Center	-	-	-	292,320	292,320	-
Building permits and inspections	-	-	-	1,226,809	1,226,809	-
IT&C	-	-	-	2,387,228	2,387,228	-
Depreciation	9,152,742	-	1,688,950	621,446	11,463,138	1,176,783
<b>Total operating expenses</b>	<b>24,371,275</b>	<b>7,154,429</b>	<b>3,931,648</b>	<b>6,017,746</b>	<b>41,475,098</b>	<b>6,509,834</b>
Operating income (loss)	6,359,659	72,652	2,384,799	(424,356)	8,392,754	267,633
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	4,658	505	-	1,389	6,552	-
Interest/amortization expense	(7,241,250)	-	(321,011)	(1,137)	(7,563,398)	-
Bond issuance costs	(1,819,734)	-	-	-	(1,819,734)	-
Property Taxes	-	-	245,750	-	245,750	-
Other	-	-	-	-	-	191,139
<b>Total nonoperating revenues (expenses)</b>	<b>(9,056,326)</b>	<b>505</b>	<b>(75,261)</b>	<b>252</b>	<b>(9,130,830)</b>	<b>191,139</b>
Income (loss) before capital contributions and transfers	(2,696,667)	73,157	2,309,538	(424,104)	(738,076)	458,772
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	1,238,479	-	511	-	1,238,990	-
Transfers in	-	-	-	235,000	235,000	82,315
Transfers out	(870,404)	-	(79,000)	(38,000)	(987,404)	-
<b>Total transfers and contributions</b>	<b>368,075</b>	<b>-</b>	<b>(78,489)</b>	<b>197,000</b>	<b>486,586</b>	<b>82,315</b>
Change in net position	(2,328,592)	73,157	2,231,049	(227,104)	(251,490)	541,087
Net position - beginning, restated	61,589,912	804,811	12,116,697	12,306,851		10,315,350
Net position - ending	<u>\$ 59,261,320</u>	<u>\$ 877,968</u>	<u>\$ 14,347,746</u>	<u>\$ 12,079,747</u>		<u>\$ 10,856,437</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

122,420  
\$(129,070)

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, 2013**

	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	\$ 31,571,761	\$ 7,460,583	\$ 6,404,643	\$ 5,599,109	\$ 51,036,096	\$ 6,716,979
Cash paid to suppliers	(10,649,546)	(7,155,872)	(1,868,443)	(2,837,291)	(22,511,152)	(5,269,944)
Cash paid to employees	(4,775,994)	-	(238,980)	(2,188,154)	(7,203,128)	(153,742)
Net cash provided by (used in) operating activities	16,146,221	304,711	4,297,220	573,664	21,321,816	1,293,293
<b>Cash flow from noncapital financing activities</b>						
Transfers in from other funds	-	-	-	235,000	235,000	82,315
Transfers out to other funds	(870,404)	-	(79,000)	(38,000)	(987,404)	-
Advances to other funds	-	(60,000)	-	(320,000)	(380,000)	-
Advances from other funds	353,195	-	380,000	-	733,195	-
Net cash provided by (used in) noncapital financing activities	(517,209)	(60,000)	301,000	(123,000)	(399,209)	82,315
<b>Cash flow from capital and related financing activities</b>						
Proceeds from issuance of long-term debt	94,951,630	-	-	-	94,951,630	-
Loan Principal Payments	(85,264,593)	-	(994,144)	(81,387)	(86,340,124)	-
Interest paid	(8,345,337)	-	(321,833)	(2,681)	(8,669,851)	-
Acquisition and construction of property, plant and equipment	(5,475,230)	-	(3,769,121)	(148,190)	(9,392,541)	(1,159,725)
Proceeds from the sale of capital assets	-	-	-	-	-	191,139
Property Tax Proceeds	-	-	245,750	-	245,750	-
Impact fees and contributions	991,459	-	-	-	991,459	-
Net cash provided by (used in) capital and related financing activities	(3,142,071)	-	(4,839,348)	(232,258)	(8,213,677)	(968,586)
<b>Cash flow from investing activities</b>						
Interest on investments	4,658	505	-	1,389	6,552	-
Net cash provided by (used in) investing activities	4,658	505	-	1,389	6,552	-
Net increase (decrease) in cash and cash equivalents	12,491,599	245,216	(241,128)	219,795	12,715,482	407,022
Beginning cash and cash equivalents	23,738,077	4,809	478,661	2,570,041	26,791,588	4,739,791
Ending cash and cash equivalents	\$ 36,229,676	\$ 250,025	\$ 237,533	\$ 2,789,836	\$ 39,507,070	\$ 5,146,813

(continued)



**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2013**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
<b>Reconciliation of operating income to net cash provided by operating activities</b>						
Operating income (loss)	\$ 6,359,659	\$ 72,652	\$ 2,384,799	\$ (424,356)	\$ 8,392,754	\$ 267,633
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	9,152,742	-	1,688,950	621,446	11,463,138	1,176,783
Change in assets and liabilities:				-		
Accounts receivable	753,528	233,502	88,196	4,599	1,079,825	(60,488)
Inventories	157,597	-	-	6,000	163,597	39,517
Prepays	(138,484)	-	(1,887)	(12,547)	(152,918)	46,465
Accounts payable	(347,592)	(1,443)	110,838	357,627	119,430	(182,780)
Accrued liabilities	100,086	-	16,721	26,597	143,404	4,239
Customer deposits	87,299	-	-	816	88,115	-
Compensated absences	21,386	-	9,603	(6,518)	24,471	1,924
Net cash provided by (used in) operating activities	\$ 16,146,221	\$ 304,711	\$ 4,297,220	\$ 573,664	\$ 21,321,816	\$ 1,293,293
<b>Cash and cash equivalents classified as:</b>						
Equity in pooled cash and investments in current assets	\$ 6,347,661	\$ 250,025	\$ 2,426	\$ 2,789,836	\$ 9,389,948	\$ 5,146,813
Restricted equity in pooled cash and investments						
Cash with fiscal agent	3,196,411	-	-	-	3,196,411	-
Debt service	4,105,324	-	235,107	-	4,340,431	-
Renewal and replacements	1,103,432	-	-	-	1,103,432	-
Bond proceeds	21,476,848	-	-	-	21,476,848	-
Total restricted equity in pooled cash and investments	29,882,015	-	235,107	-	30,117,122	-
Total cash and cash equivalents	\$ 36,229,676	\$ 250,025	\$ 237,533	\$ 2,789,836	\$ 39,507,070	\$ 5,146,813
<b>Noncash capital and related financing activities:</b>						
Developer contributions of capital assets	60,420	-	-	-	60,420	-

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

City of Palm Coast, Florida  
Statement of Net Position  
Fiduciary Funds  
September 30, 2013

	<b>Volunteer Firefighter Pension Fund</b>
<b>ASSETS</b>	
Cash	\$ 418
Pension Investments	
External investment pools	3,329,644
Total assets	3,330,062
 <b>LIABILITIES</b>	
Accounts payable	11,804
Total liabilities	11,804
 <b>NET POSITION</b>	
Net position held in trust for pension benefits and other purposes	\$ 3,318,258

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

City of Palm Coast, Florida  
Statement of Changes in Net Position  
Fiduciary Funds  
For the fiscal year ended September 30, 2013

	<b>Volunteer Firefighter Pension Fund</b>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 364,572
Total contributions	364,572
Investment earnings:	
Interest	331,573
Total investment earnings	331,573
Total additions	696,145
<b>DEDUCTIONS</b>	
Administrative expenses	44,455
Benefit distributions	103,288
Total deductions	147,743
<b>Change in net position</b>	548,402
Net position - beginning	2,769,856
Net position - ending	\$ 3,318,258

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



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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2013**

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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.

***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 and agency fund are reported as a separate financial statement, and are 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, sewer, stormwater, and information technology and communications (IT&C) 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, 2013**

**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 capital expenditures for the expansion of road capacity.

The streets improvement special revenue fund is used to account for the revenue from a half-cent local government infrastructure surtax, state revenue sharing, red light camera fines, and a local option gas tax that is being 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, 2013**

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

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

The Coquina Coast Cooperative agency fund accounts for the collection and disbursement of funds related to a regional desalinization water plant project. This agency fund was closed during fiscal year 2013.

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, 2013**

**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. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

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 fund 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, 2013**

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

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

***Cash, cash equivalents, and investments***

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, and stormwater funds for 18%, 14% and 22%, 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 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, 2013**

**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, 2013**

**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.

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 two 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. Also, 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.

***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.

***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 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, 2013**

**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.

***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, 2013**

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

***Property taxes (Continued)***

Valuation Date January 1, 2012

Property Appraiser prepares the assessment roll with values as of January 1, 2012, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2012

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2012

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2012

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2012 through March 2013, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2012
January	2	through
February	1	March 31, 2013
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2013

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2013

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2013

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, 2013

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

**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***

In June 2012, the Government Accounting Standards Board (GASB) issued GASB 67, which replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. GASB 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. GASB 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules. The provisions in GASB 67 are effective for financial statements for periods beginning after June 15, 2013. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

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

In June 2012, the Government Accounting Standards Board (GASB) issued GASB 68, which replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB 50, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

**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 \$294,886,509 difference are as follows:

Land	\$ 86,899,381
Construction in progress	7,413,492
Buildings and other improvements	38,820,408
Less: Accumulated depreciation	(7,485,101)
Infrastructure	215,942,459
Less: Accumulated depreciation	(48,798,055)
Equipment	7,092,643
Less: Accumulated depreciation	(4,998,718)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 294,886,509



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

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 \$9,022,978 difference are as follows:

Net position of the internal service funds	\$ 10,856,437
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(1,711,039)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(122,420)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 9,022,978

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 \$7,086,820 difference are as follows:

Loans payable	\$ 5,055,000
Net OPEB liability	348,623
Compensated absences	1,683,197
<i>Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$7,086,820

***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 \$1,695,000 difference are as follows:

Debt issuance:	
SR100 CRA Revenue Note	\$ 2,088,000
Principal payments:	
SR100 CRA Revenue Note	(393,000)
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	\$ 1,695,000

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

**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 SR100 Community Redevelopment Area Fund had a deficit fund balance of \$825,340 as of September 30, 2013. This fund incurred redevelopment expenditures in advance of future anticipated property tax revenues. The Transportation Impact Fee and OKR Special Assessment special revenue funds had deficit fund balances of \$2,432,738 and \$4,899,031, respectively. These funds incurred construction expenditures in excess of current revenues and transfers.

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2013, expenditures exceeded appropriations in the Streets Improvement Fund by \$103,649. The Streets Improvement Fund is considered a department (the legal level of budgetary control) for budget compliance purposes. The overage is due to Red Light Camera violations revenue, including related expenditures, exceeding the amounts estimated for the year.

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$8,123,883 and the bank balance was \$9,282,600. 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 \$11,557 in petty cash. In addition, the City has a money market cash balance of \$77,978 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, 2013**

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

As of September 30, 2013, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 6,145,040	11.43	44 Days
Florida SBA LGIP Fund B	511,894	0.95	4.04 Years
U.S. Government Agencies	14,109,688	26.25	1-3 Years
U.S. Treasuries	20,256,783	37.68	1-3 Years
Corporate Notes	1,089,081	2.03	1-3 Years
Commercial Paper	11,086,726	20.62	90 Days
Municipal Bonds	557,928	1.04	1-3 Years
	<u>\$ 53,757,140</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. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, the State Board of Administration restructured the Pool into two separate funds. Fund A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Fund B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Fund A and Fund B.

Fund A, currently known as the Local Government Surplus Funds Trust Fund (Florida PRIME), is a Securities and Exchange Commission rule 2a7-like external investment pool. 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, 2013, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME.

Currently, Fund B participants are prohibited from withdrawing any amount from the Fund. Fund B is accounted for as a fluctuating NAV pool. The fair value factor of Fund B as of September 30, 2013 was 1.13262. Fund B is not rated by any nationally recognized statistical rating agency.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

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

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, 2013, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1 and A-1+, and corporate and municipal bonds rated between AA- 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, 2013, the City's largest agency investment is in Fannie Mae (FNMA). These securities represent 17 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2013 totaled \$3,196,411. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

**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	\$ 1,385,037	\$ -	\$ -	\$ 1,385,037
Streets Improvement Fund	268,946	-	-	268,946
Nonmajor Governmental Funds	-	4,930,841	-	4,930,841
Utility Fund	5,004,561	-	(913,763)	4,090,798
Solid Waste Fund	1,367,603	-	(189,562)	1,178,041
Stormwater Fund	2,538,788	-	(568,669)	1,970,119
Nonmajor Enterprise Funds	90,097	-	-	90,097
Fleet Management Fund	104,019	-	-	104,019
Totals	\$ 10,759,051	\$ 4,930,841	\$ (1,671,994)	\$ 14,017,898

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, 2013 represents the balance remaining on the financing of the expansion and realignment of Old Kings Road.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 85,752,094	\$ 1,147,287	\$ -	\$ 86,899,381
Construction in progress	8,050,559	3,291,195	(3,928,262)	7,413,492
Total capital assets, not being depreciated	93,802,653	4,438,482	(3,928,262)	94,312,873
Capital assets, being depreciated:				
Buildings and improvements other than buildings	36,606,502	3,311,050	-	39,917,552
Infrastructure	215,325,246	617,212	-	215,942,458
Equipment	19,861,217	1,368,001	(1,106,376)	20,122,842
Total capital assets, being depreciated	271,792,965	5,296,263	(1,106,376)	275,982,852
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(6,285,416)	(1,335,000)	-	(7,620,416)
Infrastructure	(40,978,006)	(7,820,047)	-	(48,798,053)
Equipment	(12,624,177)	(1,519,929)	1,084,186	(13,059,920)
Total accumulated depreciation	(59,887,599)	(10,674,976)	1,084,186	(69,478,389)
Total capital assets, being depreciated, net	211,905,366	(5,378,713)	(22,190)	206,504,463
Governmental activities capital assets, net	<u>\$ 305,708,019</u>	<u>\$ (940,231)</u>	<u>\$ (3,950,452)</u>	<u>\$ 300,817,336</u>
	Balance 9/30/2012	Increases	Decreases	Balance 9/30/2013
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 16,067,448	\$ -	\$ -	\$ 16,067,448
Construction in progress	5,429,742	9,925,877	(8,835,921)	6,519,698
Total capital assets, not being depreciated	21,497,190	9,925,877	(8,835,921)	22,587,146
Capital assets, being depreciated:				
Buildings and improvements other than buildings	94,534,845	3,516,307	-	98,051,152
Infrastructure	167,956,229	5,380,032	-	173,336,261
Equipment	2,510,387	82,875	(5,400)	2,587,862
Total capital assets, being depreciated	265,001,461	8,979,214	(5,400)	273,975,275
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(23,351,480)	(3,927,582)	-	(27,279,062)
Infrastructure	(37,226,399)	(7,251,977)	-	(44,478,376)
Equipment	(1,856,635)	(283,579)	5,400	(2,134,814)
Total accumulated depreciation	(62,434,514)	(11,463,138)	5,400	(73,892,252)
Total capital assets, being depreciated, net	202,566,947	(2,483,924)	-	200,083,023
Business-type activities capital assets, net	<u>\$ 224,064,137</u>	<u>\$ 7,441,953</u>	<u>\$ (8,835,921)</u>	<u>\$ 222,670,169</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

Governmental activities:		
General government		\$ 160,864
Public safety		279,446
Transportation and physical environment		8,145,864
Culture and recreation		912,019
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,176,783</u>
Total depreciation expense - governmental activities		<u><u>\$ 10,674,976</u></u>
Business activities:		
Utility		\$ 9,152,742
Stormwater		1,688,950
Information Technology and Communication (IT&C)		346,795
Golf Course		271,692
Tennis Center		<u>2,959</u>
Total depreciation expense - business activities		<u><u>\$ 11,463,138</u></u>

**Note 7 - Accrued liabilities**

Accrued liabilities totaling \$420,910 reported by the general fund as of September 30, 2013 represent accrued salaries and related employee benefits.

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

The composition of interfund balances as of September 30, 2013, is as follows:

**Due from/to other funds:**

Receivable Fund	Payable Fund	Purpose	Amount
Nonmajor Proprietary Fund	Stormwater Fund	Supplement operating cash flow	\$ 380,000
		Total	<u><u>\$ 380,000</u></u>

The outstanding balance between the Nonmajor Proprietary Fund and the Stormwater Fund is a working capital loan from the Building Permits and Inspections Fund. This balance is expected to be collected in the subsequent year.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

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

**Advances from/to other funds:**

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	SR100 CRA Fund	Purchase and redevelopment of land	\$ 5,792,529
Streets Improvement Fund	Transportation Impact Fee Fund	Expansion and realignment of road	2,433,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	4,930,841
			\$ 13,156,370

The advances from the General Fund relate to working capital loans made to the SR100 CRA Fund upon its creation. 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:						Total
	General Fund	Capital Projects Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	Nonmajor Proprietary	
General Fund	\$ -	\$ -	\$ 521,000	\$ 56,887	\$ -	\$ 235,000	\$ 812,887
Utility Fund	844,976	-	-	25,428	-	-	870,404
Transportation Impact Fee Fund	-	200,000	-	-	353,195	-	553,195
Stormwater Fund	79,000	-	-	-	-	-	79,000
Nonmajor Proprietary	38,000	-	-	-	-	-	38,000
<b>Total transfers out</b>	<b>\$ 961,976</b>	<b>\$ 200,000</b>	<b>\$ 521,000</b>	<b>\$ 82,315</b>	<b>\$ 353,195</b>	<b>\$ 235,000</b>	<b>\$ 2,353,486</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. Transfers to the CRA Fund represent base property tax collections within the redevelopment area. Transfers from the Utility Fund, Stormwater Fund, 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 is impact fee collections related to the Old Kings Road Special Assessment District.



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

**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 2013, the total cost was \$2,599,863 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, 2013, \$1.6 million has been expended and is due 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 2013, the total amount of lease payments received was \$270,962.

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. The total cost for year ended September 30, 2013 was \$226,000. The future minimum lease payments are as follows:

Year Ending September 30,	Amount
2014	<u>\$ 239,000</u>
	<u><u>\$ 239,000</u></u>



**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

**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 <u>September 30,</u>	Principal	Interest
2014	\$ -	\$ 97,381
2015	411,000	115,760
2016	420,000	106,348
2017	429,000	96,730
2018	438,000	86,906
2019-2023	2,342,000	279,426
2024-2028	1,015,000	34,991
	\$ 5,055,000	\$ 817,542

The 2014 principal payment was made during the year ended September 30, 2013, leaving a principal balance of \$5,055,000 payable at the end of the fiscal year.

**B. Business Activities**

**Utility System Long-term Debt**

***Utility System Revenue Bonds, Series 2003***

**Current refunding**

On July 9, 2013, the City issued \$89,600,000 in Utility System Improvement and Refunding Revenue Bonds, Series 2013, at an average interest rate of 4.6%. In addition to providing current construction funds, the new issue refunded the Utility System Revenue Bonds, Series 2003, at an average interest rate of 5%. The refunding net proceeds of \$73,698,000 (after payment of \$1.45 million in underwriting fees and other issuance costs) plus an additional \$8.997 million from the Series 2003 Debt Service Reserve were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the Series 2003 Bonds. Since October 1, 2013 is the final payment date on the Series 2003 Bonds, and is within 90 days of the Series 2013 issue date, this transaction qualifies as a current refunding. As a result of this transaction, the Series 2003 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

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

***Utility System Revenue Bonds, Series 2003***

**Current refunding (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$830,637, resulting in the recognition of a deferred gain on refunding. This amount is being amortized over the remaining life of the old debt. The City reduced its aggregate debt payments by \$17.6 million over the next 20 years and obtained an economic gain (difference between present values of old and new debt service payments) of over \$6.9 million on the refunding portion of the issue.

***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***

Deposits are made in the Utility Fund for payment of operation and maintenance costs.

Funds are transferred to Debt Service Reserve for the following purposes:

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

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, 2013, Standard & Poor's and Fitch have provided an A+ rating on this bond issue.

Deposits are made into a 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.

Any remaining revenues are surplus and may be used for any lawful purpose of the City.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

**Early Redemption**

***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
2014	\$ 1,130,000	\$ 1,955,906
2015	1,175,000	1,908,906
2016	1,220,000	1,864,681
2017	1,265,000	1,814,081
2018	1,315,000	1,748,331
2019-2023	7,480,000	7,851,506
2024-2028	9,325,000	5,894,706
2029-2033	11,565,000	3,563,256
2034-2038	11,250,000	764,533
	\$ 45,725,000	\$ 27,365,906

***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***

Deposits are made in the Utility Fund for payment of operation and maintenance costs.

Funds are transferred to Debt Service Reserve for the following purposes:

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

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

Deposits are then made into a 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.

Any remaining revenues are surplus and may be used for any lawful purpose of the City.

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

**Early Redemption**

***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 <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 115,000	\$ 4,172,200
2015	2,630,000	4,067,000
2016	2,735,000	3,930,250
2017	2,870,000	3,786,750
2018	3,010,000	3,636,250
2019-2023	17,475,000	15,646,000
2024-2028	22,310,000	10,574,250
2029-2033	28,150,000	4,644,906
2034-2038	10,305,000	350,000
	<u>\$ 89,600,000</u>	<u>\$ 50,807,606</u>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

**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>
2014	\$ 127,409	\$ 49,764
2015	130,885	46,288
2016	134,456	42,716
2017	138,124	39,048
2018	141,893	35,280
2019-2023	769,690	116,171
2029-2033	425,480	17,451
	<u>\$ 1,867,937</u>	<u>\$ 346,718</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>
2014	\$ 610,558	\$ 238,151
2015	626,535	222,173
2016	642,931	205,777
2017	659,756	188,952
2018	677,021	171,687
2019-2023	3,660,317	583,225
2024-2028	2,434,178	111,947
	<u>\$ 9,311,296</u>	<u>\$ 1,721,912</u>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2013**

**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>	Principal	Interest
2014	\$ 338,461	\$ 152,655
2015	347,113	144,003
2016	355,985	135,131
2017	365,085	126,031
2018	374,417	116,699
2019-2023	2,020,630	434,950
2024-2028	2,292,424	163,156
	<u>\$ 6,094,115</u>	<u>\$ 1,272,625</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>	Principal	Interest
2014	\$ 256,960	\$ 115,896
2015	263,528	109,327
2016	270,264	102,591
2017	277,172	95,683
2018	284,257	88,598
2019-2023	1,534,062	330,214
2024-2028	1,740,408	123,868
	<u>\$ 4,626,651</u>	<u>\$ 966,177</u>

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

**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
2014	\$ 219,908	\$ 83,262
2015	225,517	77,653
2016	231,268	71,902
2017	237,166	66,004
2018	243,215	59,955
2019-2023	1,312,345	203,504
2024-2028	870,496	39,014
	<u>\$ 3,339,915</u>	<u>\$ 601,294</u>

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
2014	\$ 110,081	\$ 72,551
2015	113,565	69,067
2016	117,159	65,473
2017	120,866	61,766
2018	124,691	57,941
2019-2023	685,204	227,955
2024-2028	800,709	112,450
2029-2033	265,566	8,382
	<u>\$ 2,337,841</u>	<u>\$ 675,585</u>

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

***Bank Loan***

During the year ended September 30, 2009, the City executed an agreement with the RBC 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>
2014	\$ -	\$ 180,222
2015	689,000	164,030
2016	706,000	147,439
2017	722,000	130,472
2018	739,000	113,106
2019-2023	3,963,000	290,484
2024-2028	850,000	-
	<u>\$ 7,669,000</u>	<u>\$ 1,025,753</u>

The 2014 principal payment of \$673,000 was made during the year ended September 30, 2013, leaving a principal balance of \$7,669,000 payable at the end of the fiscal year.

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**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

**Information Technology and Communications (IT&C) Long-Term Debt**

***Capital Leases***

During year ended September 30, 2011, 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 \$71,822 is payable annually in the amount of \$19,596 including interest at a rate of 6.16% through July 1, 2014.

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 18,459	\$ 1,137
	<u>\$ 18,459</u>	<u>\$ 1,137</u>

***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 9). 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>	<u>Principal</u>	<u>Interest</u>
2014	\$ 15,087	\$ -
2015	15,690	-
2016	16,318	-
2017	16,970	-
2018	17,649	-
2019-2023	15,897	-
	<u>\$ 97,611</u>	<u>\$ -</u>

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

**Information Technology and Communications (IT&C) Long-Term Debt (Continued)**

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 9). 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>	<u>Principal</u>	<u>Interest</u>
2014	\$ 28,848	\$ -
2015	29,713	-
2016	17,139	
	<u>\$ 75,700</u>	<u>\$ -</u>

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**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

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

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

During the year ended September 30, 2013, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
SR100 CRA Loan	\$ 3,360,000	2,088,000	\$ (393,000)	\$ 5,055,000	\$ -
Net OPEB Liability	272,000	81,105	-	353,105	-
Compensated Absences	1,525,617	1,661,136	(1,486,560)	1,700,193	652,364
Long-term debt	<u>\$ 5,157,617</u>	<u>\$ 3,830,241</u>	<u>\$ (1,879,560)</u>	<u>\$ 7,108,298</u>	<u>\$ 652,364</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 129,690,000	\$ 89,600,000	\$ (83,965,000)	\$ 135,325,000	\$ 1,245,000
Premiums	1,161,314	7,171,364	(1,033,182)	7,299,496	-
Issuance Costs	(3,218,431)	-	3,218,431	-	-
Total Revenue Bonds	127,632,883	96,771,364	(81,779,751)	142,624,496	1,245,000
State Revolving Fund Loans	29,198,491	-	(1,620,736)	27,577,755	1,663,376
Bank and Other Loans	8,557,825	-	(715,514)	7,842,311	43,935
Net OPEB Liability	147,000	80,703	-	227,703	-
Capital Leases	57,332	-	(38,873)	18,459	18,459
Compensated Absences	1,092,285	1,312,956	(1,288,485)	1,116,756	423,343
Long-term debt	<u>\$ 166,685,816</u>	<u>\$ 98,165,023</u>	<u>\$ (85,443,359)</u>	<u>\$ 179,407,480</u>	<u>\$ 3,394,113</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, \$16,996 of internal service fund compensated absences and \$4,482 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, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

**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, 2013, 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, 2013, contributions to this plan totaled \$1,677,941.

***Florida Retirement System***

Former Flagler County and Palm Coast Service District employees hired as transfers during the 1999-2000 or 2000-2001 fiscal years had a one-time option to remain a member of the Florida State Retirement System (FRS). No employees for FYE 1999-2000 elected to be part of FRS. However, during 2001 there were former Palm Coast Service District employees hired who did elect to remain in FRS.

The Retirement System is a cost sharing multiple employer public employee retirement system administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The System provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after 6 years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing 10 years of service; however, there is a five percent reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

Effective July 1, 2011, FRS plan participants were required to contribute three percent of earnings due to a change in State law. No employee contributions were required in previous years.

The statutory employer contribution rates as a percent of earnings were as follows:

	10/1/2012 - 09/30/2013
Regular employees – members not qualifying for other classes	6.95%
Special Risk Employees – members employed as law enforcement officers and firefighters	19.06%
Health Insurance Subsidy included in the above rates	1.20%

Employer contributions required and made to the System were as follows:

<u>Fiscal Year Ending</u>	<u>Required Contribution</u>	<u>% Contributed</u>
9/30/2011	\$ 271,702	100%
9/30/2012	161,402	100%
9/30/2013	192,250	100%

For a stand-alone report of the Florida Retirement System, refer to the State of Florida Comprehensive Annual Financial Report or various publications available from the Florida Department of Management Services.

During the fiscal year, the System held no securities issued by the employer.

***Volunteer Firefighters’ Pension Plan***

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

On July 2, 2002, the City of Palm Coast established a volunteer firefighters’ pension plan pursuant to Florida Statute, Chapter 175. The volunteer positions are unpaid and therefore there is no benefit provided under Chapter 175. On February 15, 2005, the City adopted a “local law” plan that provides benefits based on years of service. The plan is a single-employer defined benefit pension plan.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

The City of Palm Coast Volunteer Retirement Trust Fund is administered by a Board of Trustees. The Board has administrative authority over the Fund, and acts as supervisor and plan administrator.

Volunteer firefighters 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 and non-emergency calls, and participating in other fire emergency related activities. The minimum number of years of active service shall be five years to qualify for retirement. Members with up to five years of consecutive service to the City prior to July, 2002 are eligible for up to five years credit providing such members satisfy pension requirements in at least one of the two years following July, 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 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 precedes the member's normal retirement age. Each member shall become one hundred percent vested at normal retirement age, subject only to the actuarial reduction for early retirement at age fifty (50).

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, 2013 was \$364,572. Administrative costs are paid from plan assets. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, 17 members are receiving retirement benefits. There are 42 active participants, with two being eligible for normal retirement.

An actuarial valuation, utilizing the entry age normal method, has been completed as of October 1, 2012. Plan assets are reported at fair value. The actuarial assumption included a 7.65 percent investment rate of return, and 3.0 percent inflation rate. The amortization method is level dollar and the period is 30 years and is closed. The asset valuation method is four year smooth.

***Basis of Accounting***

The Volunteer Firefighter Pension Plan financial statements are prepared using the accrual basis of accounting. City contributions, if any, are required when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

***Cash and Investments***

Cash required for current operating needs is invested in a money market account. The remaining plan assets are invested in the Florida Local Government Surplus Funds Trust Fund Investment Pool administered by the Florida State Board of Administration (SBA) and the Florida Municipal Pension Trust Fund administered by the Florida League of Cities. Both of these funds are external investment pools and are reported at fair value.

The total invested with the SBA in the Local Government Surplus Funds Trust Fund (Florida PRIME) and Fund B as of September 30, 2013 was \$8,879 and \$5,323 respectively. See Note 4 for a further disclosures relating to the SBA.

The total invested with the Florida Municipal Pension Trust Fund (FMPTF) administered by the Florida League of Cities as of September 30, 2013 was \$3,315,442. The City’s investments in the Florida Municipal Pension Trust Fund, 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 FMPTF includes the following fixed income fund.

<u>Fixed Income Fund</u>	<u>Effective Duration</u> <u>(Years)</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
FMIvT Broad Market High Quality Bond	4.49	5.54

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

***Funding Policy***

The authority to establish and amend benefits rests with the City Council. City contribution requirements to the plan are adopted as part of the City’s annual budget. The current retirement benefit is based on \$65 per month for each year of credited service. This was an increase from the previous minimum benefit accrual rate of \$50 per month. The change was adopted by ordinance during the fiscal year ended September 30, 2012. Volunteers do not contribute to the plan.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2013**

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

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

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	\$ 102,388	100%	\$0
9/30/2012	133,967	100%	0
9/30/2011	89,877	100%	0

***Funded Status and Funding Progress***

As of October 1, 2012, the most recent actuarial valuation update, the plan was 121 percent funded. The actuarial accrued liability for benefits was \$2,171,326 and the actuarial value of assets was \$2,623,239 resulting in an unfunded actuarial accrued liability (UAAL) of (\$451,913).

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.

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**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

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

***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. During the year ended September 30, 2013, 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. No amounts from this plan are included in the financial statements.

**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, 2012, the Plan had approximately 334 active participants and 2 retirees 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, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

**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 8.5% in 2013, to the ultimate rate of 4.5% in 2017. 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, 2013, based on the above assumptions and cost method, and applied to member data current at October 1, 2012. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2012, with an AAL calculated to be \$1,027,559, which is unfunded (or 0% funded). The annual covered payroll is \$15.163 million, resulting in an unfunded AAL of 6.8%. 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, 2012.

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)	\$ 194,157
Interest on Plan Obligation	16,760
Adjustment to ARC	<u>(17,106)</u>
Annual Plan OPEB Cost	193,811
Contributions Made	<u>(32,003)</u>
Change in OPEB Obligation	161,808
Net OPEB Obligation Beginning of year	<u>419,000</u>
Net OPEB Obligation End of year	<u><u>\$ 580,808</u></u>

As of September 30, 2013, the City accrued \$580,808 in the Government-Wide Statement of Net Assets, with \$227,703 in the Proprietary Funds Statement of Net Assets.

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

**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 2013 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)
2013	\$ 193,811	\$ 32,003	16.50%	\$ 580,808
2012	144,000	31,000	21.40%	419,000
2011	137,000	25,000	18.20%	306,000

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, 2013, the amount of prepaid impact fees is estimated to be \$21,207,995.

**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, 2013. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2013. 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, and a lawsuit by a property owner relating to business damages in anticipation of condemnation actions. 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, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

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

have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Blue Cross Blue Shield of Florida Insurance at a monthly rate of \$56.90 per participating employee. 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 \$243,766 is reported in the fund at September 30, 2013.

Changes in the fund's claims liability amount for fiscal years 2012 and 2013 were:

<u>Changes in Claims Liability</u>	<u>2012</u>	<u>2013</u>
Beginning fiscal year liability	\$ 268,780	\$ 195,050
Current year claims and changes in estimates	1,758,474	2,424,368
Claim payments	<u>(1,832,204)</u>	<u>(2,375,652)</u>
Balance at fiscal year end	<u>\$ 195,050</u>	<u>\$ 243,766</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.

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

**Note 16 – Community Redevelopment Area**

The City has established the SR100 Community Redevelopment special revenue fund to account for revenues and expenditures related to the SR100 community redevelopment area. For the fiscal year ended September 30, 2013, the fund received \$856,901 in property tax revenue, a \$521,000 transfer from the general fund, \$2,088,000 in debt proceeds, and \$341 in investment earnings. Expenditures for the fiscal year were \$331,937 in redevelopment costs and \$859,829 for debt service.

**Note 17 – Prior Years Restatement**

For the fiscal year ended September 30, 2013, the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 clarified that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized in the period incurred. Previously, these costs were recorded as a deferred charge, and amortized over the life of the related debt issue. The following restatements were made to Proprietary Fund and Business-Type Activities net position upon adoption of GASB Statement No. 65.

Proprietary - Utility Fund:	
Net Position - September 30, 2012	\$ 65,099,417
Unamortized loan costs	(423,715)
Unamortized bond costs	<u>(3,085,790)</u>
Restated Net Position - September 30, 2012	<u>\$ 61,589,912</u>

Proprietary - Stormwater Fund:	
Net Position - September 30, 2012	\$ 12,266,837
Unamortized loan costs	(150,140)
Restated Net Position - September 30, 2012	<u>\$ 12,116,697</u>

Business-Type Activities:	
Net Position - September 30, 2012	\$ 92,188,955
Unamortized loan costs	(573,855)
Unamortized bond costs	<u>(3,085,790)</u>
Restated Net Position - September 30, 2012	<u>\$ 88,529,310</u>

**CITY OF PALM COAST, FL**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2013**

**Note 18 – Fund Balance Policy**

During the fiscal year ended September 30, 2009, the City enacted a policy establishing minimum levels of unassigned fund balance and unrestricted net position. 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 five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net position over ten percent may be assigned to a rate stabilization fund. If the unrestricted net position is below five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to five percent or greater within three years.

***Tennis Center Fund and Golf Course Fund***

Unrestricted net position, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net position over ten percent may be assigned for future capital projects including renewal and replacements. If the unrestricted net position is below

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2013**

**Note 18 – Fund Balance Policy (Continued)**

five percent at year end, a plan must be developed using increased revenues or a reduction in expenses to return the unrestricted net position to five percent or greater within three years.

***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.

***Other Funds***

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

**Note 19 – Subsequent Events**

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

In January 2014, the City executed an agreement with Prosperity Bank to refinance an existing interfund loan. The principal amount of the loan is \$5,839,000, refinancing and replacing an existing interfund loan with the general fund. The interest rate is fixed at 4.44% for ten years, with loan principal payable annually starting at \$194,000 on October 1, 2014 and ending at \$838,000 on October 1, 2028. Interest will be paid semi-annually and the interest rate will reset after ten years based on the five year U.S. Treasury rate plus 225 basis points, with a floor of 3.25%.

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

Year Ending <u>September 30,</u>	Principal	Interest
2014	\$ 194,000	\$ 178,596
2015	203,000	250,638
2016	212,000	241,625
2017	222,000	232,212
2018	233,000	222,355
2019-2023	1,327,000	947,496
2024-2028	3,448,000	509,845
	\$ 5,839,000	\$ 2,582,767



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## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PALM COAST, FL  
REQUIRED SUPPLEMENTARY INFORMATION  
VOLUNTEER FIREFIGHTERS PENSION PLAN  
SEPTEMBER 30, 2013**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2012	\$ 2,623,239	\$ 2,171,326	\$ (451,913)	120.81%	\$ -	N/A
10/1/2011	2,196,474	1,841,699	(354,775)	119.26%	-	N/A
10/1/2010	1,859,732	1,665,793	(193,939)	111.64%	-	N/A
10/1/2009	1,503,874	1,352,993	(150,882)	111.15%	-	N/A
10/1/2008	968,776	848,589	(120,187)	114.16%	-	N/A
10/1/2007	558,348	530,700	(27,648)	105.21%	-	N/A

**Schedule of Employer and Other Contributing Entities**

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2013	\$ 102,388	\$ -	\$ 144,308	141
2012	133,967	-	144,308	108
2011	89,877	-	144,308	161
2010	98,481	-	144,308	147
2009	108,698	-	144,308	133
2008	82,833	-	112,408	136

\* The 2008-2013 State contribution is "frozen" pursuant to Chapter 175, Florida Statutes, as amended. Prior to the adoption of Ordinance 2005-08, which was adopted February 15, 2005, the Plan was considered a "Chapter" plan, and therefore the City was able to use all State contributions to offset their costs. Beginning with the fiscal year ended September 30, 2006, excess State contributions over the initial "frozen" amount must be used for additional benefits. The "frozen" amount represents the annual cost of the initial benefit improvement when changing to a "local law" plan. As of September 30, 2012 \$1,047,814 of accumulated state contributions were reserved for future benefit improvements.

**CITY OF PALM COAST, FL  
REQUIRED SUPPLEMENTARY INFORMATION  
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
SEPTEMBER 30, 2013**

**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)
10/1/2012	\$ -	\$ 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 2014.

**Schedule of Employer Contributions**

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2013	\$ 193,811	32,003	16.51	0.1%
2012	145,000	31,000	21.38	0.1%
2011	137,000	25,000	18.25	0.1%
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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 18,750,000	\$ 18,736,500	\$ 18,793,131	\$ 56,631
Licenses and permits	182,000	176,500	229,590	53,090
Intergovernmental revenue	2,946,988	3,185,798	3,286,399	100,601
Charges for services	2,658,243	2,601,132	2,572,727	(28,405)
Fines and forfeitures	389,000	459,000	612,347	153,347
Contributions	4,000	2,000	2,217	217
Investment earnings	303,900	296,000	277,789	(18,211)
Miscellaneous	22,191	90,000	77,326	(12,674)
Total Revenues	<u>25,256,322</u>	<u>25,546,930</u>	<u>25,851,526</u>	<u>304,596</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Major and Council	95,501	96,551	96,342	209
City Administration	2,364,555	2,247,978	2,097,544	150,434
City Attorney	387,236	391,889	383,489	8,400
Financial Services	692,699	691,815	678,108	13,707
Community Development	3,654,901	3,627,789	3,485,041	142,748
Nondepartmental	157,000	614,933	117,213	497,720
Total general government	<u>7,351,892</u>	<u>7,670,955</u>	<u>6,857,737</u>	<u>813,218</u>
Public safety:				
Fire	7,283,871	7,378,339	7,316,620	61,719
Law Enforcement	2,599,863	2,599,863	2,599,691	172
Total public safety	<u>9,883,734</u>	<u>9,978,202</u>	<u>9,916,311</u>	<u>61,891</u>
Transportation & physical environment:				
Streets and Drainage	7,251,162	7,370,876	5,169,225	2,201,651
Engineering	500,828	495,336	478,324	17,012
Total transportation & physical environment	<u>7,751,990</u>	<u>7,866,212</u>	<u>5,647,549</u>	<u>2,218,663</u>
Culture and recreation	2,770,891	2,426,304	2,161,053	265,251
Total expenditures	<u>27,758,507</u>	<u>27,941,673</u>	<u>24,582,650</u>	<u>3,359,023</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,502,185)</u>	<u>(2,394,743)</u>	<u>1,268,876</u>	<u>3,663,619</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	961,976	961,976	961,976	-
Transfers out	(696,000)	(831,000)	(812,887)	18,113
Total other financing sources (uses)	<u>265,976</u>	<u>130,976</u>	<u>149,089</u>	<u>18,113</u>
Net change in fund balance*	<u>(2,236,209)</u>	<u>(2,263,767)</u>	<u>1,417,965</u>	<u>3,681,732</u>
Fund balance - beginning	<u>12,728,581</u>	<u>12,728,581</u>	<u>12,728,581</u>	<u>-</u>
Fund balance - ending	<u>\$ 10,492,372</u>	<u>\$ 10,464,814</u>	<u>\$ 14,146,546</u>	<u>\$ 3,681,732</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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 574,100	\$ 720,000	\$ 885,271	\$ 165,271
Investment earnings	5,841	1,000	3,687	2,687
Total revenues	<u>579,941</u>	<u>721,000</u>	<u>888,958</u>	<u>167,958</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	-	-	123,197	(123,197)
Capital Outlay:				
Transportation and physical environment	1,879,677	891,000	219,239	671,761
Total expenditures	<u>1,879,677</u>	<u>891,000</u>	<u>342,436</u>	<u>548,564</u>
Excess (deficiency) of revenues over (under) expenditures	(1,299,736)	(170,000)	546,522	716,522
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	400,000	-	(400,000)
Transfers out	-	(954,000)	(553,195)	400,805
Total other financing sources (uses)	<u>-</u>	<u>(554,000)</u>	<u>(553,195)</u>	<u>805</u>
Net change in fund balance*	(1,299,736)	(724,000)	(6,673)	717,327
Fund balance - beginning	<u>(2,426,065)</u>	<u>(2,426,065)</u>	<u>(2,426,065)</u>	<u>-</u>
Fund balance - ending	<u>\$ (3,725,801)</u>	<u>\$ (3,150,065)</u>	<u>\$ (2,432,738)</u>	<u>\$ 717,327</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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,254,000	\$ 2,418,500	\$ 2,485,605	\$ 67,105
Intergovernmental revenue	11,489,042	901,000	2,555,804	1,654,804
Fines and forfeitures	377,100	361,200	934,962	573,762
Investment earnings	7,524	5,000	-	(5,000)
Total revenues	<u>14,127,666</u>	<u>3,685,700</u>	<u>5,976,371</u>	<u>2,290,671</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	374,600	485,700	657,265	(171,565)
Capital Outlay:				
Transportation and physical environment	<u>17,514,872</u>	<u>3,200,000</u>	<u>3,132,084</u>	<u>67,916</u>
Total expenditures	<u>17,889,472</u>	<u>3,685,700</u>	<u>3,789,349</u>	<u>(103,649)</u>
Net change in fund balance*	(3,761,806)	-	2,187,022	2,187,022
Fund balance - beginning	<u>4,460,530</u>	<u>4,460,530</u>	<u>4,460,530</u>	<u>-</u>
Fund balance - ending	<u>\$ 698,724</u>	<u>\$ 4,460,530</u>	<u>\$ 6,647,552</u>	<u>\$ 2,187,022</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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 814,700	\$ 856,901	\$ 856,901	\$ -
Investment earnings	11,941	3,000	341	(2,659)
Total revenues	826,641	859,901	857,242	(2,659)
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	50,000	7,400	7,315	85
Transportation and physical environment	5,044,269	2,601,668	324,622	2,277,046
Debt service:				
Principal	210,000	393,000	393,000	-
Interest and Other	431,575	466,833	466,829	4
Total expenditures	5,735,844	3,468,901	1,191,766	2,277,135
Excess (deficiency) of revenues over (under) expenditures	(4,909,203)	(2,609,000)	(334,524)	2,274,476
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	521,000	521,000	521,000	-
Issuance of long term debt	2,000,000	2,088,000	2,088,000	-
Total other financing sources (uses)	2,521,000	2,609,000	2,609,000	-
Net change in fund balance*	(2,388,203)	-	2,274,476	2,274,476
Fund balance - beginning	(3,099,816)	(3,099,816)	(3,099,816)	-
Fund balance - ending	\$ (5,488,019)	\$ (3,099,816)	\$ (825,340)	\$ 2,274,476

\*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, grant revenues, and a sales surtax for the construction of 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.

**Park Impact Fee Fund** -This fund accounts for fees collected from new development for the purpose of funding capital 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 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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 165,000	\$ 1,765,000	\$ 1,861,525	\$ 96,525
Intergovernmental revenue	-	351,920	357,853	5,933
Investment earnings	280	2,000	4,879	2,879
Total revenues	<u>165,280</u>	<u>2,118,920</u>	<u>2,224,257</u>	<u>105,337</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	5,300	5,294	6
Capital Outlay:				
Transportation and physical environment	-	437,450	427,981	9,469
Culture and recreation	339,302	1,896,170	298,056	1,598,114
Total expenditures	<u>339,302</u>	<u>2,338,920</u>	<u>731,331</u>	<u>1,607,589</u>
Excess (deficiency) of revenues over (under) expenditures	(174,022)	(220,000)	1,492,926	1,712,926
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	160,000	220,000	200,000	(20,000)
Total other financing sources (uses)	<u>160,000</u>	<u>220,000</u>	<u>200,000</u>	<u>(20,000)</u>
Net change in fund balance*	(14,022)	-	1,692,926	1,692,926
Fund balance - beginning	1,909,520	1,909,520	1,909,520	-
Fund balance - ending	<u>\$ 1,895,498</u>	<u>\$ 1,909,520</u>	<u>\$ 3,602,446</u>	<u>\$ 1,692,926</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  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2013

Special Revenue Funds								Total Nonmajor Governmental Funds
	Police Education Fund	Police Automation Fund	Park Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 14,774	\$ 208,234	\$ 672,197	\$ 167,141	\$ 77,552	\$ 34,564	\$ -	\$ 1,174,462
Special Assessment receivable - net	-	-	-	-	-	4,930,841	-	4,930,841
Due from other governments	-	-	-	-	-	-	14,250	14,250
<b>Total assets</b>	<b>\$ 14,774</b>	<b>\$ 208,234</b>	<b>\$ 672,197</b>	<b>\$ 167,141</b>	<b>\$ 77,552</b>	<b>\$ 4,965,405</b>	<b>\$ 14,250</b>	<b>\$ 6,119,553</b>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 10,695	\$ 2,754	\$ 14,250	\$ 27,699
Advances from other funds	-	-	-	-	-	4,930,841	-	4,930,841
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,695</b>	<b>4,933,595</b>	<b>14,250</b>	<b>4,958,540</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - Special assessments	-	-	-	-	-	4,930,841	-	4,930,841
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,930,841</b>	<b>-</b>	<b>4,930,841</b>
<b>FUND BALANCES</b>								
Restricted for								
Public safety	14,774	208,234	-	-	-	-	-	223,008
Construction	-	-	672,197	167,141	-	-	-	839,338
Grants	-	-	-	-	66,857	-	-	66,857
Unassigned	-	-	-	-	-	(4,899,031)	-	(4,899,031)
<b>Total fund balances (deficits)</b>	<b>14,774</b>	<b>208,234</b>	<b>672,197</b>	<b>167,141</b>	<b>66,857</b>	<b>(4,899,031)</b>	<b>-</b>	<b>(3,769,828)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 14,774</b>	<b>\$ 208,234</b>	<b>\$ 672,197</b>	<b>\$ 167,141</b>	<b>\$ 77,552</b>	<b>\$ 4,965,405</b>	<b>\$ 14,250</b>	<b>\$ 6,119,553</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, 2013

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Park 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	\$ -	\$ -	\$ -	\$ -	\$ 1,352,660	\$ -	\$ 342,469	\$ 1,695,129
Fines and forfeitures	9,902	20,928	-	-	-	-	-	30,830
Impact fees	-	-	312,991	56,718	-	-	-	369,709
Investment earnings	-	-	514	79	-	-	-	593
Total revenues	9,902	20,928	313,505	56,797	1,352,660	-	342,469	2,096,261
<b>EXPENDITURES</b>								
Current:								
General government	-	-	-	-	1,285,803	-	342,469	1,628,272
Transportation and physical environment	-	-	-	-	-	179	-	179
Public safety	20,046	103,520	-	-	-	-	-	123,566
Debt Service:								
Interest and Other	-	-	-	-	-	52,840	-	52,840
Total expenditures	20,046	103,520	-	-	1,285,803	53,019	342,469	1,804,857
Excess (deficiency) of revenues over (under) expenditures	(10,144)	(82,592)	313,505	56,797	66,857	(53,019)	-	291,404
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	-	-	-	353,195	-	353,195
Total other financing sources (uses)	-	-	-	-	-	353,195	-	353,195
Net change in fund balances	(10,144)	(82,592)	313,505	56,797	66,857	300,176	-	644,599
Fund balances (deficits) - beginning	24,918	290,826	358,692	110,344	-	(5,199,207)	-	(4,414,427)
Fund balances (deficits) - ending	\$ 14,774	\$ 208,234	\$ 672,197	\$ 167,141	\$ 66,857	\$(4,899,031)	\$ -	\$(3,769,828)

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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 7,200	\$ 7,200	\$ 9,902	\$ 2,702
Investment earnings	65	-	-	-
Total revenues	<u>7,265</u>	<u>7,200</u>	<u>9,902</u>	<u>2,702</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	31,765	32,100	20,046	12,054
Total expenditures	<u>31,765</u>	<u>32,100</u>	<u>20,046</u>	<u>12,054</u>
Net change in fund balance*	(24,500)	(24,900)	(10,144)	14,756
Fund balance - beginning	<u>24,918</u>	<u>24,918</u>	<u>24,918</u>	-
Fund balance - ending	<u>\$ 418</u>	<u>\$ 18</u>	<u>\$ 14,774</u>	<u>\$ 14,756</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  
 Police Automation  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 20,928	\$ (1,072)
Investment earnings	900	-	-	-
Total revenues	<u>22,900</u>	<u>22,000</u>	<u>20,928</u>	<u>(1,072)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	312,660	312,000	103,520	208,480
Total expenditures	<u>312,660</u>	<u>312,000</u>	<u>103,520</u>	<u>208,480</u>
Net change in fund balance*	(289,760)	(290,000)	(82,592)	207,408
Fund balance - beginning	<u>290,826</u>	<u>290,826</u>	<u>290,826</u>	-
Fund balance - ending	<u>\$ 1,066</u>	<u>\$ 826</u>	<u>\$ 208,234</u>	<u>\$ 207,408</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  
 Park Impact Fee  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 117,300	\$ 250,000	\$ 312,991	\$ 62,991
Investment earnings	3,331	-	514	514
Total revenues	<u>120,631</u>	<u>250,000</u>	<u>313,505</u>	<u>63,505</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
Culture and recreation	453,774	250,000	-	250,000
Total expenditures	<u>453,774</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Net change in fund balance*	(333,143)	-	313,505	313,505
Fund balance - beginning	<u>358,692</u>	<u>358,692</u>	<u>358,692</u>	<u>-</u>
Fund balance - ending	<u>\$ 25,549</u>	<u>\$ 358,692</u>	<u>\$ 672,197</u>	<u>\$ 313,505</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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 34,600	\$ 45,000	\$ 56,718	\$ 11,718
Investment earnings	1,076	800	79	(721)
Total revenues	<u>35,676</u>	<u>45,800</u>	<u>56,797</u>	<u>10,997</u>
<b>EXPENDITURES</b>				
Capital Outlay:				
Public safety	143,245	45,800	-	45,800
Total expenditures	<u>143,245</u>	<u>45,800</u>	<u>-</u>	<u>45,800</u>
Net change in fund balance*	(107,569)	-	56,797	56,797
Fund balance - beginning	<u>110,344</u>	<u>110,344</u>	<u>110,344</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,775</u>	<u>\$ 110,344</u>	<u>\$ 167,141</u>	<u>\$ 56,797</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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 1,900,000	\$ 1,550,000	\$ 1,352,660	\$ (197,340)
Total revenues	1,900,000	1,550,000	1,352,660	(197,340)
<b>EXPENDITURES</b>				
Current:				
General government	1,900,000	1,550,000	1,285,803	264,197
Total expenditures	1,900,000	1,550,000	1,285,803	264,197
Net change in fund balance*	-	-	66,857	66,857
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 66,857	\$ 66,857

\*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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 264,200	\$ -	\$ -	\$ -
Total revenues	264,200	-	-	-
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	-	500	179	321
Debt Service:				
Interest and Other	264,200	349,500	52,840	296,660
Total expenditures	264,200	350,000	53,019	296,981
Excess (deficiency) of revenues over (under) expenditures	-	(350,000)	(53,019)	296,981
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	350,000	353,195	3,195
Total other financing sources (uses)	-	350,000	353,195	3,195
Net change in fund balance*	-	-	300,176	300,176
Fund balance - beginning	(5,199,207)	(5,199,207)	(5,199,207)	-
Fund balance - ending	\$ (5,199,207)	\$ (5,199,207)	\$ (4,899,031)	\$ 300,176

\*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, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 1,078,500	\$ 790,530	\$ 342,469	\$ (448,061)
Total revenues	1,078,500	790,530	342,469	(448,061)
<b>EXPENDITURES</b>				
Public safety	1,078,500	790,530	342,469	448,061
Total expenditures	1,078,500	790,530	342,469	448,061
Net change in fund balance*	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

\*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.

***Tennis Center Fund*** -This fund accounts for the operations of a tennis center financed primarily by user fees.

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

***Information Technology & Communications (IT&C)*** -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, 2013

Business-type Activities-Enterprise Funds

	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and investments	\$ 1,316	\$ 9,046	\$ 1,969,004	\$ 810,470	\$ 2,789,836
Accounts receivable - net	2,324	-	1,698	86,075	90,097
Inventories	20,971	3,363	-	-	24,334
Prepaid Items	21,953	9,691	4,119	7,911	43,674
Due from other funds	-	-	380,000	-	380,000
Total current assets	46,564	22,100	2,354,821	904,456	3,327,941
Noncurrent assets:					
Capital assets:					
Land	2,282,481	-	-	-	2,282,481
Building and improvements other than buildings	387,554	-	-	-	387,554
Infrastructure	4,275,491	-	-	4,524,633	8,800,124
Equipment	191,188	33,421	-	706,505	931,114
Less accumulated depreciation	(1,065,394)	(21,737)	-	(1,547,010)	(2,634,141)
Total noncurrent assets	6,071,320	11,684	-	3,684,128	9,767,132
Total assets	\$ 6,117,884	\$ 33,784	\$ 2,354,821	\$ 4,588,584	\$ 13,095,073
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 31,086	\$ 819	\$ 2,358	\$ 94,067	\$ 128,330
Due to other governments	-	-	11,166	300,000	311,166
Loans payable	-	-	-	62,394	62,394
Compensated absences	-	-	35,143	27,516	62,659
Accrued liabilities	19,104	2,325	34,233	30,741	86,403
Accrued loan interest payable	-	-	-	1,137	1,137
Unearned revenue	15,079	22,626	-	28,008	65,713
Total current liabilities	65,269	25,770	82,900	543,863	717,802
Noncurrent liabilities:					
Compensated absences	-	-	70,589	61,857	132,446
Net OPEB obligation	-	-	21,588	14,114	35,702
Loans payable	-	-	-	129,376	129,376
Total noncurrent liabilities	-	-	92,177	205,347	297,524
Total liabilities	65,269	25,770	175,077	749,210	1,015,326
<b>NET POSITION</b>					
Net investment in capital assets	6,071,320	11,684	-	3,492,358	9,575,362
Unrestricted	(18,705)	(3,670)	2,179,744	347,016	2,504,385
Total net position	\$ 6,052,615	\$ 8,014	\$ 2,179,744	\$ 3,839,374	\$ 12,079,747

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Nonmajor Enterprise Funds  
For the Year Ended September 30, 2013

Business-type Activities - Enterprise Funds

	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues:</b>					
Charges for services:					
Tennis program charges	\$ -	\$ 190,277	\$ -	\$ -	\$ 190,277
Golf Course charges	1,364,274	-	-	-	1,364,274
Building permit and inspection charges	-	-	1,152,945	-	1,152,945
IT&C charges	-	-	-	2,885,894	2,885,894
Total operating revenues	1,364,274	190,277	1,152,945	2,885,894	5,593,390
<b>Operating Expenses:</b>					
Golf Course	1,489,943	-	-	-	1,489,943
Tennis Center	-	292,320	-	-	292,320
Building permits and inspections	-	-	1,226,809	-	1,226,809
IT&C	-	-	-	2,387,228	2,387,228
Depreciation	271,692	2,959	-	346,795	621,446
Total operating expenses	1,761,635	295,279	1,226,809	2,734,023	6,017,746
Operating income (loss)	(397,361)	(105,002)	(73,864)	151,871	(424,356)
<b>Nonoperating Revenues (Expenses):</b>					
Investment revenue	-	-	-	1,389	1,389
Interest/amortization expense	-	-	-	(1,137)	(1,137)
Total nonoperating revenues (expenses)	-	-	-	252	252
Income (loss) before capital contributions and transfers	(397,361)	(105,002)	(73,864)	152,123	(424,104)
<b>TRANSFERS AND CONTRIBUTIONS</b>					
Transfers in	130,000	105,000	-	-	235,000
Transfers out	(23,000)	(1,000)	-	(14,000)	(38,000)
Total transfers and contributions	107,000	104,000	-	(14,000)	197,000
Change in net position	(290,361)	(1,002)	(73,864)	138,123	(227,104)
<b>NET POSITION</b>					
Net position - beginning	6,342,976	9,016	2,253,608	3,701,251	12,306,851
Net position - ending	\$ 6,052,615	\$ 8,014	\$ 2,179,744	\$ 3,839,374	\$ 12,079,747

**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2013**

<b>Cash flows from operating activities</b>	<b>Golf Course</b>	<b>Tennis Center</b>	<b>Building Permits &amp; Inspections</b>	<b>IT&amp;C</b>	<b>Totals</b>
Cash received from customers	\$ 1,361,555	\$ 192,376	\$ 1,153,989	\$ 2,891,189	\$ 5,599,109
Cash paid to suppliers	(700,612)	(158,487)	(524,676)	(1,453,516)	(2,837,291)
Cash paid to employees	(770,478)	(142,702)	(682,942)	(592,032)	(2,188,154)
Net cash provided by (used in) operating activities	(109,535)	(108,813)	(53,629)	845,641	573,664
<b>Cash flow from noncapital financing activities</b>					
Transfers in from other funds	130,000	105,000	-	-	235,000
Transfers out to other funds	(23,000)	(1,000)	-	(14,000)	(38,000)
Advances to other funds	-	-	(320,000)	-	(320,000)
Advances from other funds	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	107,000	104,000	(320,000)	(14,000)	(123,000)
<b>Cash flow from capital and related financing activities</b>					
Loan principal payments	-	-	-	(81,387)	(81,387)
Interest paid	-	-	-	(2,681)	(2,681)
Acquisition and construction of property, plant and equipment	-	-	-	(148,190)	(148,190)
Net cash provided by (used in) capital and related financing activities	-	-	-	(232,258)	(232,258)
<b>Cash flow from investing activities</b>					
Interest on investments	-	-	-	1,389	1,389
Net cash provided by (used in) investing activities	-	-	-	1,389	1,389
Net increase (decrease) in cash and cash equivalents	(2,535)	(4,813)	(373,629)	600,772	219,795
Beginning cash and cash equivalents	3,851	13,859	2,342,633	209,698	2,570,041
Ending cash and cash equivalents	\$ 1,316	\$ 9,046	\$ 1,969,004	\$ 810,470	\$ 2,789,836

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2013**

	<b>Golf Course</b>	<b>Tennis Center</b>	<b>Building Permits &amp; Inspections</b>	<b>IT&amp;C</b>	<b>Totals</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ (397,361)	\$ (105,002)	\$ (73,864)	\$ 151,871	\$ (424,356)
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	271,692	2,959	-	346,795	621,446
Change in assets and liabilities:					
Accounts receivable	(924)	-	1,044	4,479	4,599
Inventories	5,479	521	-	-	6,000
Prepays	(5,173)	(7,506)	607	(475)	(12,547)
Accounts payable	19,221	(2,177)	8,216	332,367	357,627
Accrued liabilities	(2,469)	2,392	12,653	14,021	26,597
Customer Deposits	-	-	-	816	816
Compensated absences	-	-	(2,285)	(4,233)	(6,518)
Net cash provided by (used in) operating activities	\$ (109,535)	\$ (108,813)	\$ (53,629)	\$ 845,641	\$ 573,664
<b>Cash and cash equivalents classified as:</b>					
Equity in pooled cash and investments in current assets	\$ 1,316	\$ 9,046	\$ 1,969,004	\$ 810,470	\$ 2,789,836
Total cash and cash equivalents	\$ 1,316	\$ 9,046	\$ 1,969,004	\$ 810,470	\$ 2,789,836



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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, 2013

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and investments	\$ 797,279	\$ 4,349,534	\$ 5,146,813
Accounts receivable - net	945	103,074	104,019
Inventories	-	26,213	26,213
Prepaid Items	-	17,448	17,448
Due from other governments	-	32,352	32,352
Total current assets	<u>798,224</u>	<u>4,528,621</u>	<u>5,326,845</u>
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	13,030,198	13,030,198
Less accumulated depreciation	-	(8,196,515)	(8,196,515)
Total noncurrent assets	<u>-</u>	<u>5,930,827</u>	<u>5,930,827</u>
Total assets	<u>\$ 798,224</u>	<u>\$ 10,459,448</u>	<u>\$ 11,257,672</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 8,043	\$ 118,814	\$ 126,857
Claims payable	243,766	-	243,766
Due to other governments	-	1,913	1,913
Compensated absences	-	5,045	5,045
Accrued liabilities	-	7,221	7,221
Total current liabilities	<u>251,809</u>	<u>132,993</u>	<u>384,802</u>
Noncurrent liabilities:			
Compensated absences	-	11,951	11,951
Net OPEB obligation	-	4,482	4,482
Total noncurrent liabilities	<u>-</u>	<u>16,433</u>	<u>16,433</u>
Total liabilities	<u>251,809</u>	<u>149,426</u>	<u>401,235</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	5,930,827	5,930,827
Unrestricted	546,415	4,379,195	4,925,610
Total net position	<u>\$ 546,415</u>	<u>\$ 10,310,022</u>	<u>\$ 10,856,437</u>

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended September 30, 2013

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Operating Revenues:</b>			
Charges for services:			
Risk management	\$ 2,985,360	\$ -	\$ 2,985,360
Fleet management	-	3,792,107	3,792,107
Total operating revenues	2,985,360	3,792,107	6,777,467
<b>Operating Expenses:</b>			
Administrative	3,037,717	2,295,334	5,333,051
Depreciation	-	1,176,783	1,176,783
Total operating expenses	3,037,717	3,472,117	6,509,834
Operating income (loss)	(52,357)	319,990	267,633
<b>Nonoperating Revenues (Expenses):</b>			
Other	-	191,139	191,139
Total nonoperating revenues (expenses)	-	191,139	191,139
Income (loss) before capital contributions and transfers	(52,357)	511,129	458,772
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers in	-	82,315	82,315
Total transfers and contributions	-	82,315	82,315
Change in net position	(52,357)	593,444	541,087
<b>NET POSITION</b>			
Net position - beginning	598,772	9,716,578	10,315,350
Net position - ending	\$ 546,415	\$ 10,310,022	\$ 10,856,437

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2013**

	Self Insured		Totals
	Health	Fleet	
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,984,871	\$ 3,732,108	\$ 6,716,979
Cash paid to suppliers	(2,959,396)	(2,310,548)	(5,269,944)
Cash paid to employees	-	(153,742)	(153,742)
Net cash provided by (used in) operating activities	25,475	1,267,818	1,293,293
<b>Cash flow from noncapital financing activities</b>			
Transfer in from other funds	-	82,315	82,315
Net cash provided by (used in) noncapital financing activities	-	82,315	82,315
<b>Cash flow from capital and related financing activities</b>			
Acquisition and construction of property, plant and equipment	-	(1,159,725)	(1,159,725)
Proceeds from the sale of capital assets	-	191,139	191,139
Net cash provided by (used in) capital and related financing activities	-	(968,586)	(968,586)
<b>Cash flow from investing activities</b>			
Interest on investments	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	25,475	381,547	407,022
Beginning cash and cash equivalents	771,804	3,967,987	4,739,791
Ending cash and cash equivalents	\$ 797,279	\$ 4,349,534	\$ 5,146,813

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Internal Service Funds**  
**For the Year Ended September 30, 2013**

	<b>Self Insured Health</b>	<b>Fleet</b>	<b>Totals</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ (52,357)	\$ 319,990	\$ 267,633
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,176,783	1,176,783
Change in assets and liabilities:			
Accounts receivable	(489)	(59,999)	(60,488)
Inventories	-	39,517	39,517
Prepays	49,316	(2,851)	46,465
Accounts payable	29,005	(211,785)	(182,780)
Accrued liabilities	-	4,239	4,239
Compensated absences	-	1,924	1,924
Net cash provided by (used in) operating activities	\$ 25,475	\$ 1,267,818	\$ 1,293,293
<b>Cash and cash equivalents classified as:</b>			
Equity in pooled cash and investments in current assets	\$ 797,279	\$ 4,349,534	\$ 5,146,813
Total cash and cash equivalents	\$ 797,279	\$ 4,349,534	\$ 5,146,813



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## **FIDUCIARY FUND SCHEDULES**

## FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency funds are fiduciary funds that hold monies in an agency capacity for various governmental units, individuals or funds.

***Coquina Coast Cooperative Agency Fund*** -This fund accounts for all cash contributed and disbursed on behalf of the Coquina Coast Cooperative desalinization project. This is a cooperative effort between regional governmental entities investigating the potential for a desalinization water plant.



**City of Palm Coast, Florida**  
**Schedule of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended September 30, 2013**

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>
<b>Coquina Coast Cooperative</b>				
Cash and investments	\$ 723,923	\$ -	\$ 723,923	\$ -
<b>Total assets</b>	<u>\$ 723,923</u>	<u>\$ -</u>	<u>\$ 723,923</u>	<u>\$ -</u>
Accounts payable	\$ 723,923	\$ -	\$ 723,923	\$ -
<b>Total liabilities</b>	<u>\$ 723,923</u>	<u>\$ -</u>	<u>\$ 723,923</u>	<u>\$ -</u>



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## Statistical Section

This section of the City of Palm Coast's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

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<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	127
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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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**Schedule 1**

**City of Palm Coast, Florida  
Net Position by Component,  
Last Ten Fiscal Years  
(accrual basis of accounting)**

	Fiscal Year									
	2004 (1)	2005 (2)	2006	2007	2008	2009	2010	2011 (3)	2012	2013
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 180,740,187	\$ 188,058,574	\$ 200,311,305	\$ 228,447,143	\$ 267,361,577	\$ 291,330,417	\$ 307,069,337	\$ 306,530,353	\$ 303,986,665	\$ 298,779,350
Restricted	5,950,159	20,866,845	34,114,771	32,324,411	21,477,931	8,201,392	919,709	1,097,652	840,001	1,184,424
Unrestricted	9,707,728	13,953,120	21,046,064	15,686,738	16,811,638	19,321,526	11,141,460	11,900,257	8,897,658	20,677,222
<b>Total governmental activities net position</b>	<b>\$ 196,398,074</b>	<b>\$ 222,878,539</b>	<b>\$ 255,472,140</b>	<b>\$ 276,458,292</b>	<b>\$ 305,651,146</b>	<b>\$ 318,853,335</b>	<b>\$ 319,130,506</b>	<b>\$ 319,528,262</b>	<b>\$ 313,724,324</b>	<b>\$ 320,640,996</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 1,704,059	\$ 13,854,695	\$ 20,287,134	\$ 36,693,625	\$ 49,857,685	\$ 60,854,530	\$ 72,856,080	\$ 68,014,427	\$ 68,131,604	\$ 69,651,643
Restricted	5,288,252	7,733,922	15,509,631	15,436,579	12,965,853	6,051,501	4,024,083	13,716,132	13,833,001	6,755,775
Unrestricted	3,745,088	9,345,746	9,897,342	11,234,724	11,746,111	11,977,264	5,771,497	(1,025,888)	10,224,350	11,992,822
<b>Total business-type activities net position</b>	<b>\$ 10,737,399</b>	<b>\$ 30,934,363</b>	<b>\$ 45,694,107</b>	<b>\$ 63,364,928</b>	<b>\$ 74,569,649</b>	<b>\$ 78,883,295</b>	<b>\$ 82,651,660</b>	<b>\$ 80,704,671</b>	<b>\$ 92,188,955</b>	<b>\$ 88,400,240</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 182,444,246	\$ 201,913,269	\$ 220,598,439	\$ 265,140,768	\$ 317,219,262	\$ 352,184,947	\$ 379,925,417	\$ 374,544,780	\$ 372,118,269	\$ 368,430,993
Restricted	11,238,411	28,600,767	49,624,402	47,760,990	34,443,784	14,252,893	4,943,792	14,813,784	14,673,002	7,940,199
Unrestricted	13,452,816	23,298,866	30,943,406	26,921,462	28,557,749	31,298,790	16,912,957	10,874,369	19,122,008	32,670,044
<b>Total primary government net position</b>	<b>\$ 207,135,473</b>	<b>\$ 253,812,902</b>	<b>\$ 301,166,247</b>	<b>\$ 339,823,220</b>	<b>\$ 380,220,795</b>	<b>\$ 397,736,630</b>	<b>\$ 401,782,166</b>	<b>\$ 400,232,933</b>	<b>\$ 405,913,279</b>	<b>\$ 409,041,236</b>

**Note:** The City of Palm Coast was incorporated on December 31, 1999. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2000.

- (1) The City purchased the local water and wastewater utility on October 30, 2003, and established a solid waste enterprise fund during the fiscal year.
- (2) The City and the Palm Coast Community Service Corporation (PCCSC) merged during the fiscal year and a Stormwater enterprise fund was created.
- (3) The City was required to fund a bond debt service reserve in the utility fund during the year.

**Schedule 2**  
**City of Palm Coast, Florida**  
**Changes in Net Position,**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year									
	2004 (1)	2005 (2)	2006	2007	2008	2009	2010 (3)	2011	2012	2013
<b>Governmental activities:</b>										
General government	\$ 8,388,301	\$ 6,821,382	\$ 8,721,369	\$ 8,358,244	\$ 8,222,494	\$ 9,089,652	\$ 7,291,611	\$ 6,910,244	\$ 5,867,359	\$ 6,683,303
Public safety	3,643,368	4,450,045	6,339,499	7,749,060	8,270,787	9,558,547	11,029,379	10,653,813	10,144,341	10,874,585
Transportation and physical environment	6,589,005	7,054,196	8,776,023	9,535,259	10,580,806	12,035,335	11,552,570	13,325,228	13,333,183	13,932,669
Culture and recreation	1,047,729	1,696,730	2,101,421	2,535,047	2,692,254	2,710,434	2,874,115	2,904,535	3,072,489	3,092,100
Interest on long-term debt	17,983	39,017	19,208	291,244	264,240	314,337	545,416	698,126	652,050	519,669
<b>Total governmental activities expenses</b>	<b>\$ 19,686,386</b>	<b>\$ 20,061,370</b>	<b>\$ 25,957,520</b>	<b>\$ 28,468,854</b>	<b>\$ 30,030,581</b>	<b>\$ 33,708,305</b>	<b>\$ 33,293,091</b>	<b>\$ 34,491,946</b>	<b>\$ 33,069,422</b>	<b>\$ 35,102,326</b>
<b>Business-type activities:</b>										
Utility	15,619,664	18,667,179	22,329,065	24,748,547	27,047,807	32,873,576	32,414,733	31,205,110	30,545,189	33,363,682
Solid Waste	1,490,093	3,733,373	4,359,944	6,352,603	7,436,948	7,492,553	7,557,209	7,631,425	7,533,852	7,154,429
Stormwater	-	1,270,065	3,680,413	3,469,901	3,419,649	3,654,793	4,339,649	4,216,027	3,904,173	4,206,765
Building Permits & Inspections	-	-	-	-	-	-	1,787,281	1,463,027	1,286,637	1,225,965
Information Technology and Communication	-	-	-	-	-	-	157,268	182,643	351,525	490,030
Golf Course	-	-	-	-	31,989	84,219	1,876,394	1,910,096	1,806,088	1,753,323
Tennis Center	-	-	-	-	226,646	242,969	284,483	353,796	267,918	295,273
<b>Total business-type activities expenses</b>	<b>17,109,757</b>	<b>23,670,617</b>	<b>30,369,422</b>	<b>34,571,051</b>	<b>38,163,039</b>	<b>44,348,110</b>	<b>48,417,017</b>	<b>46,962,124</b>	<b>45,695,382</b>	<b>48,489,473</b>
<b>Total primary government expenses</b>	<b>36,796,143</b>	<b>43,731,987</b>	<b>56,326,942</b>	<b>63,039,905</b>	<b>68,193,620</b>	<b>78,056,415</b>	<b>81,710,108</b>	<b>81,454,070</b>	<b>78,764,804</b>	<b>83,591,799</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 6,960,846	\$ 7,723,865	\$ 8,477,215	\$ 3,631,863	\$ 3,575,723	\$ 2,409,425	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910
Public safety	118,086	170,604	214,074	279,066	468,618	1,028,174	679,557	305,916	386,798	1,215,566
Transportation and physical environment	208,305	276,940	344,155	160,299	123,281	93,136	92,840	133,064	132,838	125,186
Culture and recreation	120,901	186,165	244,630	267,788	239,941	193,571	158,546	398,520	436,185	360,585
Operating grants and contributions	2,540,442	2,032,933	2,481,156	2,227,021	2,482,829	2,696,553	3,661,398	4,053,082	3,239,141	3,819,858
Capital grants and contributions	4,911,700	16,970,920	19,533,215	9,809,343	23,416,000	11,116,163	4,401,134	2,679,664	4,771,908	8,499,395
<b>Total governmental activities program revenues</b>	<b>14,860,280</b>	<b>27,361,427</b>	<b>31,294,445</b>	<b>16,375,380</b>	<b>30,306,392</b>	<b>17,537,022</b>	<b>10,140,996</b>	<b>8,237,121</b>	<b>9,938,273</b>	<b>14,988,500</b>
<b>Business-type activities:</b>										
Charges for services:										
Utility	16,005,064	21,204,365	25,503,330	25,893,437	24,401,358	27,690,432	27,771,725	29,190,836	29,518,612	30,730,934
Solid Waste	1,450,510	3,667,701	4,003,761	6,843,240	7,278,358	7,498,306	7,667,964	7,805,956	7,655,877	7,227,081
Stormwater	-	1,673,827	3,071,992	4,046,556	3,685,785	5,112,097	5,509,260	4,778,331	5,469,298	6,316,447
Building Permits & Inspections	-	-	-	-	-	-	201,626	225,099	273,794	1,152,945
Information Technology and Communication	-	-	-	-	-	-	246,094	322,337	659,065	639,557
Golf Course	-	-	-	-	109,791	153,925	1,213,334	1,501,459	1,479,063	1,364,274
Tennis Center	-	-	2,673,226	-	-	-	164,404	181,598	477,582	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	10,011,548	17,760,957	9,743,906	15,174,755	9,175,206	12,605,884	2,940,853	1,047,855	2,112,690	1,238,990
<b>Total business-type activities program Revenues</b>	<b>27,467,122</b>	<b>44,306,850</b>	<b>44,996,215</b>	<b>51,957,988</b>	<b>44,650,498</b>	<b>53,060,644</b>	<b>45,715,260</b>	<b>45,053,471</b>	<b>47,803,789</b>	<b>48,860,505</b>
<b>Total primary government program Revenues</b>	<b>\$ 42,327,402</b>	<b>\$ 71,668,277</b>	<b>\$ 76,290,660</b>	<b>\$ 68,333,368</b>	<b>\$ 74,956,890</b>	<b>\$ 70,597,666</b>	<b>\$ 55,856,256</b>	<b>\$ 53,290,592</b>	<b>\$ 57,742,062</b>	<b>\$ 63,849,005</b>

	Fiscal Year									
	2004 (1)	2005 (2)	2006	2007	2008	2009	2010 (3)	2011	2012	2013
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (4,826,106)	\$ 7,300,057	\$ 5,336,925	\$ (12,093,474)	\$ 275,811	\$ (16,171,283)	\$ (23,152,095)	\$ (26,254,825)	\$ (23,131,149)	\$ (20,113,826)
Business-type activities	10,357,365	20,636,233	14,626,793	17,386,937	6,487,459	8,712,534	(2,701,757)	(1,908,653)	2,108,407	371,032
Total primary government net expense	\$ 5,531,259	\$ 27,936,290	\$ 19,963,718	\$ 5,293,463	\$ 6,763,270	\$ (7,458,749)	\$ (25,853,852)	\$ (28,163,478)	\$ (21,022,742)	\$ (19,742,794)

**General Revenues and Other Changes in Net**

	2004 (1)	2005 (2)	2006	2007	2008	2009	2010 (3)	2011	2012	2013
<b>Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 7,855,523	\$ 10,218,772	\$ 14,720,753	\$ 19,902,970	\$ 20,620,265	\$ 18,211,813	\$ 18,614,730	\$ 15,968,937	\$ 14,180,455	\$ 15,803,692
Sales and use taxes	1,878,066	2,649,771	2,617,198	2,434,474	2,458,212	2,422,436	2,495,167	2,579,899	2,730,209	2,403,052
Telecommunication services tax	1,634,060	1,980,363	2,430,169	2,616,030	3,431,800	2,726,666	2,748,010	2,685,140	2,696,547	2,608,306
Franchise taxes	79,730	9,651	-	-	571,591	58,423	744,353	660,354	651,129	661,438
Other local taxes	-	-	-	-	-	-	404,685	414,385	378,989	404,686
Intergovernmental revenue, non-program	2,128,690	2,730,825	3,310,749	3,095,179	3,364,679	3,310,696	3,253,543	3,405,849	3,649,676	3,841,166
Unrestricted investment earnings	197,427	750,053	2,358,173	3,515,416	2,132,333	1,244,703	888,531	388,707	461,988	287,289
Rental income	-	-	-	-	-	102,334	-	-	-	-
Miscellaneous	6,006	24,443	35,711	240,871	128,620	75,211	21,425	26,779	41,832	77,326
Gain (Loss) on sale of capital assets	8,895	93,575	25,115	66,891	14,653	231,860	81,725	16,241	-	191,139
Capital contributions not restricted to specific programs	-	-	802,047	61,260	-	-	-	-	-	-
Transfers	24,500	722,955	956,761	1,146,535	(3,805,110)	5,756,982	(5,822,903)	506,290	(7,463,594)	752,404
Total governmental activities	13,812,897	19,180,408	27,256,676	33,079,626	28,917,043	34,141,124	23,429,266	26,652,581	17,327,211	27,030,498
Business-type activities:										
Property Taxes	148,549	539,671	1,089,712	1,430,419	912,152	833,213	647,219	467,954	224,542	245,750
Unrestricted investment earnings	-	-	-	-	-	524,881	-	-	1,641	6,552
Other income	(24,500)	(722,955)	(956,761)	(1,146,535)	3,805,110	(5,756,982)	5,822,903	(506,290)	7,463,594	(752,404)
Transfers	124,049	(183,284)	132,951	283,884	4,717,262	(4,398,888)	6,470,122	(38,336)	9,375,877	(500,102)
Total business-type activities	148,098	(366,568)	265,892	567,658	4,434,524	328,225	12,910,266	423,328	17,275,664	1,499,296
Total primary government	13,936,946	18,997,124	27,389,627	33,363,510	33,634,305	29,742,236	29,899,388	26,614,245	26,703,088	26,530,396

**Change in Net Position**

Governmental activities	\$ 8,986,791	\$ 26,480,465	\$ 32,593,601	\$ 20,986,152	\$ 29,192,854	\$ 17,969,841	\$ 277,171	\$ 397,756	\$ (5,803,938)	\$ 6,916,672
Business-type activities	10,481,414	20,452,949	14,759,744	17,670,821	11,204,721	4,313,646	3,768,365	(1,946,989)	11,484,284	(129,070)
Total primary government	\$ 19,468,205	\$ 46,933,414	\$ 47,353,345	\$ 38,656,973	\$ 40,397,575	\$ 22,283,487	\$ 4,045,536	\$ (1,549,233)	\$ 5,680,346	\$ 6,787,602

**Note:** The City of Palm Coast was incorporated on December 31, 1999. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2000.

- (1) The City purchased the local water and wastewater utility on October 30, 2003, and established a solid waste enterprise fund during the fiscal year.
- (2) The City and the Palm Coast Community Service Corporation (PCCSC) merged during the fiscal year and a Stormwater enterprise fund was created.
- (3) The Building Permits & Inspections and Information Technology and Communication departments were removed from the general fund and established as enterprise funds during the fiscal year.

Schedule 3  
City of Palm Coast, Florida  
Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012	2013
General Fund										
Reserved	\$ 605,668	\$ 1,443,695	\$ 1,103,293	\$ 2,933,294	\$ 2,106,699	\$ 7,141,109	\$ -	\$ -	\$ -	\$ -
Unreserved	5,849,129	9,168,444	13,572,557	10,210,163	13,023,776	10,033,713	-	-	-	-
Nonspendable	-	-	-	-	-	-	5,975,576	5,979,178	5,982,244	5,986,187
Restricted	-	-	-	-	-	-	-	-	55,221	55,221
Committed	-	-	-	-	-	-	2,171,614	2,183,984	2,205,117	2,204,711
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	2,393,217	3,049,181	4,485,999	5,900,427
Total general fund	\$ 6,454,797	\$ 10,612,139	\$ 14,675,850	\$ 13,143,457	\$ 15,130,475	\$ 17,174,822	\$ 10,540,407	\$ 11,212,343	\$ 12,728,581	\$ 14,146,546
All Other Governmental Funds										
Reserved	\$ 2,158,702	\$ 7,009,041	\$ 4,996,572	\$ 4,129,475	\$ -	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	2,633,691	2,656,158	6,313,502	9,341,010	7,899,230	7,517,095	-	-	-	-
Special revenue funds	5,693,586	15,638,859	29,286,584	21,725,136	14,071,339	(2,143,495)	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	919,709	1,097,652	784,780	1,129,203
Committed	-	-	-	-	-	-	14,908,303	14,879,097	6,370,050	10,249,998
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	(12,561,419)	(13,860,570)	(10,725,088)	(8,157,109)
Total all other governmental funds	\$ 10,485,979	\$ 25,304,058	\$ 40,596,658	\$ 35,195,621	\$ 21,970,569	\$ 9,873,600	\$ 3,266,593	\$ 2,116,179	\$ (3,570,258)	\$ 3,222,092

**Note:** The City of Palm Coast was incorporated on December 31, 1999.

(1) The City adopted GASB 54 beginning with fiscal year 2010 and has elected to display this change prospectively.



**Schedule 4**  
**City of Palm Coast, Florida**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues</b>										
Taxes	\$ 12,941,610	\$ 16,174,220	\$ 21,670,939	\$ 30,198,339	\$ 26,759,295	\$ 26,307,061	\$ 27,046,608	\$ 24,340,358	\$ 22,637,658	\$ 23,997,162
Licenses and permits	5,910,993	6,525,597	6,161,259	2,578,103	2,572,951	1,147,673	391,479	160,742	210,196	229,590
Intergovernmental revenues	3,374,899	5,004,586	4,522,431	828,706	9,512,770	4,843,895	7,939,669	7,191,917	8,749,022	7,895,185
Charges for services	1,574,693	2,667,712	3,952,844	4,712,369	5,295,879	4,197,416	2,552,903	2,836,649	2,740,171	2,572,727
Special assessments	-	-	-	-	-	38,701	219,391	250,342	129,899	-
Fines and forfeitures	129,910	227,706	868,468	767,936	805,046	1,398,511	1,043,095	656,694	739,411	1,578,139
Impact fees	4,002,575	15,220,838	11,503,871	4,608,972	3,270,897	1,281,486	1,216,661	664,827	746,167	1,254,980
Contributions	-	146,100	7,396,000	1,808,376	12,719	21,295	14,348	6,603	58,949	2,217
Rental income	-	-	-	-	-	102,334	-	-	-	-
Investment Earnings	197,186	741,840	2,326,074	3,449,378	2,075,610	1,203,109	833,589	371,817	421,111	287,289
Miscellaneous	6,006	14,968	34,831	249,308	118,941	75,211	21,425	26,779	38,946	77,326
<b>Total revenues</b>	<b>28,137,872</b>	<b>46,723,567</b>	<b>58,436,717</b>	<b>49,201,487</b>	<b>50,424,108</b>	<b>40,616,692</b>	<b>41,279,168</b>	<b>36,506,728</b>	<b>36,471,530</b>	<b>37,894,615</b>
<b>Expenditures</b>										
Current:										
General government	8,455,664	7,673,946	10,130,835	11,608,405	12,074,244	11,642,333	9,413,906	9,131,441	8,171,546	8,491,303
Public safety	3,549,167	4,280,179	6,189,208	7,530,760	8,003,618	9,820,736	10,719,389	10,058,067	9,822,084	10,524,093
Transportation and physical environment	4,476,099	4,357,076	5,657,983	6,162,459	6,530,163	7,014,650	6,401,040	5,739,492	5,314,597	5,763,838
Culture and recreation	1,002,543	1,536,105	1,773,901	2,054,595	2,097,824	1,991,501	1,878,028	2,151,306	2,186,053	2,161,053
Capital outlay	11,260,891	9,431,598	14,409,198	28,863,676	28,797,726	27,990,100	25,166,275	9,432,633	6,821,805	4,589,433
Debt Service:										
Principal	77,510	138,301	55,158	37,318	34,735	36,150	267,623	225,930	210,000	393,000
Interest and Other	17,983	23,109	9,634	286,954	264,240	314,337	545,416	698,126	652,050	519,669
<b>Total expenditures</b>	<b>28,839,857</b>	<b>27,440,314</b>	<b>38,225,917</b>	<b>56,544,167</b>	<b>57,802,550</b>	<b>58,809,807</b>	<b>54,391,677</b>	<b>37,436,995</b>	<b>33,178,135</b>	<b>32,442,389</b>
Excess of revenues over (under) expenditures	(701,985)	19,283,253	20,210,800	(7,342,680)	(7,378,442)	(18,193,115)	(13,112,509)	(930,267)	3,293,395	5,452,226
<b>Other Financing Sources (Uses)</b>										
Sale of capital assets	905,280	-	-	-	-	2,903,420	1,827,280	11,961	-	-
Loan and capital lease proceeds	53,811	-	-	-	-	-	4,000,000	-	-	2,088,000
Transfers In	904,436	973,133	819,193	1,051,078	1,112,077	5,792,243	5,270,599	1,649,068	5,451,278	2,036,171
Transfers Out	(879,936)	(1,280,965)	(1,673,682)	(641,829)	(4,971,669)	(555,170)	(11,226,792)	(1,209,240)	(12,914,872)	(1,366,082)
<b>Total other financing sources (uses)</b>	<b>983,591</b>	<b>(307,832)</b>	<b>(854,489)</b>	<b>409,249</b>	<b>(3,859,592)</b>	<b>8,140,493</b>	<b>(128,913)</b>	<b>451,789</b>	<b>(7,463,594)</b>	<b>2,758,089</b>
<b>Net change in fund balances</b>	<b>\$ 281,606</b>	<b>\$ 18,975,421</b>	<b>\$ 19,356,311</b>	<b>\$ (6,933,431)</b>	<b>\$ (11,238,034)</b>	<b>\$ (10,052,622)</b>	<b>\$ (13,241,422)</b>	<b>\$ (478,478)</b>	<b>\$ (4,170,199)</b>	<b>\$ 8,210,315</b>
Debt Service as a percentage of noncapital expenditures	0.54	0.90	0.27	1.17	1.03	1.14	2.78	3.30	3.27	3.28

**Note:** The City of Palm Coast was incorporated on December 31, 1999.

Schedule 5  
City of Palm Coast, Florida  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Residential		Commercial		Industrial		Agricultural		Institutional		Governmental		Other		Less:		Less:		Total Taxable		Total Direct Tax Rate
	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Property	Save our Homes (2)	Tax-Exempt Property	Value	Assessed Value		
2004	\$ 2,528,271,398	\$ 232,047,340	\$ 31,357,801	\$ 7,760,475	\$ 42,679,835	\$ 139,464,416	\$ 214,309,963	\$ 354,573,215	\$ 165,002,148	\$ 270,418,934	\$ 2,405,896,931	\$ 3,40									
2005	3,454,001,811	254,715,262	30,507,106	8,346,686	26,661,862	180,732,585	259,118,929	393,810,094	347,134,776	378,735,156	3,094,404,215	\$ 3.40									
2006	5,138,381,360	300,963,171	34,861,566	8,561,550	36,578,109	189,285,651	277,949,484	441,240,549	692,335,627	408,149,787	4,444,854,928	\$ 3.40									
2007	7,209,873,840	395,823,530	39,036,957	22,762,740	43,289,461	212,526,036	365,126,897	486,806,902	1,075,079,176	486,558,894	6,239,994,489	\$ 3.25									
2008	7,966,142,375	513,581,436	57,316,405	82,932,630	46,282,002	302,740,605	391,307,071	519,386,257	1,135,486,199	695,552,647	7,009,877,421	\$ 2.96									
2009	7,048,853,617	626,574,296	56,439,734	64,271,265	63,863,079	344,342,373	425,467,243	1,153,749,410	693,792,399	650,304,629	6,131,965,169	\$ 2.96									
2010	5,810,369,969	640,358,943	57,394,160	81,593,288	79,017,915	363,209,622	413,135,467	1,178,584,144	325,396,383	692,916,836	5,248,182,001	\$ 3.50									
2011	4,970,838,657	513,132,872	44,840,929	84,260,704	74,519,213	323,857,469	369,655,823	1,176,726,372	111,171,325	626,703,217	4,466,504,753	\$ 3.50									
2012	4,421,050,448	449,685,207	40,410,099	84,665,638	71,488,036	304,706,672	367,156,410	1,056,115,106	123,622,919	667,830,359	3,891,594,126	\$ 3.99									
2013	4,208,752,204	505,252,669	35,648,257	73,437,297	71,483,536	299,076,871	365,596,411	1,039,691,458	173,517,550	699,916,216	3,646,122,021	\$ 4.30									

**Source:** Flagler County Property Appraiser, based on preliminary values provided by July 1 of each year for 2004-2005. Fiscal year 2006 forward is based on final taxable values provided in October of each year. Detailed breakdown of final taxable values for 2004-2005 is not available from the Property Appraiser.

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Property in the city is reassessed each year, and visited at least once every three years. Property is assessed at actual value; therefore the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

(1) Every person who has legal or equitable title to real property in the State of Florida, who resides on the property and makes it their permanent home, is entitled to a \$25,000 exemption for the tax years 2003-2007. Starting in tax year 2008, the exemption was increased to \$50,000, with an additional \$25,000 for ages 65 and older.

(2) The Florida Constitution has been amended effective January 1, 1995 to limit any annual increase in the assessed value of residential property with a Homestead Exemption to 3 percent or the Consumer Price Index percent change, whichever is lower. This limitation does not include any change, addition or improvement to a homestead.

Schedule 6  
 City of Palm Coast, Florida  
 Direct and Overlapping Property Tax Rates,  
 Last Ten Fiscal Years  
*(rate per \$1,000 of assessed value)*

Fiscal Year	City Direct Rates (1)			Overlapping Rates (2)					
	General Purposes	Capital Purposes	Total	School District	Flagler County	East Flagler Mosquito Control District	St Johns River Water Management District	Florida Inland Navigation District	
	2004	3.0500	0.3500	3.40000	8.81700	5.39380	0.25200	0.46200	0.03850
2005	2.9000	0.5000	3.40000	8.61200	5.39380	0.23500	0.46200	0.03850	
2006	2.4000	1.0000	3.40000	8.33600	4.98380	0.18600	0.46200	0.03850	
2007	2.5000	0.7500	3.25000	7.71100	4.77160	0.16800	0.46200	0.03850	
2008	2.2123	0.7500	2.96230	7.61800	4.33460	0.15500	0.41580	0.03450	
2009	2.6123	0.3500	2.96230	7.31000	4.54450	0.17300	0.41580	0.03450	
2010	3.1500	0.3500	3.50000	7.76800	5.24790	0.20380	0.41580	0.03450	
2011	3.5000	-	3.50000	8.01300	6.05500	0.20380	0.41580	0.03450	
2012	3.5400	0.4500	3.99000	8.03100	6.78140	0.23900	0.33130	0.03450	
2013	4.1502	0.1456	4.29580	7.94300	7.66200	0.25400	0.33130	0.03450	

**Source:** Flagler County Tax Collector

**Note:** The City of Palm Coast was incorporated on December 31, 1999

- (1) The tax rate is limited to \$10.00 per thousand by the State of Florida. Any additional amount requires a majority vote of the city's residents.
- (2) Overlapping rates are those local and county governments that apply to property owners within the City of Palm Coast.

Schedule 7  
City of Palm Coast, Florida  
Principal Property Tax Payers,  
Current Year and Eight Years Ago

Taxpayer	2013			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FLORIDA POWER & LIGHT COMPANY	\$ 63,726,395	1	1.64%	-	-	-
INLAND DIVERSIFIED PALM COAST	18,670,588	2	0.48%	-	-	-
BELLSOUTH TELECOMMUNICATIONS I	14,017,204	3	0.36%	-	-	-
INTEGRA WOODS LLC	13,181,928	4	0.34%	-	-	-
BRIGHT HOUSE NETWORKS	11,703,121	5	0.30%	-	-	-
FLORIDA LANDMARK COMMUNITIES	10,952,303	6	0.28%	-	-	-
PALM COAST MEDICAL SPECIALISTS	10,889,829	7	0.28%	-	-	-
WAL-MART STORES EAST LP	10,430,958	8	0.27%	\$ 9,089,406	5	0.29%
CELEBRITY RESORTS OF PALM	10,346,400	9	0.27%	-	-	-
TARGET CORPORATION T-2364	9,800,000	10	0.25%	8,473,479	7	0.27%
HARBOR CLUB OWNERS ASSOCIATION	-	-	-	16,579,324	1	0.54%
COMMONWEALTH PALM COAST CORP	-	-	-	13,087,141	2	0.42%
GRAND CLUB LLC THE	-	-	-	11,241,803	3	0.36%
WACHOVIA TRUST COMPANY	-	-	-	9,117,934	4	0.30%
CRESCENT RESOURCES INC	-	-	-	8,781,812	6	0.28%
INTERVEST CONSTRUCTION INC	-	-	-	7,361,708	8	0.24%
LONGVIEW VILLAGE	-	-	-	6,940,340	9	0.22%
HOME DEPOT USA INC	-	-	-	6,201,085	10	0.20%
	<b>\$ 173,718,726</b>		<b>4.47%</b>	<b>\$ 96,874,032</b>		<b>3.12%</b>

Source: Flagler County Property Appraiser

Note: The City of Palm Coast was incorporated on December 31, 1999. Information from years prior to 2005 is not available from the Flagler County Property Appraiser due to computer system limitations.

Schedule 8  
City of Palm Coast, Florida  
Property Tax Levies and Collections,  
Last Ten Fiscal Years

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
2004	\$ 8,174,413	\$ 7,855,523	96.10	\$ 6,946	\$ 7,862,469	96.18
2005	10,565,776	10,211,826	96.65	29,558	10,241,384	96.93
2006	15,112,507	14,602,739	96.63	14,539	14,617,278	96.72
2007	20,279,982	19,589,267	96.59	13,873	19,603,140	96.66
2008	20,765,640	20,101,446	96.80	81,687	20,183,133	97.19
2009	18,164,720	17,521,094	96.46	117,912	17,639,006	97.11
2010	18,368,637	17,710,493	96.42	91,121	17,801,614	96.91
2011	15,632,767	15,090,032	96.53	86,923	15,176,955	97.08
2012	15,534,998	14,980,925	96.43	99,505	15,080,430	97.07
2013	15,650,967	15,093,036	96.44	-	15,093,036	96.44

**Source:** Flagler County Property Appraiser

**Note:** The City of Palm Coast was incorporated on December 31, 1999.

(1) Taxes are levied on November 1 of each year. Taxes are due by March 31 of the following year. Taxes paid prior to March 31 receive discounts of up to 4%. See Note 1 of the financial statements for more details.

(2) Details relating to collections in subsequent years are unavailable. Subsequent collections have been applied to fiscal years based on an estimate of collections.

Schedule 9  
City of Palm Coast, Florida  
Ratios of Outstanding Debt by Type,  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-type Activities					Total Primary Government	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Personal Income (thousands of dollars)	Estimated Population	Percentage of Personal Income (d)	Per Capita (d)
	Capital Leases	Local Government Pooled Loan	CDGB Loan	SRF/Bank Loan (c)	Equipment Loan	Utility Revenue Bonds (a)	Utility SRF Loan (b)	Stormwater SRF/Bank Loan (b)	IT&C Capital Leases								
2004	\$ 59,520	\$ -	\$ 230,693	\$ 75,000	\$ 156,230	\$ 96,650,000	\$ -	\$ -	\$ -	\$ 97,171,443	\$ 2,405,896,931	4.04	\$ 1,817,308	42,850	5.35	2,268	
2005	27,033	-	199,880	-	92,801	96,650,000	8,415,152	-	-	105,384,866	3,094,404,215	3.41	2,139,000	50,484	4.93	2,087	
2006	3,944	-	167,812	-	228,072	94,805,000	16,074,494	2,769,785	-	114,049,107	4,444,854,928	2.57	2,480,000	58,216	4.60	1,959	
2007	-	-	134,437	-	37,846	142,765,000	23,134,323	3,988,024	-	170,059,630	6,239,994,489	2.73	2,731,000	67,832	6.23	2,507	
2008	-	-	99,702	-	-	140,845,000	27,939,573	3,919,270	-	172,803,545	7,009,877,421	2.47	2,805,000	70,376	6.16	2,455	
2009	-	-	63,552	-	-	138,890,000	28,386,116	6,695,806	-	174,035,474	6,131,965,169	2.84	2,832,191	74,590	6.14	2,333	
2010	-	-	25,929	3,770,000	-	135,920,000	25,700,918	13,854,213	252,015	179,523,075	5,248,182,001	3.42	3,071,000	73,910	5.85	2,429	
2011	-	-	-	3,570,000	-	132,860,000	24,466,247	15,291,698	447,645	176,635,590	4,466,504,753	3.95	3,229,939	74,067	5.47	2,385	
2012	-	-	-	3,360,000	-	127,632,882	23,199,592	14,340,900	273,157	168,806,531	3,891,594,126	4.34	3,516,641	75,180	4.80	2,245	
2013	-	-	-	5,055,000	-	142,624,496	21,899,999	13,346,756	191,770	183,118,021	3,646,122,021	5.02	-	76,450	-	2,395	

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2013 by the Bureau of Economic and Business Research, University of Florida.

(a) The City purchased the local water and wastewater utility on October 30, 2003, issuing revenue bonds to fund the purchase. During fiscal year 2007, the City issued an additional \$49,840,000 in bonds to fund a new water treatment plant. During fiscal year 2013, the City refinanced the 2003 utility revenue bonds, and issued an additional \$21 million in new bond debt.

(b) The City obtained an SRF and bank loans to fund the expansion of the wastewater treatment plant, water distribution infrastructure and stormwater system improvements.

(c) The City obtained a bank loan in the amount of \$4,000,000 during fiscal year 2010 to fund land purchases and improvements in the SR100 CRA. This loan was refinanced during fiscal year 2013, including an additional \$2,088,000 in new loan debt for improvements in the SR100 CRA.

(d) Personal income data is for Flagler County. See Demographic and Economic Statistics on page 141 for personal income and population data. Personal income data not available for 2013.

Schedule 10  
City of Palm Coast, Florida  
Ratios of General Bonded Debt Outstanding,  
Last Ten Fiscal Years

General Bonded Debt Outstanding

Fiscal Year	Local Government Pooled Loan	Total	Taxable		Percentage Taxable		Estimated Population	Per Capita
			Assessed Value of Property	Assessed Value of Property	Assessed Value of Property	Assessed Value of Property		
2004	-	-	\$ 2,405,896,931	-	-	42,850	\$ -	
2005	-	-	3,094,404,215	-	-	50,484	-	
2006	-	-	4,444,854,928	-	-	58,216	-	
2007	-	-	6,239,994,489	-	-	67,832	-	
2008	-	-	7,009,877,421	-	-	70,376	-	
2009	-	-	6,131,965,169	-	-	74,590	-	
2010	-	-	5,248,182,001	-	-	73,910	-	
2011	-	-	4,466,504,753	-	-	74,067	-	
2012	-	-	3,891,594,126	-	-	75,180	-	
2013	-	-	3,646,122,021	-	-	76,450	-	

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population estimates from the Bureau of Economic and Business Research, University of Florida.

Schedule 11  
 City of Palm Coast, Florida  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Flagler County General Obligation Bonds, Series 2005	\$ 27,775,000	59.48	\$ 16,520,148
Flagler County Capital Improvement Revenue Bonds, Series 2005	25,150,000	59.48	14,958,838
Flagler County Limited Tax General Obligation Bonds, Series 2005	2,460,000	59.48	1,463,171
Flagler County Limited Tax General Obligation Bonds, Series 2009	8,740,000	59.48	5,198,419
Flagler County Limited Tax General Obligation Bonds, Series 2010	4,450,000	59.48	2,646,792
<b>Other debt</b>			
Flagler County School Board District Certificates of Participation	68,845,000	52.87	36,396,274
Flagler County School Board District State School Bonds	1,680,000	52.87	888,165
Flagler County School Board District Revenue Bonds	2,040,000	52.87	1,078,486
Flagler County Notes Payable	8,895,541	59.48	5,290,933
Subtotal, overlapping debt			84,441,228
<b>City Direct Debt</b>			5,055,000
<b>Total Direct and overlapping debt</b>			<u>\$ 89,496,228</u>

**Sources:** Assessed value data used to estimate applicable percentages provided by the Flagler County Property Appraiser. Debt outstanding data provided by each governmental unit.

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

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental units' taxable value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This same formula is used for other overlapping debt.



**Schedule 12  
City of Palm Coast  
Legal Debt Margin Information,  
Last Ten Fiscal Years**

The Constitution of the State of Florida,  
Florida Statutes 200.181 and the City of Palm Coast Charter  
sets no legal debt margin

Schedule 13

City of Palm Coast, Florida  
Pledged-Revenue Coverage,  
Last Ten Fiscal Years

Utility Revenue Bonds									
Fiscal Year	Utility Service Charges (1)	Less: Operating Expenses (2)	Stabilization Transfers To/(From) (3)	Net Available Revenue	Debt Service		Coverage		
					Principal	Interest			
2004	\$ 16,044,561	\$ 9,149,504	\$ 1,900,000	\$ 4,995,057	\$ -	\$ 4,442,773	1.12		
2005	21,744,036	11,451,648	3,300,000	6,992,388	-	4,442,773	1.57		
2006	26,593,042	14,152,222	4,000,000	8,440,820	1,845,000	4,405,873	1.35		
2007	26,674,110	14,789,497	1,000,000	10,884,613	1,880,000	4,368,273	1.74		
2008	24,925,712	16,496,688	-	8,429,024	1,920,000	4,329,873	1.35		
2009	28,044,523	16,743,299	-	11,301,224	1,955,000	6,445,164	1.35		
2010	28,132,136	17,170,763	(10,200,000)	21,161,373	2,970,000	6,352,364	2.27		
2011	29,245,334	15,614,566	-	13,630,768	3,060,000	6,248,459	1.46		
2012	29,586,299	15,064,742	-	14,521,557	3,170,000	6,136,499	1.56		
2013	30,735,592	15,218,533	-	15,517,059	3,280,000	6,024,895	1.67		

**Note:** The City of Palm Coast was incorporated on December 31, 1999. Details regarding the City's outstanding debt can be found in the notes to the financial statements. The City purchased the local water and wastewater utility on October 30, 2003, issuing revenue bonds to fund the purchase.

- (1) Gross revenues include operating revenue of the system and interest earnings. Interest earnings from construction funds are excluded.
- (2) Operating expenses include operating and administrative expenses of the system.
- (3) Transfers to the rate stabilization account decrease net revenues, and transfers from the rate stabilization account increase net revenues, per the bond resolution.

Schedule 14  
City of Palm Coast, Florida  
Demographic and Economic Statistics,  
Last Ten Calendar Years

Calendar Year	Population	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	School Enrollment	Unemployment Rate
2003	38,348	1,555,403	25,026	7,596	5.40%
2004	42,850	1,817,308	26,632	8,464	5.60%
2005	50,484	2,139,000	28,393	9,626	5.10%
2006	58,216	2,480,000	30,140	10,973	4.40%
2007	67,832	2,731,000	30,973	12,800	4.20%
2008	70,376	2,878,868	30,746	12,738	6.50%
2009	74,590	2,832,191	30,912	13,082	11.80%
2010	73,910	3,071,000	32,009	12,832	15.70%
2011	74,067	3,229,939	33,170	13,100	14.10%
2012	75,180	3,516,641	35,753	12,768	9.60%

**Sources:** Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2003-2012 by the Bureau of Economic and Business Research, University of Florida. Personal income data per the U.S. Bureau of Economic Analysis. School enrollment data is from the Flagler County School Board. Unemployment rates are from the Bureau of Labor Statistics.

(a) Personal income data is for Flagler County.

**Note:** The City of Palm Coast was incorporated on December 31, 1999.

Schedule 15

City of Palm Coast, Florida

Principal Employers,

Current Year and Nine Years Ago

Employer	2013			2004		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,741	1	5.58	1,200	1	5.53
Florida Hospital-Flagler	950	2	3.05	340	4	1.57
Palm Coast Data	721	3	2.31	1,032	2	4.75
Publix Supermarket	690	4	2.21	190	5	0.88
Hammock Beach Resort	467	5	1.50	-	-	-
Wal Mart Stores	461	6	1.48	350	3	1.61
Sea Ray Boats	425	7	1.36	-	-	-
City of Palm Coast	382	8	1.22	133	9	0.61
Flagler County	297	9	0.95	-	-	-
Flagler County Sheriff's Office	264	10	0.85	-	-	-
Winn-Dixie Stores	-	-	-	170	6	0.78
American Radionic Company, Inc.	-	-	-	137	7	0.63
Beverly Health & Rehabilitation	-	-	-	135	8	0.62
Ascorm Energy Systems, Inc.	-	-	-	131	10	0.60
<b>Total</b>	<b>6,398</b>		<b>20.51</b>	<b>3,818</b>		<b>17.58</b>

**Source:** Flagler County Chamber of Commerce, Florida Research and Economic database for civilian workforce

**Note:**

(a) Statistics relating to total city employment are unavailable. The City of Palm Coast represents approximately 70% of the total population of Flagler County.

Schedule 16

City of Palm Coast, Florida  
Full-time-Equivalent City Government Employees by Function/Program,  
Last Ten Fiscal Years

Full-time-Equivalent Employees as of September 30,

Function/Program	2004	2005	2006	2007	2008 (a)	2009	2010	2011 (b)	2012	2013
General Government										
City Administration	4	4	4	4	22	22	15	15	15	13
Community Relations	-	3	4	4	-	-	-	-	-	-
City Attorney	-	-	-	1	1	1	1	1	1	1
City Clerk	1	3	4	5	-	-	-	1	1	2
Financial Services	10	15	15	17	14	9	8	8	8	8
Information Tech & Communications	2	7	12	14	15	15	12	-	-	-
Community Development	16	14	17	19	60	17	16	40	40	41
Building and Code Enforcement	21	55	54	51	-	45	41	-	-	-
Fire	36	37	44	46	58	67	66	62	62	59
Law Enforcement	-	-	1	1	1	1	-	-	-	-
Streets and Facilities	34	37	55	55	43	64	54	59	59	65
Engineering	-	-	6	7	18	17	9	7	7	6
Recreation and Athletics	17	23	32	40	31	27	19	19	19	20
Capital Projects	16	10	7	8	-	-	-	-	-	-
Water and Wastewater Utility (1)	67	81	101	112	106	116	113	115	115	118
Solid Waste	-	2	2	2	-	-	-	-	-	-
Stormwater Management (2)	-	16	17	20	16	30	37	30	30	30
Golf Course	-	-	-	-	1	-	-	-	-	-
Building Permits & Inspections	-	-	-	-	-	-	-	15	15	14
Information Tech & Communications	-	-	-	-	-	-	-	13	13	11
Tennis Center	-	-	-	-	3	3	3	-	-	-
Fleet Management	4	4	5	5	3	3	3	3	3	4
<b>Total</b>	<b>228</b>	<b>311</b>	<b>380</b>	<b>411</b>	<b>392</b>	<b>437</b>	<b>397</b>	<b>388</b>	<b>388</b>	<b>392</b>

Source: City Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year, including vacation and sick leave. Fire employees (not including administrative positions) are scheduled to work 2,756 hours per year, including vacation and sick leave. Full-time-equivalent employment is calculated by dividing total labor hours by 2,756 for Fire, and 2,080 for all other employees.

The City of Palm Coast was incorporated on December 31, 1999.

(1) The City purchased the local water and wastewater utility on October 30, 2003.

(2) The City and the Palm Coast Community Service Corporation (PCCSC) merged during fiscal year 2005 creating the Stormwater Management department.

(a) General government departments and functions were reorganized for the year ended September 30, 2008.

(b) Building Permits & Inspections and Information Tech & Communications were established as enterprise funds. Code Enforcement merged with Community Development. The Tennis Center was contracted to a management company.

**Schedule 17**  
**City of Palm Coast, Florida**  
**Operating Indicators by Function/Program,**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits Issued										
Residential	4,347	3,299	2,187	507	203	132	127	96	108	248
Commercial	97	130	56	83	100	17	26	15	12	145
Other	4,652	6,259	6,906	4,201	4,991	5,609	5,260	5,410	6,743	7,351
Total	9,096	9,688	9,149	4,791	5,294	5,758	5,413	5,521	6,863	7,741
Building Inspections	39,873	69,047	42,493	58,735	18,503	17,488	16,006	16,441	15,989	19,012
Code Violations										
Total Code Violations	10,897	14,528	15,743	14,775	19,789	18,775	23,749	21,261	23,201	22,287
Code Violations Cleared	2,791	7,756	9,820	12,226	14,335	13,028	16,500	19,995	22,907	20,671
Expenditures per Cleared Violation	\$206	\$111	\$119	\$168	\$140	\$143	\$125	\$105	\$143	\$104
Fire and Rescue										
Total Fire Calls	238	159	192	207	170	222	186	278	213	179
Total EMS Calls	2,592	3,050	2,419	3,311	4,501	4,860	5,404	5,300	5,365	5,503
% Responses under 5 Minutes	44%	52%	52%	63.10%	61%	56%	61%	55%	56%	42%
Public Works										
Refuse Collection (Annual Tons)	26,362	33,601	37,515	46,093	34,137	31,580	31,134	30,144	31,316	26,300
Recycle Collection (Annual Tons)	2,101	2,836	2,959	4,339	3,857	3,969	3,982	3,960	4,038	4,840
Street Rehabilitation (Expenditures per capita)	\$40	\$57	\$63	\$58	\$49	\$55	\$52	\$70	\$66	\$68
Potholes Repaired	454	404	790	1,790	1,210	350	86	24	36	65
Parks and Recreation										
Developed Park Acres/1000 population	4.29	3.43	4.02	4.52	3.53	4.41	5.05	4.84	4.60	4.52
Recreation Program Expenditures/1000 population	\$20,168	\$12,906	\$16,635	\$17,152	\$22,002	\$13,544	\$12,263	\$16,397	\$17,353	\$13,538
Total Recreation Revenues/1000 population	\$2,420	\$3,380	\$3,725	\$4,130	\$3,504	\$3,769	\$2,145	\$2,271	\$2,277	\$2,152
Engineering and Stormwater (1)										
Freshwater Canal Maintenance -	-	-	60.20%	100%	100%	100%	100%	100%	100%	100%
100% Annual Service Required	-	-	2.80%	2%	2%	2%	6%	7%	2%	8%
Existing Swale Service -	-	-	-	85.70%	100%	100%	100%	100%	100%	100%
Hazardous Drainage Conditions Resolved -	-	-	-	-	-	-	-	-	-	-
100% Repaired in 24 Hours	-	-	-	-	-	-	-	-	-	-
Water (2)										
New Connections	-	3,745	3,751	1,603	1,599	481	201	229	114	163
Peak Daily Water Demand (Million gallons per day)	-	10.08	8.73	11.33	10.9	10.4	10.1	9.7	11.1	9.4
Wastewater (2)	-	-	-	-	-	-	-	-	-	-
Peak Daily Wastewater Treated (Million gallons per day)	-	7.07	7.63	6.38	10.62	6.9	11.8	6.83	6.83	6.83

**Sources:** Various City departments

**Notes:** The City of Palm Coast was incorporated on December 31, 1999. Certain operating indicators for and prior to fiscal year 2006 are unavailable.  
 (1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during fiscal year 2005 creating the Stormwater Management department.  
 (2) The City purchased the local water and wastewater utility on October 30, 2003.

Schedule 18  
City of Palm Coast, Florida  
Capital Asset Statistics by Function/Program,  
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire and Rescue										
Stations	3	3	3	3	3	3	5	5	5	5
Apparatus	9	12	12	15	15	15	17	16	20	20
Public Works										
Streets (miles)	1,077	1,078	1,078	1,102	1,102	1,102	1,138	1,169	1,169	1,182
Traffic Signals	26	29	36	41	43	47	47	50	52	50
Fleet Size	113	153	238	241	301	283	246	242	235	223
Parks and Recreation										
Acreage	602	602	647	672	672	746	746	1,278	1,265	1,265
Playgrounds	4	4	6	6	6	7	7	7	8	8
Athletic Fields	14	14	14	16	16	22	19	20	20	20
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	-	1,000	1,000	1,000	1,200	1,200	1,200	1,100	1,100	1,100
Drainage ditches (miles)	-	150	150	150	150	150	150	154	154	154
Canals (miles)	-	80	80	80	80	80	80	84	84	84
Water control structures	-	19	19	19	19	19	19	31	31	31
Water (2)										
Water Mains (miles)	623	623	648	648	648	679	679	714	714	714
Fire Hydrants	3,058	3,058	3,455	3,455	3,455	3,717	3,772	3,772	3,784	3,784
Capacity (millions of gallons per day)	12.38	12.38	12.38	12.38	12.38	15.38	15.38	15.38	15.38	15.38
Wastewater (2)										
Sewers (miles)	475	475	560	560	560	613	613	613	620	620
Treatment Capacity (millions of gallons per day)	4.55	4.55	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83

Sources: Various City departments

Notes: The City of Palm Coast was incorporated on December 31, 1999. Certain operating indicators for and prior to fiscal year 2005 are unavailable.

(1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during fiscal year 2005 creating the Stormwater Management department.

(2) The City purchased the local water and wastewater utility on October 30, 2003.



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## **OTHER REPORTS**



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

To the Honorable Mayor, City Council, and City Manager,  
City of Palm Coast, Florida:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida (the City) as of and for the year ended September 30, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 22, 2014.

***Internal Control over Financial Reporting***

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

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

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

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gnv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

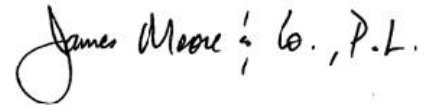
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### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
January 22, 2014

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Federal Agency, Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Community Development Block Grants	14.218	B-11-MN-12-0034	\$ 1,375,071	\$ 391,578
Community Development Block Grants	14.218	B-12-MC-12-0060	318,338	<u>20,268</u>
				<u>411,846</u>
Passed Through Florida Department of Community Affairs:				
Community Development Block Grants	14.228	10DB-4X-04-28-02-F 20	2,664,903	225,572
Community Development Block Grants	14.228	11DB-T3-04-28-02-H18	750,000	<u>322,201</u>
				<u>547,773</u>
Total U.S. Department of Housing and Urban Development				<u>959,619</u>
<b>Department of Transportation</b>				
Passed Through State of Florida, Department of Transportation				
ARRA - Highway Planning and Construction - Belle Terre Phase III Multi-Use Path	20.205	APY 50	1,680,194	48,812
ARRA - Highway Planning and Construction - Palm Harbor Multi-Use Trail	20.205	AQ 247	1,380,116	303,042
Highway Planning and Construction - Palm Coast Parkway Six Lane Row Acquisition	20.205	AQN 01	485,334	182,958
Highway Planning and Construction - Palm Coast Parkway Six Lane Design	20.205	AQ 462	1,164,500	11,681
Total Department of Transportation				<u>546,493</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,506,112</u>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes federal awards activity of the City of Palm Coast, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

DRAFT

**CITY OF PALM COAST, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: *Unmodified.*

**Internal control over financial reporting:**

- There were no significant deficiencies or material weaknesses related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- There were no instances of noncompliance material to the financial statements of the City of Palm Coast, Florida disclosed during the audit.

**Federal Awards:**

**Internal control over major federal programs:**

- There were no significant deficiencies or material weaknesses related to internal control over major federal programs disclosed by the audit.
- Type of report issued on compliance for each major program: *Unmodified.*
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133.
- Major program identification:
  - CFDA No. 20.205 – U.S. Department of Transportation, Highway Planning and Construction, ARRA
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Palm Coast, Florida is considered to be a low-risk auditee.

**B. Financial Statement Findings:** None

**C. Federal Award and State Financial Assistance Findings and Questioned Costs:** None

**D. Prior Audit Findings:** None

**E. Corrective Action Plan:** No corrective action plan as there were no findings for the year ended September 30, 2013.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Honorable Mayor, City Council, and City Manager,  
City of Palm Coast, Florida:

**Report on Compliance for Each Major Federal Program**

We have audited the City of Palm Coast, Florida's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City of Palm Coast, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gnv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
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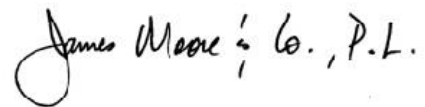
## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida  
January 22, 2014

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Council, and City Manager,  
City of Palm Coast, Florida:

We have audited the basic financial statements of the City of Palm Coast, Florida (the City), as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 22, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance for each Major Federal Program Report and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 22, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address all findings and recommendations made in the preceding annual financial audit report except as follows:

**2011-001 Segregation of Duties over Journal Entries:**

Upon the retirement of the former Finance Director during the month of September 2011, we noted the new Finance Director (former Chief Accountant) has access to all primary areas of the general ledger and has access to post journal entries without approval by another person. Such incompatible duties create an opportunity for misappropriation of assets and/or fraudulent financial reporting as well as a way to conceal these activities.

Previously, the Chief Accountant would post journal entries which were then approved by the Finance Director. A fundamental concept in a good system of internal control is the segregation of duties. Upon the retirement of the former Finance Director, the City's finance department prohibits complete adherence to this concept.

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
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Fax: 850/422-2074  
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The City has established goals whereas upon proper training of other finance department staff, the new Finance Director will be removed from the preparation of journal entries function in order to take on the review and approval role. With the successful implementation of this procedure, we believe the segregation of duties surrounding the Finance Director would be improved.

**2012-001 Deficit Net Position and Negative Fund Balances (Modified Amounts)**

In connection with our audit, we determined the City met the condition described in Section 218.39(5)(b), Florida Statutes; and therefore, we are required to notify each member of the governing body. The City reported deficit unrestricted net position of \$18,705 and \$3,670 in its golf course and tennis center funds, respectively, and negative fund balances of \$2,432,738, \$825,340, and \$4,899,031 in its transportation impact fee, SR100 CRA, and OKR special assessment funds, respectively, as of September 30, 2013. However, the City had unrestricted net position and unassigned fund balances in other funds that can be used by the funds with deficits to cover the reported deficits and would not impair the City's ability to carry out its functions.

In addition, finding 2011-001, listed above, was included in the second preceding fiscal year financial audit report under the same paragraph heading.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendation:

**2013-001 Expenditures over Budget**

The City reported actual expenditures of \$3,879,349 and budgeted expenditures of \$3,685,700 in the Streets Improvement fund during the year ended September 30, 2013. While actual expenditures may be greater than budgeted amounts during the year, the City should amend the final budgeted amounts to exceed actual expenditures. We recommend the City perform a budget to actual reconciliation of year-end amounts within 60 days of year-end to ensure there are no funds with actual expenditures greater than budgeted expenditures.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

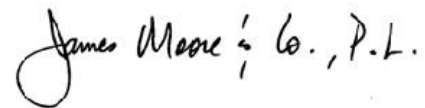
Section 10.554 (1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Palm Coast, Florida was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to the City as of September 30, 2013.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. This assessment was made as of the fiscal year ended September 30, 2013.

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J".

Daytona Beach, Florida  
January 22, 2014



## FINANCIAL SERVICES DEPARTMENT

### RESPONSE TO INTERNAL CONTROL AND MANAGEMENT COMMENTS

Honorable Mayor and City Council Members:

The Financial Services Department would like to provide a response to the management comments and recommendations submitted by the audit firm of James Moore & Co., P.L. for the current year.

#### 1. Segregation of Duties over Journal Entries

With the retirement of the former Finance Director, the position of Chief Accountant and Finance Director were combined as part of the City's ongoing cost containment program. Due to this change, the Finance Director is in a position of creating and approving his own journal entries. We started a training program in order to address this issue. Existing staff is currently preparing all routine entries, and continues to be trained on more complex entries in order to remove the Finance Director from the function of preparing journal entries.

#### 2. Deficit Net Assets and Negative Fund Balances

The deficit unrestricted net assets in the golf course and tennis center funds will be rectified through a five year plan to make these operations self-sufficient. Negative fund balances in the OKR special assessment and SR100 CRA funds are the result of capital spending in advance of related revenues, and will be satisfied as those revenues become available. The negative fund balance in the transportation impact fee fund will be corrected as part of a budgeted multi-year plan commencing in the fiscal year 2014

#### 3. Expenditures over Budget

A new review process was put in place in order to identify areas where expenditures may be greater budgeted amounts in the Streets Improvement fund. This process will take place within 45 days of year-end in order to amend the final budget within 60 days of year-end.

Christopher M. Quinn, MACC, CPA, CFE, CGFO, CGMA

Finance Director  
January 22, 2014



**AFFIDAVIT OF IMPACT FEE COMPLIANCE**

The City of Palm Coast, Florida has complied with Section 163.31801 of Florida Statutes regarding accounting and reporting of impact fee collections and expenditures.

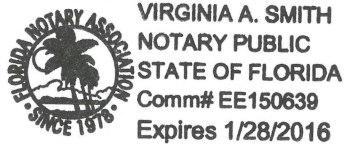
Jim Landon, City Manager

Christopher Quinn, Finance Director

STATE OF FLORIDA  
COUNTY OF FLAGLER

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Jim Landon and Christopher Quinn, whom I know personally and whom executed the foregoing instrument and acknowledged before me that he executed the same.

WITNESS my hand and official seal in the County and State last aforesaid this 22nd day of January 2014.



(Seal/Stamp)  
(Commission Expiration Date)

Notary Public  
State of Florida at Large