

# THE CITY OF PALM COAST FLORIDA



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012

*Find Your Florida*



**This page intentionally left blank**

**CITY OF PALM COAST, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2012**

**Prepared by:**

**City of Palm Coast  
Financial Services Department**



**This page intentionally left blank**

# 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



**This page intentionally left blank**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF PALM COAST, FLORIDA  
For The Year Ended September 30, 2012**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	iii
Letter of Transmittal	vii
Certificate of Achievement for Excellence in Financial Reporting	xi
Organizational Chart	xiii
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	5
Management's Discussion and Analysis	9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	23
Statement of Activities	24
Fund Financial Statements:	
Governmental Fund Financial Statements -	
Balance Sheet	26
Reconciliation of the Balance Sheet to the Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Proprietary Fund Financial Statements -	
Statement of Net Assets	30
Statement of Revenues, Expenses and Changes in Fund Net Assets	33
Statement of Cash Flows	34
Fiduciary Fund Financial Statements -	
Statement of Net Assets	36
Statement of Changes in Net Assets	37
Notes to Financial Statements	40
Required Supplementary Information:	
Volunteer Firefighter's Pension Plan	82
Post-Employment Benefits Other Than Pension (OPEB)	83
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual - General Fund	84
Budget and Actual - Transportation Impact Fee Special Revenue Fund	85
Budget and Actual - Streets Improvement Special Revenue Fund	86
Budget and Actual - SR100 CRA Special Revenue Fund	87
Notes to Required Supplementary Information	88
Combining and Other Individual Fund Statements and Schedules:	
Budget and Actual - Capital Projects Fund	93
Non-Major Governmental Funds	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	95
Individual Non-Major Governmental Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - Police Education Special Revenue Fund	96
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual - Police Automation Special Revenue Fund	97
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - Park Impact Fee Special Revenue Fund	98
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - Fire Impact Fee Special Revenue Fund	99
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - Neighborhood Stabilization Special Revenue Fund	100
Schedule of Revenues, Expenditures and Changes in Fund Balances -	
Budget and Actual - OKR Special Assessment Special Revenue Fund	101

Non-Major Enterprise Funds	
Combining Statement of Net Assets	106
Combining Statement of Revenues, Expenses and Changes in Net Assets	107
Combining Statement of Cash Flows	108
Internal Service Funds	
Combining Statement of Net Assets	114
Combining Statement of Revenues, Expenses and Changes in Net Assets	115
Combining Statement of Cash Flows	116
Fiduciary Fund Schedules	
Statement of Changes in Assets and Liabilities - Agency Funds	121
<b>STATISTICAL SECTION</b>	
Schedule 1 Net Assets by Component	125
Schedule 2 Changes in Net Assets	126
Schedule 3 Fund Balances - Governmental Funds	128
Schedule 4 Changes in Fund Balances - Governmental Funds	129
Schedule 5 Assessed and Actual Value of Taxable Property	130
Schedule 6 Direct and Overlapping Property Tax Rates	131
Schedule 7 Principal Property Tax Payers	132
Schedule 8 Property Tax Levies and Collections	133
Schedule 9 Ratios of Outstanding Debt by Type	134
Schedule 10 Ratios of General Bonded Debt Outstanding	135
Schedule 11 Direct and Overlapping Governmental Activities Debt	136
Schedule 12 Legal Debt Margin	137
Schedule 13 Pledged-Revenue Coverage	138
Schedule 14 Demographic and Economic Statistics	139
Schedule 15 Principal Employers	140
Schedule 16 Full-time Equivalent Employees by Function/Program	141
Schedule 17 Operating Indicators by Function/Program	142
Schedule 18 Capital Asset Statistics by Function/Program	143
<b>OTHER REPORTS</b>	
Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters	
Other Matters Based on an audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	147
Schedule of Expenditures of Federal Awards	149
Notes to Schedule of Expenditures of Federal Awards	150
Schedule of Findings and Questioned Costs	151
Report on Compliance with Requirements Applicable to Each Major Program and on Internal	
Control Over Compliance in Accordance with OMB Circular A-133	153
Management Letter of Independent Auditors Required by Chapter 10.550 Rules of the	
Auditor General	155
Response to Management Comments	158



# **LETTER OF TRANSMITTAL**



**This page intentionally left blank**



## CITY MANAGER'S OFFICE

February 7, 2013

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, 2012, 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 76,450 residents and covers an area of approximately 81 square miles. For fiscal year 2013, property within the City has a taxable value of \$3,646,122,021. This was a decrease of approximately six percent from 2012. The City's property tax rate for fiscal year 2013 is set at \$4.2958 per \$1,000 of taxable value. Approximately three percent of the property taxes levied have been committed to capital projects for fiscal year 2013.

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 slowly recovering from the collapse of the housing market, both in existing home sales and new construction. Early estimates on 2013 real estate values indicate a leveling off at 2012 values. Real estate values had decreased for the last five consecutive years. 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, the unemployment rate as of September 30, 2012 was still 11.9%.

A particular bright spot has been taxable sales within the City. We have seen over a 20% increase in taxable sales since 2007. Some of the recent commercial additions include a popular Italian national restaurant chain which is expected to employ over 100 people, as well as a popular bakery chain also expected to employ over 50 people. Other commercial projects completed in 2012 include a medical building by the City's second largest employer, Florida Hospital at Flagler. The construction of the 34,000 square foot medical building on Palm Coast Parkway included several doctor's offices, medical specialists, an urgent care center, and other medical services.

While the number of foreclosed and distressed homes on the market continues to affect new residential construction, realtors have indicated that existing homes sales have picked up in 2012, home values are beginning to stabilize, and are generally optimistic about the future. Early returns on new residential construction indicate an increase in new home starts for fiscal year 2013.

## **Long-term Financial Planning**

The City Council top priorities going into fiscal year 2013 are economic development and our stormwater system rehabilitation. 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 2013 is being provided through a combination of a stormwater user fees and property taxes. A rate adjustment is expected in 2013 to provide funds for future year's improvements.

The water and sewer utility capital improvements have also been effected by the economy. The City will be performing a rate study during fiscal year 2013 to address the capital and operational needs of the utility for the future.

## **Future Programs**

The City's investment in a municipal owned fiber optic network will serve as the backbone to provide service to the commercial areas of the city. The system, named FiberNET, is being marketed to commercial businesses in Palm Coast by service providers that have a contract with the City to lease space on the network. During fiscal year 2011, two of the larger employers in the City, the school board and the hospital, signed contracts to utilize FiberNET for their communications needs. There is also interest by wireless providers to use FiberNET as the foundation for a city-wide wireless network. This system is expected to continue to improve opportunities for economic development in the future.

The City was very successful in obtaining grant money for projects in fiscal year 2012. Most of the capital grants are for roadway expansion projects. The City also continues to administer two grants for the Neighborhood Stabilization Program. Over twenty houses have already been bought, refurbished and sold to new homeowners. This program will probably continue for several years since the money from the sales are reinvested back into the program. For fiscal year 2013, the City also will be administering a CDGB housing rehabilitation grant.

The Palm Coast Business Assistance Center was started in 2011 through a unique partnership between the City of Palm Coast and the University of Central Florida Small Business Development Center. The Center's mission is to help grow local businesses. The Center received grants to provide a small business loan guarantee program during the fiscal year. It is also providing training and guidance to small business owners as key component of the City's Prosperity 2021 economic development plan. The City is actively seeking additional funding in order to expand this program.

Other projects that were expected to be funded by tax dollars or impact fees will be evaluated based on community need and possibly delayed until growth picks up. This is not expected to negatively impact any current facilities in the short term. Some projects that will be needed when growth occurs will continue through the design and permitting stages so that they are ready for construction when growth dictates and funds are available.

## 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, 2011. This is the eleventh 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.

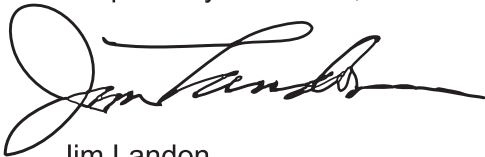
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2012 budget document. This is the ninth consecutive year 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

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Moynell*

President

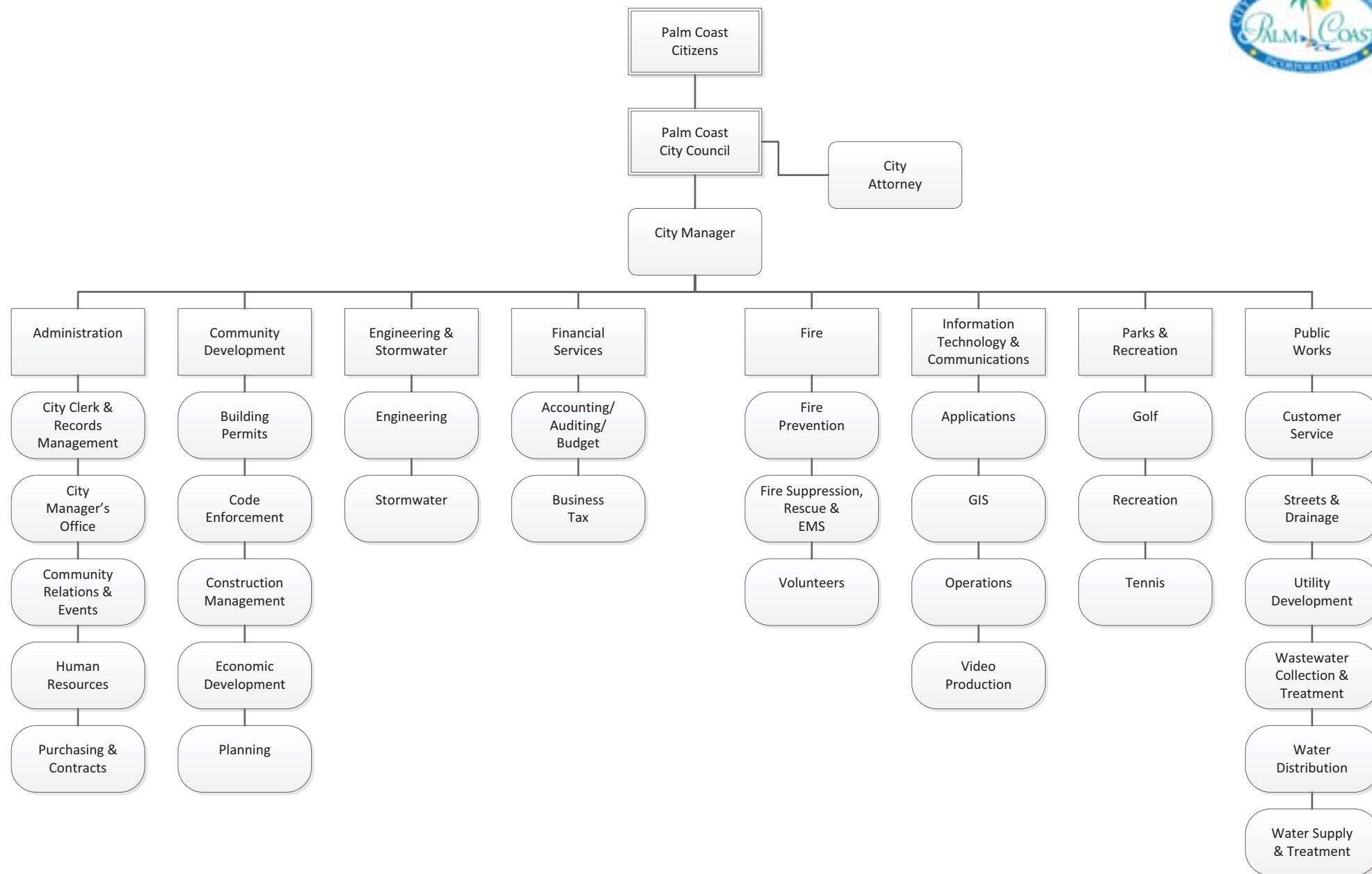
*Jeffrey R. Emer*

Executive Director



**This page intentionally left blank**





## **LIST OF PRINCIPAL OFFICIALS**

**September 30, 2012**

### **ELECTED OFFICIALS**

Mayor

Honorable Jon Netts

City Council Members:

Jason Delorenzo  
Bill McGuire  
Frank Meeker  
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



**This page intentionally left blank**

## **INDEPENDENT AUDITORS' REPORT**



**This page intentionally left blank**

## INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2013, 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* and should be considered in assessing the results of our audit.

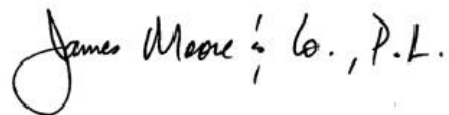
121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

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

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

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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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. The 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.

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

Daytona Beach, Florida  
February 7, 2013



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**This page intentionally left blank**

## 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, 2012. 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 year 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 at the close of fiscal year 2012 by \$405,913,279. Of this amount, \$19,122,008 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,680,346. Over \$4 million of the increase was attributable to a net increase in the Stormwater Fund for the year. This increase was driven by a combination of property taxes and transfers to address a deficiency in unrestricted fund balance created by an aggressive capital investment program. Over \$1 million of the increase was due to a program to increase reserves in the Internal Service Funds.
- As of the close of fiscal year 2012, the City's governmental funds reported combined ending fund balances of \$9,158,323 a decrease of \$4,170,199 over the prior year. The combined ending fund balances include negative unassigned fund balance of \$6,239,089, which was due to capital expenditures in advance of related revenues. The decrease in combined ending fund balance was primarily due to interfund loans to enterprise funds being reclassified as fund transfers.
- At the end of fiscal year 2012, unassigned fund balance in the general fund was \$4,485,999 or 18.7% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$5,631,523 during the current fiscal year. This was due to principal payments on 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 comprise 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 assets presents information on all of the City of Palm Coast's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or

decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 eleven individual governmental funds. Six 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 much like 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 **39-79** 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 **81-83** of this report.

## Government-wide Financial Analysis

As noted earlier, net assets 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 by \$405,913,279 at the close of the most recent fiscal year.

Of the net assets, 4.7% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 3.6% of net assets represent resources that are subject to external restrictions. By far the largest portion of the City of Palm Coast's net assets (91.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt used to acquire the assets, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City of Palm Coast is able to report positive balances in all three categories of net assets for the government as a whole. For the prior fiscal year, all categories, except unrestricted net assets under the business-type activities, were positive.

City of Palm Coast's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 24,393,452	\$ 18,857,457	\$ 36,997,310	\$ 35,076,760	\$ 61,390,762	\$ 53,934,217
Capital assets	305,708,015	308,941,111	224,064,135	228,333,646	529,772,150	537,274,757
Total assets	330,101,467	327,798,568	261,061,445	263,410,406	591,162,912	591,208,974
Long-term liabilities	5,157,617	5,212,079	166,685,816	172,262,877	171,843,433	177,474,956
Other liabilities	11,219,526	3,058,227	2,186,674	10,442,858	13,406,200	13,501,085
Total liabilities	16,377,143	8,270,306	168,872,490	182,705,735	185,249,633	190,976,041
Net assets:						
Invested in capital assets, net						
of related debt	303,986,665	306,530,353	68,131,604	68,014,427	372,118,269	374,544,780
Restricted	840,001	1,097,652	13,833,001	13,716,132	14,673,002	14,813,784
Unrestricted	8,897,658	11,900,257	10,224,350	(1,025,888)	19,122,008	10,874,369
Total net assets	\$ 313,724,324	\$ 319,528,262	\$ 92,188,955	\$ 80,704,671	\$ 405,913,279	\$ 400,232,933

## Governmental Activities

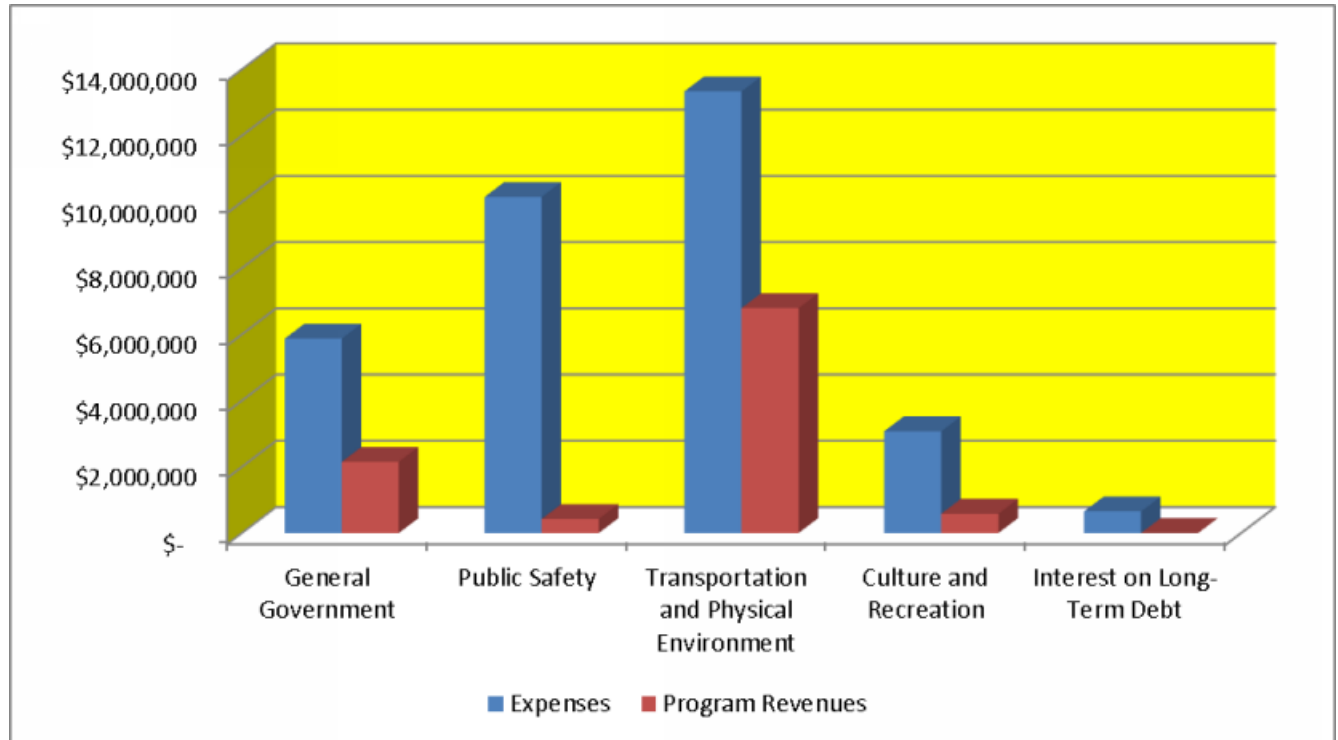
Governmental activities decreased the City of Palm Coast's net assets by \$5,803,938 during the current fiscal year. This was primarily due to the reclassification of \$7,420,998 in interfund loans to fund transfers. These loans were between the capital projects fund and the golf course and IT&C proprietary funds in order to fund golf course renovations and fiber optic network

expansion. The reclassifications are also the reason for the increase of \$8,161,299 in Other Liabilities for the year. Governmental activities unrestricted net assets decreased by \$3,002,599. The reclassification of interfund loans noted above, offset by increases in primarily the general and streets improvement funds, account for the decrease. The general fund increase was due to expense savings versus the budget, and the streets improvement fund increase was due to capital projects being delayed until fiscal year 2013. Property taxes decreased \$1,788,482 from the previous year. This was primarily due to the allocation of \$1,686,100 of property taxes to the stormwater enterprise fund. Capital grants and contributions increased \$2,092,244 due to several transportation related grant projects in the City. The significant change in transfers was due to the interfund loan reclassifications noted above. General government expenses decreased \$1,042,885. This was primarily due to one-time expenditures in the capital project fund in fiscal year 2011, and a decrease in grant activity in the NSP fund for the current year.

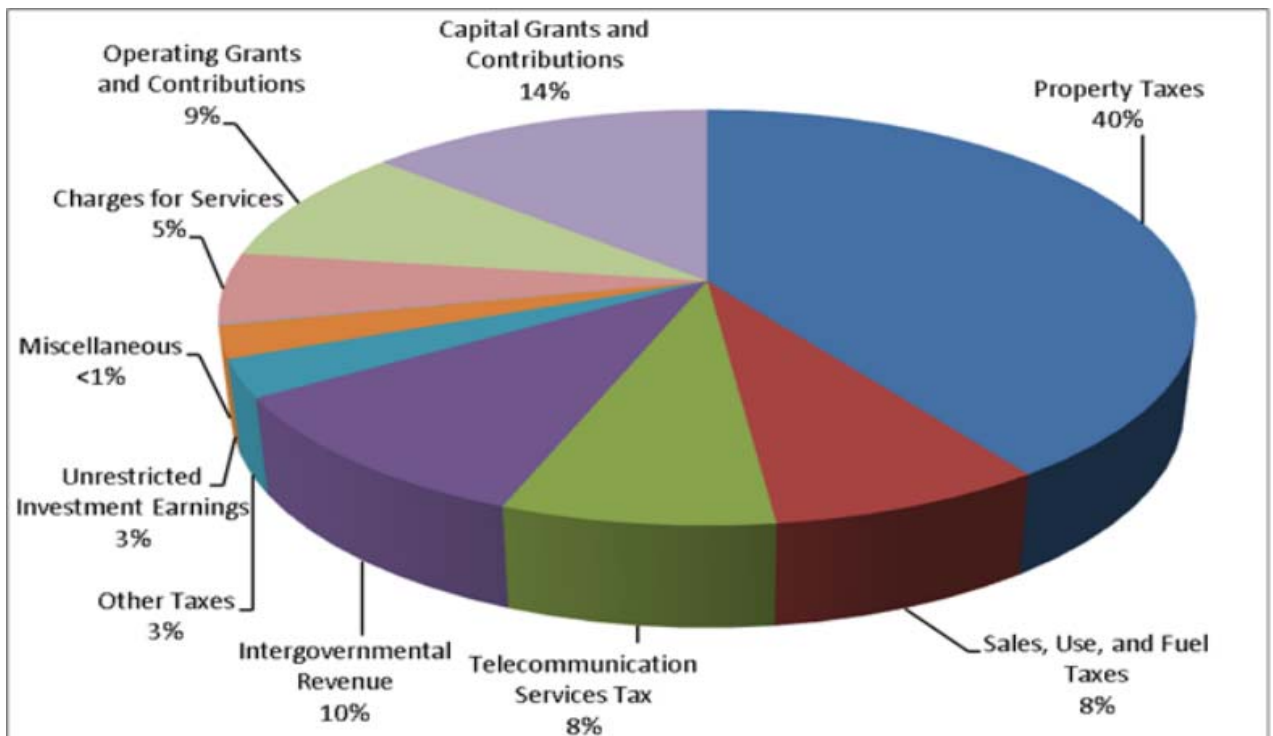
Table II  
City of Palm Coast's Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,927,224	\$ 1,504,375	\$ 45,213,517	\$ 44,005,616	\$ 47,140,741	\$ 45,509,991
Operating grants and contributions	3,239,141	4,053,082	477,582	-	3,716,723	4,053,082
Capital grants and contributions	4,771,908	2,679,664	2,112,690	1,047,855	6,884,598	3,727,519
General revenues:					-	-
Property taxes	14,180,455	15,968,937	1,686,100	-	15,866,555	15,968,937
Other taxes	6,456,874	6,339,778	-	-	6,456,874	6,339,778
Intergovernmental	3,649,676	3,405,849	-	-	3,649,676	3,405,849
Other	503,800	431,727	226,183	467,954	729,983	899,681
Total revenues	34,729,078	34,383,412	49,716,072	45,521,425	84,445,150	79,904,837
Expenses:						
General government	5,867,359	6,910,244	-	-	5,867,359	6,910,244
Public safety	10,144,341	10,653,813	-	-	10,144,341	10,653,813
Transportation and physical environment	13,333,183	13,325,228	-	-	13,333,183	13,325,228
Culture & recreation	3,072,489	2,904,535	-	-	3,072,489	2,904,535
Utility	-	-	30,545,189	31,205,110	30,545,189	31,205,110
Solid Waste	-	-	7,533,852	7,631,425	7,533,852	7,631,425
Stormwater	-	-	3,904,173	4,216,027	3,904,173	4,216,027
Building Permits and Inspections	-	-	1,286,637	1,463,027	1,286,637	1,463,027
IT&C	-	-	351,525	182,643	351,525	182,643
Golf Course	-	-	1,806,088	1,910,096	1,806,088	1,910,096
Tennis Center	-	-	267,918	353,796	267,918	353,796
Interest on long-term debt	652,050	698,126	-	-	652,050	698,126
Total expenses	33,069,422	34,491,946	45,695,382	46,962,124	78,764,804	81,454,070
Increase (decrease) in net assets before transfers	1,659,656	(108,534)	4,020,690	(1,440,699)	5,680,346	(1,549,233)
Transfers	(7,463,594)	506,290	7,463,594	(506,290)	-	-
Increase (decrease) in net assets	(5,803,938)	397,756	11,484,284	(1,946,989)	5,680,346	(1,549,233)
Net assets - beginning	319,528,262	319,130,506	80,704,671	82,651,660	400,232,933	401,782,166
Net assets - ending	\$ 313,724,324	\$ 319,528,262	\$ 92,188,955	\$ 80,704,671	\$ 405,913,279	\$ 400,232,933

### Expenses and Program Revenues – Governmental Activities

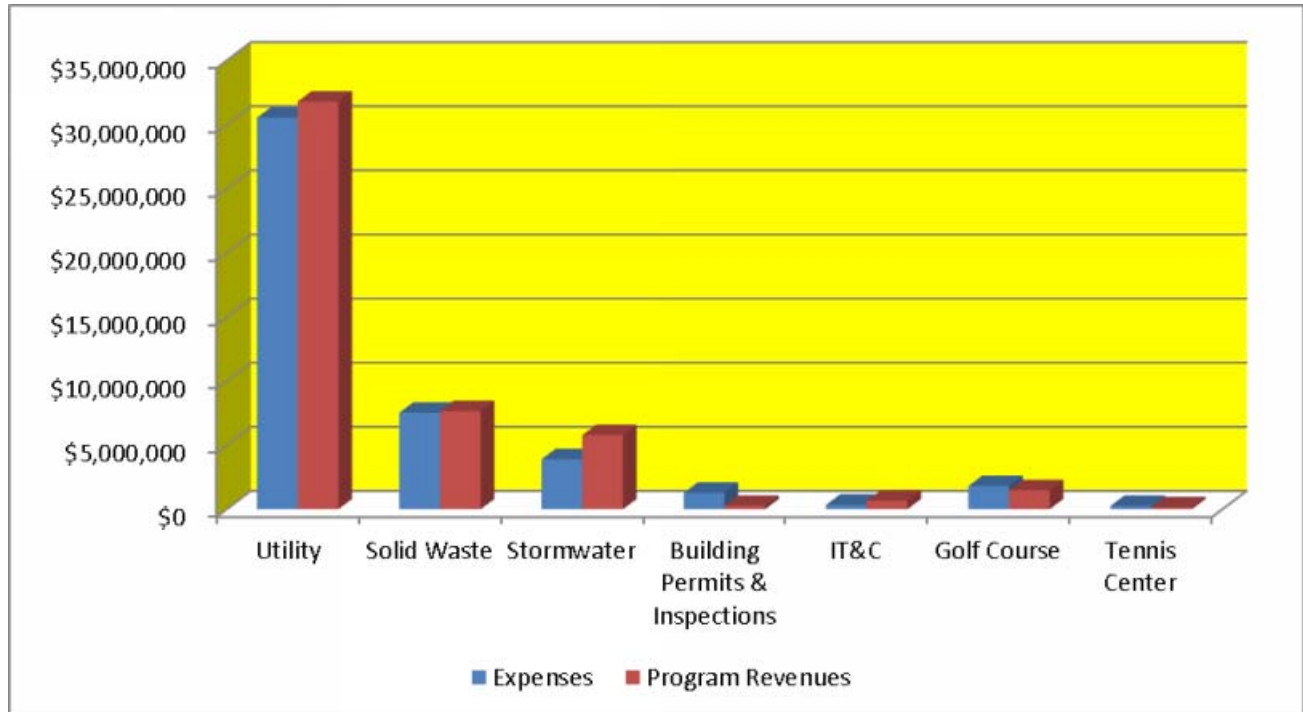


### Revenues by Source – Governmental Activities

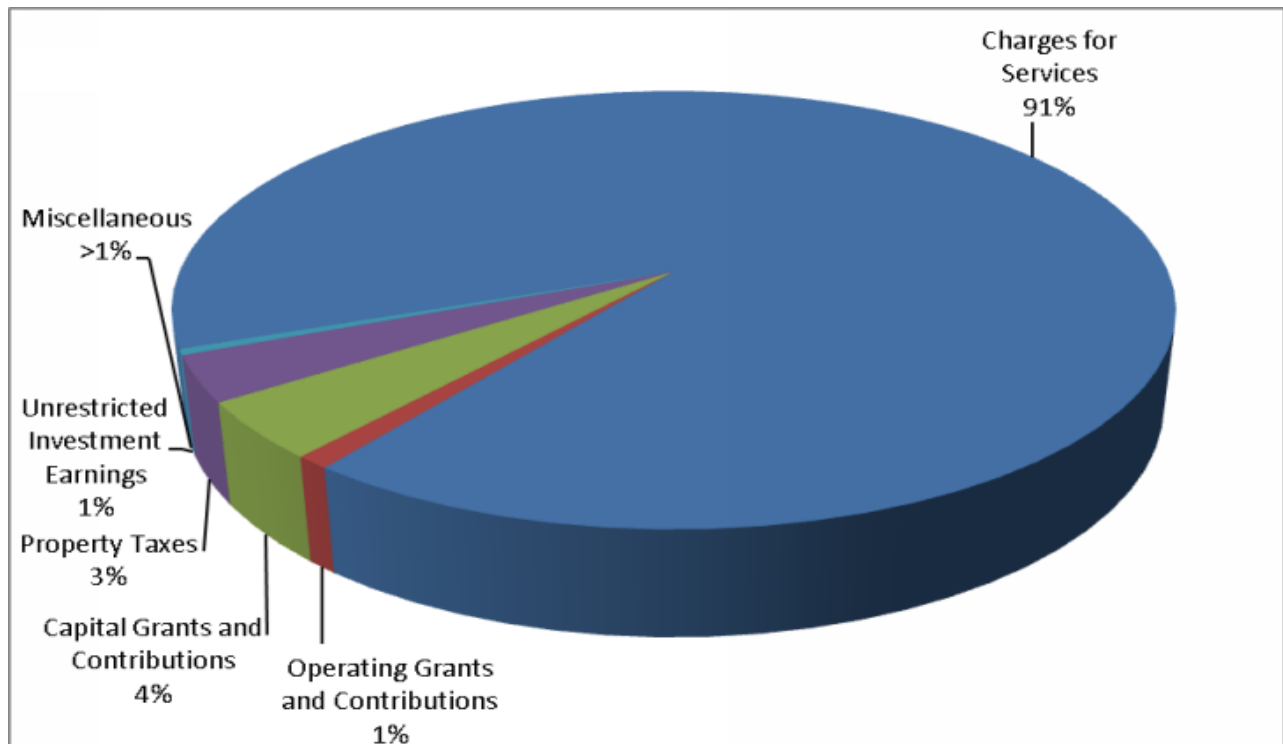




### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities



## **Business-type Activities**

Business-type activities increased the City of Palm Coast's net assets by \$11,484,284, offsetting the Governmental activities decrease in net assets for the year. The increase in net assets was partially attributable to over \$7 million in interfund loans from the governmental capital projects funds being reclassified as transfers. These amounts were for capital investment in the golf course and IT&C Funds. Though initially recorded as loans, they were reclassified as transfers during fiscal year 2012 to better reflect the nature of these transactions. The stormwater fund primarily contributed the balance of the increase. A combination of transfers and a portion of property taxes were added to this fund during the fiscal year. This was to address ongoing capital investment and negative unrestricted fund balance. The net results of the above were the primary drivers of Business-type activities unrestricted net assets increasing by \$10,781,015, and other liabilities decreasing by \$8,256,184. Capital grants and contributions increased by \$1,064,835 for the year. This was primarily due to sewer impact fees received on an intergovernmental connection project to be completed during fiscal year 2013.

## **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 \$4,485,999, with an additional \$2,205,117 committed as a disaster reserve. The total fund balance stood at \$12,728,581. 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 19% of total general fund expenditures versus 12% for fiscal year 2011. Total fund balance represents approximately 53% of the total general fund expenditures versus 45% for fiscal year 2011.

The fund balance of the City of Palm Coast's general fund increased by \$1,516,238 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 the establishment of a comprehensive cost containment program. Overall general fund revenues and net transfers remained level, but expenses and were \$779,272 less than in 2011. The decrease in expenses were in the general government, public safety, and transportation and physical environment functions due to the cost control program. This program includes both evaluation of personnel needs and operating expense reduction plans.

The capital projects fund has a total fund balance of \$1,909,520, a decrease of \$10,281,071. A portion of the total property tax revenue was previously allocated to this fund to cover capital expenditures, but was suspended in 2011 due to economic conditions in the City. Also, \$9,425,998 of interfund loans were reclassified as transfers for the year. Of this amount, \$7,350,998 was to the enterprise funds noted previously. The balance of \$2,075,000 was to the transportation impact fee fund in order to offset negative unassigned fund balance. The transportation impact fee total fund balance was (\$2,426,065), an increase of \$2,646,254. Due to limited impact fee collections from slow development, no projects expenditures were made from this fund. The streets improvement fund balance was \$4,460,530 representing an increase of \$1,772,024. 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 2013. The SR100 CRA fund balance was (\$3,099,816), an increase of \$570,402. Collection of revenue in advance of related capital projects is the primary reason for this increase. A major roadway and drainage project is budgeted for fiscal year 2013.

The other governmental funds have a total fund balance (\$4,414,427). This was a decrease of \$394,046 during the current fiscal year. The decrease is primarily due to the exhaustion of program income in the Neighborhood Stabilization Fund.

**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 assets of the utility fund were \$3,582,119 at the end of the year, with the total fund balance at \$65,099,417. The unrestricted net assets increased \$1,110,407 for the year. The entire change was due to capital contributions. Operating expenses decreased \$370,578 over fiscal year 2011 due to the ongoing cost reduction program. Prior year's contributions to a regional water supply study totaling \$477,582 were also returned during the fiscal year. The balance of the increase is due to increased revenues for the year.

Unrestricted net assets of the solid waste fund were \$804,811, which represents an increase of \$122,025. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net assets of the stormwater fund were \$1,786,761, which represents an increase of \$4,257,198. Over \$2.5 million of this increase is due to transfers and property taxes budgeted in this fund for the fiscal year. These were to address the ending negative unrestricted fund balance for fiscal year 2011. The balance is primarily due to expected improved collections of outstanding stormwater fees due to the completion of a rate restructuring project.

Unrestricted net assets in the golf course fund were (\$36), which represents an increase of \$5,534,878. This increase is primarily due to the reclassification of an interfund loan from the capital projects fund in the amount of \$5,556,500 to a transfer. These amounts were previously used to renovate the golf course for public use.

Unrestricted net assets in the tennis center fund were (\$5,627), which represents an increase of \$17,957. This increase is primarily due to transfers from the general fund to support the operations of the center.

Unrestricted net assets in the building permits and inspections fund were \$2,253,608, which represents a decrease of \$1,009,168. This decrease is primarily due to a planned use of unrestricted net assets through a ninety percent reduction in building permit fees. This program is set to expire early in fiscal year 2013.

Unrestricted net assets in the information technology and communications fund (IT&C) were \$91,675, which represents an increase of \$2,072,651. This increase is primarily due to the reclassification of an interfund loan from the capital projects fund in the amount of \$1,794,498 to a transfer. These amounts were previously used to invest in the expansion of the City's fiber optic system infrastructure assets.

## **Fund Balance Policy Compliance**

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

**Proprietary funds.** The utility fund and solid waste fund unrestricted net assets 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 stormwater fund unrestricted net assets exceed the policy maximum of twenty percent of the following year's budgeted expenses. The excess amount will be reinvested into future year's infrastructure improvements. The golf course and tennis center fund unrestricted net assets are below the minimum fund balance threshold. A plan is currently in place to return unrestricted net assets to the minimum threshold within three years.

Additional information relating to the fund balance policy can be found in Note **15** on pages **77-79** of this report.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses and transfers out totaled a decrease of \$246,937. The change was due to net budget revisions in various departments as part of our ongoing cost reduction program. During the year, final amended expenditures exceeded the revenues budget by \$4,133,514. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,555,851. The overall cost reduction program, as well as not needing to use accumulated disaster reserve funds, are the primary reasons for this difference.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2012, amounts to \$529,772,150 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is a decrease of \$7,502,607 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 85,752,095	\$ 85,722,690	\$ 16,067,448	\$ 16,051,194	\$ 101,819,543	\$ 101,773,884
Buildings and improvements						
other than buildings	30,321,086	28,829,474	71,183,365	73,419,372	101,504,451	102,248,846
Infrastructure	174,347,235	181,087,453	130,729,830	133,787,533	305,077,065	314,874,986
Equipment	7,237,040	7,940,685	653,750	919,716	7,890,790	8,860,401
Construction in progress	8,050,559	5,360,809	5,429,742	4,155,831	13,480,301	9,516,640
Total	\$ 305,708,015	\$ 308,941,111	\$ 224,064,135	\$ 228,333,646	\$ 529,772,150	\$ 537,274,757

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

**Long-term debt.** The City of Palm Coast owes \$127,632,882 in revenue bonds, net of premiums and bond costs, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$37,756,316 primarily for utility and stormwater improvements. The City also has a CRA revenue loan for redevelopment costs with a balance of \$3,360,000 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 \$171,843,433.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Loans from other governments	\$ -	\$ -	\$ 29,198,491	\$ 30,757,946	\$ 29,198,491	\$ 30,757,946
Loans from financial institutions	3,360,000	3,570,000	8,557,825	9,256,964	11,917,825	12,826,964
Revenue bonds, net	-	-	127,632,882	130,744,093	127,632,882	130,744,093
Capital leases	-	-	57,333	190,680	57,333	190,680
Net OPEB liability	272,000	209,000	147,000	97,000	419,000	306,000
Compensated absences	1,525,617	1,433,079	1,092,285	1,216,194	2,617,902	2,649,273
Total	\$ 5,157,617	\$ 5,212,079	\$ 166,685,816	\$ 172,262,877	\$ 171,843,433	\$ 177,474,956

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on pages **58-68** of this report.

### Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the General Fund increased to \$4,485,999. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 19%.

The City Council approved a millage rate of 4.2958 mills for fiscal year 2012. Of the total millage, .0700 mills will be dedicated to the stormwater fund for capital improvements. Additional millage was dedicated to capital improvements through the streets improvement fund (.0285) and capital projects fund (.0470), leaving the balance of 4.1503 mills to the general fund. Declining market values contributed to an overall decrease in taxable property value for the fifth consecutive year. The decrease in taxable value was approximately 7%. New construction added approximately .7% to the taxable value, so the City had a net of 6.3% reduction in taxable property value for the year.

The water and sewer rates increased for the 2012-2013 budget year. Annual rate increases are tied to changes in the Consumer Price Index for All Urban Customers as of June 30 each year. The water and sewer rates were increased by 1.7% for all customers. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. In addition, the City commissioned a water and sewer rate study in anticipation of issuing bonds for future capital projects, including a new sewer treatment plant. Any recommended rate increases are anticipated to take effect in April 2013.

During the fiscal year 2013 budget process, 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 indicated a rate increase from \$8 per ERU billing unit to \$11.65 per ERU billing unit. The new rate will take effect in January 2013.

### **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**



**This page intentionally left blank**



City of Palm Coast, Florida  
Statement of Net Assets  
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 18,466,631	\$ 6,324,454	\$ 24,791,085
Accounts receivable - net	1,599,728	8,408,880	10,008,608
Due from other governments	4,007,735	-	4,007,735
Prepaid items	253,628	92,263	345,891
Inventories	65,730	507,085	572,815
Unamortized debt issuance costs	-	573,855	573,855
Restricted assets:			
Equity in pooled cash and investments	-	20,467,134	20,467,134
Due from other governments	-	623,639	623,639
Capital assets (net of depreciation):			
Land	85,752,095	16,067,448	101,819,543
Building and improvements other than buildings	30,321,086	71,183,365	101,504,451
Infrastructure	174,347,235	130,729,830	305,077,065
Equipment	7,237,040	653,750	7,890,790
Construction in progress	8,050,559	5,429,742	13,480,301
Total assets	330,101,467	261,061,445	591,162,912
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	3,851,388	2,150,184	6,001,572
Due to other governments	108,855	4,218	113,073
Internal balances	7,047,915	(7,047,915)	-
Accrued loan interest payable	-	2,681	2,681
Customer deposits	211,368	3,323,852	3,535,220
Unearned revenue	-	64,593	64,593
Payable from restricted assets:			
Accrued bond interest payable	-	3,068,249	3,068,249
Accrued loan interest payable	-	189,987	189,987
Accounts payable	-	342,099	342,099
Contracts payable	-	88,726	88,726
Noncurrent liabilities:			
Due within one year	581,968	5,392,925	5,974,893
Due in more than one year	4,575,649	161,292,891	165,868,540
Total liabilities	16,377,143	168,872,490	185,249,633
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	303,986,665	68,131,604	372,118,269
Restricted for:			
Construction	469,036	-	469,036
Debt service	-	13,833,001	13,833,001
Public safety	315,744	-	315,744
Grants	55,221	-	55,221
Unrestricted	8,897,658	10,224,350	19,122,008
Total net assets	\$ 313,724,324	\$ 92,188,955	\$ 405,913,279

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Primary Government	Business-type Activities	Total
Primary Government:							
General government	\$ 5,867,359	\$ 971,403	\$ 1,175,237	\$ -	\$ (3,720,719)	\$ -	\$ (3,720,719)
Public safety	10,144,341	386,798	-	35,069	(9,722,474)	-	(9,722,474)
Transportation and physical environment	13,333,183	132,838	2,047,801	4,606,809	(6,545,735)	-	(6,545,735)
Culture and recreation	3,072,489	436,185	16,103	130,030	(2,490,171)	-	(2,490,171)
Interest on long-term debt	652,050	-	-	-	(652,050)	-	(652,050)
Total governmental activities	33,069,422	1,927,224	3,239,141	4,771,908	(23,131,149)	-	(23,131,149)
Business-Type Activities							
Utility	30,545,189	29,518,612	477,582	1,805,166	-	1,256,171	1,256,171
Solid Waste	7,533,852	7,655,877	-	-	-	122,025	122,025
Stormwater	3,904,173	5,469,298	-	307,524	-	1,872,649	1,872,649
Building Permits & Inspections	1,286,637	273,784	-	-	-	(1,012,853)	(1,012,853)
Information Technology & Communication	351,525	659,065	-	-	-	307,540	307,540
Golf Course	1,806,088	1,479,063	-	-	-	(327,025)	(327,025)
Tennis Center	267,918	157,818	-	-	-	(110,100)	(110,100)
Total Business-Type Activities	45,695,382	45,213,517	477,582	2,112,690	-	2,108,407	2,108,407
Total Primary Government	\$ 78,764,804	\$ 47,140,741	\$ 3,716,723	\$ 6,884,598	(23,131,149)	2,108,407	(21,022,742)
General revenues:							
Property taxes					14,180,455	1,686,100	15,866,555
Sales and use taxes					2,730,209	-	2,730,209
Telecommunication services tax					2,696,547	-	2,696,547
Franchise taxes					651,129	-	651,129
Other local taxes					378,989	-	378,989
Intergovernmental Revenue, non-program					3,649,676	-	3,649,676
Unrestricted investment earnings					461,968	224,542	686,510
Miscellaneous					41,832	1,641	43,473
Transfers					(7,463,594)	7,463,594	-
Total general revenues					17,327,211	9,375,877	26,703,088
Change in Net Assets					(5,803,938)	11,484,284	5,680,346
Net assets - beginning of year					319,528,262	80,704,671	400,232,933
Net assets - end of year					\$ 313,724,324	\$ 92,188,955	\$ 405,913,279

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



**This page intentionally left blank**

City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2012

	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	\$ 6,823,489	\$ 1,017,903	\$ 935	\$ 2,281,448	\$ 2,702,991	\$ 900,074	\$ 13,726,840
Accounts receivable - net	1,293,685	-	-	250,044	-	-	1,543,729
Special Assessment receivable - net	-	-	-	-	-	52,840	52,840
Prepaid items	189,715	-	-	-	-	-	189,715
Due from other governments	1,069,156	1,917,447	-	834,841	-	113,567	3,935,011
Advances to other funds	5,792,529	-	-	2,427,000	-	-	8,219,529
Total assets	<u>\$ 15,168,574</u>	<u>\$ 2,935,350</u>	<u>\$ 935</u>	<u>\$ 5,793,333</u>	<u>\$ 2,702,991</u>	<u>\$ 1,066,481</u>	<u>\$ 27,667,664</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 420,533	\$ 1,025,830	\$ -	\$ 1,253,201	\$ 10,278	\$ 196,872	\$ 2,906,714
Accrued liabilities	383,894	-	-	-	-	-	383,894
Due to other governments	108,855	-	-	-	-	-	108,855
Deferred revenue	1,315,343	-	-	79,602	-	-	1,394,945
Customer deposits	211,368	-	-	-	-	-	211,368
Advances from other funds	-	-	2,427,000	-	5,792,529	5,284,036	13,503,565
Non-Spendable	-	-	-	-	-	-	-
Total liabilities	<u>2,439,993</u>	<u>1,025,830</u>	<u>2,427,000</u>	<u>1,332,803</u>	<u>5,802,807</u>	<u>5,480,908</u>	<u>18,509,341</u>
Fund Balances:							
Nonspendable							
Prepaid items	189,715	-	-	-	-	-	189,715
Advances to other funds	5,792,529	-	-	-	-	-	5,792,529
Restricted for							
Public safety	-	-	-	-	-	315,744	315,744
Construction	-	-	-	-	-	469,036	469,036
Business Assistance	55,221	-	-	-	-	-	55,221
Committed for							
Disaster Reserve	2,205,117	-	-	-	-	-	2,205,117
Construction	-	1,909,520	-	4,460,530	-	-	6,370,050
Unassigned	4,485,999	-	(2,426,065)	-	(3,099,816)	(5,199,207)	(6,239,089)
Total fund balances	<u>12,728,581</u>	<u>1,909,520</u>	<u>(2,426,065)</u>	<u>4,460,530</u>	<u>(3,099,816)</u>	<u>(4,414,427)</u>	<u>9,158,323</u>
Total liabilities and fund balances	<u>\$ 15,168,574</u>	<u>\$ 2,935,350</u>	<u>\$ 935</u>	<u>\$ 5,793,333</u>	<u>\$ 2,702,991</u>	<u>\$ 1,066,481</u>	<u>\$ 27,667,664</u>

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

**City of Palm Coast, Florida**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2012**

Fund balances - total governmental funds	\$ 9,158,323
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	299,760,130
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.	1,394,945
Internal services funds are used by management to charge the costs of fleet leases and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	8,604,311
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,193,385)
Net assets of governmental activities	\$ 313,724,324

City of Palm Coast, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2012

	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	\$ 17,486,375	\$ -	\$ -	\$ 4,352,576	\$ 798,707	\$ -	\$ 22,637,658
Licenses and permits	210,196	-	-	-	-	-	210,196
Intergovernmental revenue	2,219,200	3,145,396	-	2,321,095	-	1,063,331	8,749,022
Charges for services	2,740,171	-	-	-	-	-	2,740,171
Special assessments	-	-	-	-	-	129,899	129,899
Fines and forfeitures	441,728	-	-	270,537	-	27,146	739,411
Impact fees	-	-	581,068	-	-	165,099	746,167
Contributions	58,949	-	-	-	-	-	58,949
Investment earnings	346,490	13,139	-	26,130	27,067	8,285	421,111
Miscellaneous	38,946	-	-	-	-	-	38,946
Total revenues	23,542,055	3,158,535	581,068	6,970,338	825,774	1,393,760	36,471,530
<b>EXPENDITURES</b>							
Current:							
General government	6,795,179	-	-	-	-	1,376,367	8,171,546
Public safety	9,667,179	-	-	154,905	-	-	9,822,084
Transportation and physical environment	5,290,618	-	9,814	-	14,087	78	5,314,597
Culture and recreation	2,186,053	-	-	-	-	-	2,186,053
Capital outlay:							
Transportation and physical environment	36,318	3,418,536	-	2,465,409	106,470	-	6,026,733
Culture and recreation	-	795,072	-	-	-	-	795,072
Debt service:							
Principal	-	-	-	-	210,000	-	210,000
Interest and Other	-	-	-	-	440,689	211,361	652,050
Total expenditures	23,975,347	4,213,608	9,814	2,620,314	771,246	1,587,806	33,178,135
Excess (deficiency) of revenues over (under) expenditures	(433,292)	(1,055,073)	571,254	4,350,024	54,528	(194,046)	3,293,395
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,660,404	200,000	2,075,000	-	515,874	-	5,451,278
Transfers out	(710,874)	(9,425,998)	-	(2,578,000)	-	(200,000)	(12,914,872)
Total other financing sources (uses)	1,949,530	(9,225,998)	2,075,000	(2,578,000)	515,874	(200,000)	(7,463,594)
Net change in fund balances	1,516,238	(10,281,071)	2,646,254	1,772,024	570,402	(394,046)	(4,170,199)
Fund balances - beginning	11,212,343	12,190,591	(5,072,319)	2,688,506	(3,670,218)	(4,020,381)	13,328,522
Fund balances - ending	\$ 12,728,581	\$ 1,909,520	\$ (2,426,065)	\$ 4,460,530	\$ (3,099,816)	\$ (4,414,427)	\$ 9,158,323

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**  
**Governmental Funds**  
**September 30, 2012**

Net change in fund balances - total governmental funds	\$	(4,170,199)
--	----	-------------

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	6,821,805	
Less current year depreciation	<u>(9,357,944)</u>	(2,536,139)

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

Contributed capital assets		-
Change in revenue collections expected after 60 days		187,601

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

-

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

210,000

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		(86,015)
Annual OPEB Cost		(62,000)
Interest payable		81,459

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

571,355

Change in net assets of governmental activities.	\$	<u><u>(5,803,938)</u></u>
--	----	---------------------------

City of Palm Coast, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2012

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	\$ 3,548,361	\$ 4,809	\$ 201,243	\$ 2,570,041	\$ 6,324,454	\$ 4,739,791
Accounts receivable - net	4,844,326	1,411,543	2,058,315	94,696	8,408,880	3,159
Inventories	476,751	-	-	30,334	507,085	65,730
Prepaid Items	44,192	-	16,944	31,127	92,263	63,913
Due from other funds	52,840	-	-	60,000	112,840	-
Restricted current assets:						
Cash with fiscal agent	6,348,249	-	-	-	6,348,249	-
Due from other governments	316,270	-	307,369	-	623,639	72,724
Total current assets	15,630,989	1,416,352	2,583,871	2,786,198	22,417,410	4,945,317
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	10,465,570	-	277,418	-	10,742,988	-
Bond proceeds	3,375,897	-	-	-	3,375,897	-
Advances to other funds	5,284,036	-	-	-	5,284,036	-
Loan acquisition costs	423,715	-	150,140	-	573,855	-
Capital assets:						
Land	12,927,925	-	857,042	2,282,481	16,067,448	-
Building and improvements other than buildings	94,147,290	-	-	387,554	94,534,844	1,097,144
Infrastructure	131,009,064	-	28,421,799	8,718,038	168,148,901	-
Equipment	927,838	-	717,539	865,009	2,510,386	12,652,628
Less accumulated depreciation	(54,588,871)	-	(6,025,621)	(2,012,694)	(62,627,186)	(7,801,887)
Construction in progress	5,299,945	-	129,797	-	5,429,742	-
Total noncurrent assets	209,272,409	-	24,528,114	10,240,388	244,040,911	5,947,885
Total assets	\$ 224,903,398	\$ 1,416,352	\$ 27,111,985	\$ 13,026,586	\$ 266,458,321	\$ 10,893,202



City of Palm Coast, Florida  
Statement of Net Assets (continued)  
Proprietary Funds  
September 30, 2012

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	\$ 927,620	\$ 551,541	\$ 284,495	\$ 77,651	\$ 1,841,307	\$ 360,266
Claims payable	-	-	-	-	-	195,050
Due to other governments	-	-	-	4,218	4,218	-
Loans and capital leases payable	1,299,593	-	321,144	81,387	1,702,124	-
Compensated absences	290,039	-	56,901	63,861	410,801	3,564
Accrued liabilities	186,088	-	48,977	73,812	308,877	5,464
Accrued loan interest payable	-	-	-	2,681	2,681	-
Customer deposits	3,323,852	-	-	-	3,323,852	-
Deferred revenue	-	-	-	64,593	64,593	-
Current liabilities payable from rstred assets:						
Current maturities of bonds payable	3,280,000	-	-	-	3,280,000	-
Accrued bond interest payable	3,068,249	-	-	-	3,068,249	-
Accrued loan interest payable	175,480	-	14,507	-	189,987	-
Accounts payable	342,099	-	-	-	342,099	-
Contract payable	81,245	-	7,481	-	88,726	-
Total current liabilities	12,974,265	551,541	733,505	368,203	14,627,514	564,344
Noncurrent liabilities:						
Compensated absences	475,835	-	67,887	137,762	681,484	11,508
Net OPEB obligation	101,000	-	24,000	22,000	147,000	2,000
Bonds payable	124,352,882	-	-	-	124,352,882	-
Loans and capital leases payable	21,899,999	-	14,019,756	191,770	36,111,525	-
Due to other funds	-	60,000	-	-	60,000	-
Total liabilities	159,803,981	611,541	14,845,148	719,735	175,980,405	577,852
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	47,947,208	-	10,217,165	9,967,231	68,131,604	5,947,885
Restricted for debt service	13,570,090	-	262,911	-	13,833,001	-
Unrestricted	3,582,119	804,811	1,786,761	2,339,620	8,513,311	4,367,465
Total net assets	\$ 65,099,417	\$ 804,811	\$ 12,266,837	\$ 12,306,851	90,477,916	\$ 10,315,350

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

1,711,039

\$92,188,955

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



**This page intentionally left blank**

City of Palm Coast, Florida  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>						
Charges for services:						
Water sales	\$ 17,654,180	\$ -	\$ -	\$ -	\$ 17,654,180	\$ -
Sewer charges	10,750,178	-	-	-	10,750,178	-
Garbage charges	-	7,655,877	-	-	7,655,877	-
Stormwater charges	-	-	5,469,298	-	5,469,298	-
Tennis program charges	-	-	-	157,818	157,818	-
Golf Course charges	-	-	-	1,479,063	1,479,063	-
Building permit and inspection charges	-	-	-	273,784	273,784	-
IT&C charges	-	-	-	2,936,065	2,936,065	-
Miscellaneous	1,114,254	-	-	-	1,114,254	6,631,407
Total operating revenues	29,518,612	7,655,877	5,469,298	4,846,730	47,490,517	6,631,407
<b>OPERATING EXPENSES</b>						
Administrative	4,397,755	-	-	-	4,397,755	4,480,881
Water system	6,226,971	-	-	-	6,226,971	-
Sewer system	4,440,016	-	-	-	4,440,016	-
Solid waste system	-	7,533,636	-	-	7,533,636	-
Stormwater system	-	-	2,065,740	-	2,065,740	-
Golf Course	-	-	-	1,547,714	1,547,714	-
Tennis Center	-	-	-	263,782	263,782	-
Building permits and inspections	-	-	-	1,305,956	1,305,956	-
IT&C	-	-	-	2,249,120	2,249,120	-
Depreciation	8,996,308	-	1,573,437	671,317	11,241,062	1,153,691
Total operating expenses	24,061,050	7,533,636	3,639,177	6,037,889	41,271,752	5,634,572
Operating income (loss)	5,457,562	122,241	1,830,121	(1,191,159)	6,218,765	996,835
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	199,328	-	902	24,312	224,542	40,857
Interest/amortization expense	(6,779,966)	(216)	(384,449)	(5,222)	(7,169,853)	-
Property Taxes	-	-	1,686,100	-	1,686,100	-
Other	477,582	-	-	1,641	479,223	2,886
Total nonoperating revenues (expenses)	(6,103,056)	(216)	1,302,553	20,731	(4,779,988)	43,743
Income (loss) before capital contributions and transfers	(645,494)	122,025	3,132,674	(1,170,428)	1,438,777	1,040,578
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	1,805,166	-	307,524	-	2,112,690	-
Transfers in	-	-	885,000	7,545,998	8,430,998	-
Transfers out	(864,404)	-	(68,000)	(35,000)	(967,404)	-
Total transfers and contributions	940,762	-	1,124,524	7,510,998	9,576,284	-
Change in net assets	295,268	122,025	4,257,198	6,340,570	11,015,061	1,040,578
Total net assets - beginning	64,804,149	682,786	8,009,639	5,966,281		9,274,772
Total net assets - ending	\$ 65,099,417	\$ 804,811	\$ 12,266,837	\$ 12,306,851		\$ 10,315,350
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					469,223	
					\$11,484,284	

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, 2012**

	<b>Business-type Activities - Enterprise Funds</b>					<b>Governmental Activities - Internal Service Funds</b>
	<b>Utility</b>	<b>Solid Waste</b>	<b>Storm Water</b>	<b>Nonmajor Enterprise</b>	<b>Totals</b>	
<b>Cash flows from operating activities</b>						
Cash received from customers	\$ 29,626,682	\$ 7,760,981	\$ 5,020,575	\$ 4,811,500	\$ 47,219,738	\$ 6,620,183
Cash paid to suppliers	(9,950,220)	(7,581,010)	(2,062,252)	(3,221,781)	(22,815,263)	(4,186,073)
Cash paid to employees	(4,736,891)	-	(216,224)	(2,231,373)	(7,184,488)	(145,609)
Net cash provided by (used in) operating activities	14,939,571	179,971	2,742,099	(641,654)	17,219,987	2,288,501
<b>Cash flow from noncapital financing activities</b>						
Transfers in from other funds	-	-	885,000	7,545,998	8,430,998	-
Transfers out to other funds	(864,404)	-	(68,000)	(35,000)	(967,404)	-
Advances to other funds	-	(175,000)	(2,119,506)	(7,350,998)	(9,645,504)	-
Advances from other funds	81,463	-	-	2,294,506	2,375,969	-
Net cash provided by (used in) noncapital financing activities	(782,941)	(175,000)	(1,302,506)	2,454,506	194,059	-
<b>Cash flow from capital and related financing activities</b>						
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Loan Principal Payments	(4,436,655)	-	(950,798)	(174,488)	(5,561,941)	-
Interest paid	(6,845,540)	(216)	(383,164)	(8,785)	(7,237,705)	-
Acquisition and construction of property, plant and equipment	(4,483,312)	-	(1,586,993)	(261,674)	(6,331,979)	(453,853)
Property Tax Proceeds	-	-	1,686,100	-	1,686,100	-
Impact fees and contributions	1,356,338	-	-	-	1,356,338	-
Net cash provided by (used in) capital and related financing activities	(14,409,169)	(216)	(1,234,855)	(444,947)	(16,089,187)	(453,853)
<b>Cash flow from investing activities</b>						
Interest on investments	199,328	-	902	24,312	224,542	40,857
Net cash provided by (used in) investing activities	199,328	-	902	24,312	224,542	40,857
Net increase (decrease) in cash and cash equivalents	(53,211)	4,755	205,640	1,392,217	1,549,401	1,875,505
Beginning cash and cash equivalents	23,791,288	54	273,021	1,177,824	25,242,187	2,864,286
Ending cash and cash equivalents	\$ 23,738,077	\$ 4,809	\$ 478,661	\$ 2,570,041	\$ 26,791,588	\$ 4,739,791

(continued)

**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2012**

	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)	\$ 5,457,562	\$ 122,241	\$ 1,830,121	\$ (1,191,159)	\$ 6,218,765	\$ 996,835
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	8,996,308	-	1,573,437	671,317	11,241,062	1,153,691
Change in assets and liabilities:				-		
Accounts receivable	28,428	105,104	(448,723)	(29,411)	(344,602)	(11,224)
Inventories	50,548	-	-	3,993	54,541	(9,052)
Prepays	(3,256)	-	(2,287)	(2,329)	(7,872)	(2,000)
Accounts payable	327,269	(47,374)	(134,470)	(69,934)	75,491	153,932
Accrued liabilities	17,256	-	6,546	(24,125)	(323)	(204)
Customer deposits	79,642	-	-	27,192	106,834	-
Compensated absences	(14,186)	-	(82,525)	(27,198)	(123,909)	6,523
Net cash provided by (used in) operating activities	\$ 14,939,571	\$ 179,971	\$ 2,742,099	\$ (641,654)	\$ 17,219,987	\$ 2,288,501
<b>Cash and cash equivalents classified as:</b>						
Equity in pooled cash and investments in current assets	\$ 3,548,361	\$ 4,809	\$ 201,243	\$ 2,570,041	\$ 6,324,454	\$ 4,739,791
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,348,249	-	-	-	6,348,249	-
Debt service	10,465,570	-	277,418	-	10,742,988	-
Bond proceeds	3,375,897	-	-	-	3,375,897	-
Total restricted equity in pooled cash and investments	20,189,716	-	277,418	-	20,467,134	-
Total cash and cash equivalents	\$ 23,738,077	\$ 4,809	\$ 478,661	\$ 2,570,041	\$ 26,791,588	\$ 4,739,791
<b>Noncash capital and related financing activities:</b>						
Developer contributions of capital assets	132,558	-	-	-	132,558	-

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

City of Palm Coast, Florida  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2012

	Volunteer Firefighter Pension Fund	Coquina Coast Agency Fund
<b>ASSETS</b>		
Cash	\$ 418	\$ 723,923
Pension Investments		
External investment pools	<u>2,773,027</u>	<u>-</u>
Total assets	<u>2,773,445</u>	<u>723,923</u>
 <b>LIABILITIES</b>		
Accounts payable	<u>3,589</u>	<u>723,923</u>
Total liabilities	<u>3,589</u>	<u>\$ 723,923</u>
 <b>NET ASSETS</b>		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 2,769,856</u>	

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

City of Palm Coast, Florida  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the fiscal year ended September 30, 2012

	<u>Volunteer Firefighter Pension Fund</u>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 377,962
Total contributions	<u>377,962</u>
Investment earnings:	
Interest	<u>360,929</u>
Total investment earnings	360,929
Total additions	738,891
<b>DEDUCTIONS</b>	
Administrative expenses	21,301
Benefit distributions	<u>73,719</u>
Total deductions	<u>95,020</u>
Net Increase (Decrease)	643,871
Net assets - beginning	<u>2,125,985</u>
Net assets - ending	<u>\$ 2,769,856</u>

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



**This page intentionally left blank**



**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2012**

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012**

**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 and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these 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 for support.

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

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

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

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. 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.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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, and a local option gas tax that is being used for road maintenance and improvements as well as 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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

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

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

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.

The Coquina Coast Cooperative agency fund accounts for the collection and disbursement of funds related to a regional desalinization water plant project.

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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing 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.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

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

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

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and/or unassigned unrestricted amounts are available, committed amounts are utilized first, followed by assigned, then unassigned.

***Deposits 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.

***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 30%, 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.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

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

***Receivables and payables (Continued)***

The property tax calendar is as follows:

Valuation Date	January 1, 2011
----------------	-----------------

Property Appraiser prepares the assessment roll with values as of January 1, 2011, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1, 2011
---	--------------

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 2011
---	----------------

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date).	November 1, 2011
---	------------------

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2011 through March 2012, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2011
January	2	through
February	1	March 31, 2012
March	0	

All unpaid taxes on real and tangible personal property become delinquent.	April 1, 2012
--	---------------

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April and May 2012
--	--------------------

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date).	June 1, 2012
---	--------------

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, 2012
--	--------------

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

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

***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.

***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, intergovernmental receivables and debt service requirements; their use is limited by state statute and various regulatory authorities.

***Capital Assets***

Capital assets are defined by the City as property and equipment with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

Depreciation on 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, 2012**

**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.

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond and loan issuance costs are reported as deferred charges and amortized over the term of the related debt.

***Fund Equity***

Beginning with fiscal year 2010, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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. When committed, assigned, and/or unassigned unrestricted amounts are available, committed amounts are utilized first, followed by assigned, then unassigned.



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

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

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

In November 2010, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011. The City does not have any SCAs and therefore the adoption of GASBS No. 60 does not have any impact on the District's financial statements.

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. The City does not have any component units not included in the financial statements and therefore the adoption of GASBS No. 61 does not have any impact on the City's financial statements.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Although this Statement is effective for periods beginning after December 15, 2011, the City elected to early implement it in fiscal year 2012. The adoption of GASBS No. 62 does not have any impact on the City's financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011, and the City has elected to implement it beginning in October 2012.

In June 2011, the GASB issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53. GASBS No. 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The City implemented GASB Statement No. 64 in fiscal year 2012. The adoption of GASBS No. 64 does not have any impact on the City's current financial statements.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

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

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

In March 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, Elements of Financial Statements, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, GASB 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of GASB 65 are effective for fiscal year 2014. Management is currently evaluating the impact of the adoption of this statement on the City's financial statements.

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.

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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**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 assets***

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 \$299,760,130 difference are as follows:

Capital assets	\$ 343,795,286
Less: Accumulated Depreciation	(52,085,715)
Construction in progress	8,050,559
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$299,760,130</u>

A second 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 \$5,193,385 difference are as follows:

Loans payable	\$ 3,360,000
Net OPEB liability	270,000
Interest Payable OKR Special Assessment Interfund Loan	52,840
Compensated absences	1,510,545
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$5,193,385</u>

***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 assets 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 assets. Also, the governmental funds report the effect of issuance costs when debt is first issued, whereas amounts are deferred and amortized in the statement of activities.” The details of this \$210,000 difference are as follows:

Principal payments:	
SR100 CRA Revenue Note	\$ 210,000
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 210,000</u>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**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 \$3,099,816 as of September 30, 2012. 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 \$2,426,065 and \$5,199,207, respectively. These funds incurred construction expenses in excess of current revenues and transfers.

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2012, no departments exceeded appropriations.

***Budgetary Information***

The City follows these procedures in adopting the budget:

1. On or before the 30<sup>th</sup> day of September of each year, the City Council, by resolution, adopts an annual budget for all funds after public hearings are conducted to obtain taxpayer comments.
2. If, during the fiscal year, revenues in excess of those estimated in the budget are available for appropriation, the Council may, by resolution, make supplemental appropriations for the year in an amount not to exceed such excess.
3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
4. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and may be reappropriated in the ensuing year.
5. The budget includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund 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 revenues over expenditures.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$6,486,162 and the bank balance was \$6,423,741. 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 \$10,100 in petty cash. In addition, the City has a money market cash balance of \$2,973,473 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

As of September 30, 2012, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 4,100,135	13.92	39 Days
Florida SBA LGIP Fund B	936,853	3.18	4.08 Years
U.S. Government Agencies	15,201,661	51.62	1-4 Years
U.S. Treasuries	5,079,010	17.25	1-3 Years
Corporate Notes	1,529,706	5.19	1-3 Years
Commercial Paper	1,894,642	6.43	90 Days
Municipal Bonds	708,328	2.41	1-3 Years
	<u>\$ 29,450,335</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

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

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

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, 2012, 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, 2012 was .94896811. Fund B is not rated by any nationally recognized statistical rating agency.

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, 2012, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1+, and corporate and municipal bonds rated 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, 2012, the City's largest agency investment is in Fannie Mae (FNMA) and Freddie Mac (FHLMC). These securities represent 20 and 29 percent, respectively, of the City's total investments.

Cash with fiscal agent as of September 30, 2012 totaled \$6,348,249. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 5 – Receivables**

Receivables consist of the following at September 30, 2012:

	Accounts Receivable	Special Assessments Receivable	Allowance for Doubtful Accounts	Totals
General Fund	\$ 1,293,685	\$ -	\$ -	\$1,293,685
Streets Improvement Fund	250,044	-	-	250,044
Nonmajor Governmental Funds	-	52,840	-	52,840
Utility Fund	5,818,288	-	(973,962)	4,844,326
Solid Waste Fund	1,646,828	-	(235,285)	1,411,543
Stormwater Fund	2,926,230	-	(867,915)	2,058,315
Nonmajor Enterprise Funds	94,696	-	-	94,696
Fleet Management Fund	3,159	-	-	3,159
Totals	\$ 12,032,930	\$ 52,840	\$ (2,077,162)	\$10,008,608

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District. The amount due as of September 30, 2012 represents the interest on an interfund loan (see Note 7) used for the financing of the expansion and realignment of Old Kings Road.

**Deferred/Unearned Revenue:**

Deferred revenues are recorded on the governmental funds balance sheet in the amount of \$1,394,945. The entire amount is deferred solely because it was not yet considered to be available. Therefore, no amount is shown as unearned revenue on the government-wide Statement of Net Assets.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 85,722,690	\$ 29,405	\$ -	\$ 85,752,095
Construction in progress	5,360,809	6,756,081	(4,066,331)	8,050,559
Total capital assets, not being depreciated	91,083,499	6,785,486	(4,066,331)	93,802,654
Capital assets, being depreciated:				
Buildings and improvements other than buildings	33,865,648	2,740,854	-	36,606,502
Infrastructure	214,290,961	1,034,280	-	215,325,241
Equipment	19,076,964	784,253	-	19,861,217
Total capital assets, being depreciated	267,233,573	4,559,387	-	271,792,960
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(5,036,174)	(1,249,242)	-	(6,285,416)
Infrastructure	(33,203,508)	(7,774,498)	-	(40,978,006)
Equipment	(11,136,279)	(1,487,898)	-	(12,624,177)
Total accumulated depreciation	(49,375,961)	(10,511,638)	-	(59,887,599)
Total capital assets, being depreciated, net	217,857,612	(5,952,251)	-	211,905,361
Governmental activities capital assets, net	<u>\$ 308,941,111</u>	<u>\$ 833,235</u>	<u>\$ (4,066,331)</u>	<u>\$ 305,708,015</u>
	Balance 9/30/2011	Increases	Decreases	Balance 9/30/2012
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 16,051,194	\$ 16,254	\$ -	\$ 16,067,448
Construction in progress	4,155,831	6,549,749	(5,275,838)	5,429,742
Total capital assets, not being depreciated	20,207,025	6,566,003	(5,275,838)	21,497,190
Capital assets, being depreciated:				
Buildings and improvements other than buildings	92,914,407	1,620,438	-	94,534,845
Infrastructure	163,991,497	3,964,732	-	167,956,229
Equipment	2,414,169	96,217	-	2,510,386
Total capital assets, being depreciated	259,320,073	5,681,387	-	265,001,460
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(19,495,035)	(3,856,445)	-	(23,351,480)
Infrastructure	(30,203,964)	(7,022,435)	-	(37,226,399)
Equipment	(1,494,454)	(362,182)	-	(1,856,636)
Total accumulated depreciation	(51,193,453)	(11,241,062)	-	(62,434,515)
Total capital assets, being depreciated, net	208,126,620	(5,559,675)	-	202,566,945
Business-type activities capital assets, net	<u>\$ 228,333,645</u>	<u>\$ 1,006,328</u>	<u>\$ (5,275,838)</u>	<u>\$ 224,064,135</u>



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

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

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

Governmental activities:		
General government		\$ 135,005
Public safety		282,925
Transportation and physical environment		8,065,028
Culture and recreation		874,989
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>1,153,691</u>
Total depreciation expense - governmental activities		<u><u>\$ 10,511,638</u></u>
Business activities:		
Utility		\$ 8,996,308
Stormwater		1,573,437
Information Technology and Communication (IT&C)		395,568
Golf Course		271,691
Tennis Center		<u>4,058</u>
Total depreciation expense - business activities		<u><u>\$ 11,241,062</u></u>

**Note 7 – Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2012, is as follows:

Due from/to other funds:			
Receivable Fund	Payable Fund	Purpose	Amount
Utility Fund	Governmental Activities	Interfund loan interest payable	\$ 52,840
Nonmajor Proprietary Fund	Solid Waste Fund	Supplement operating cash flow	60,000
		Total	<u><u>\$ 112,840</u></u>

The outstanding balance between the Nonmajor Proprietary Fund and the Solid Waste Fund is a working capital loan from the Building Permits and Inspections Fund. The amount payable to the Utility Fund is interest due on the interfund loan to the OKR Special Assessment Fund. The interest payable is recorded as part of the adjustments reconciling the governmental funds to the government-wide Statement of Net Assets (see Note 2). These balances are expected to be collected in the subsequent year.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 7 – 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	2,427,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	5,284,036
			<u>\$ 13,503,565</u>

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. Certain members of the district have agreed to pay interest at a rate of 5% on this loan in the form of a special assessment. Principal payments on this loan are expected to begin in fiscal year 2014. None of these balances are scheduled to be collected in the subsequent year.

**Interfund transfers:**

Transfer out:	Transfer In:						
	General Fund	Transportation Impact Fund	Capital Projects Fund	SR 100 CRA Fund	Stormwater Fund	Nonmajor Proprietary	Total
General Fund	\$ -	\$ -	\$ -	\$ 515,874	\$ -	\$ 195,000	\$ 710,874
Utility Fund	864,404	-	-	-	-	-	864,404
Capital Projects Fund	-	2,075,000	-	-	-	7,350,998	9,425,998
Streets Improvement Fund	1,693,000	-	-	-	885,000	-	2,578,000
Stormwater Fund	68,000	-	-	-	-	-	68,000
Nonmajor Governmental	-	-	200,000	-	-	-	200,000
Nonmajor Proprietary	35,000	-	-	-	-	-	35,000
Total transfers out	\$ 2,660,404	\$ 2,075,000	\$ 200,000	\$ 515,874	\$ 885,000	\$ 7,545,998	\$ 13,882,276

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 from the Capital Project Fund to the Transportation Impact Fee Fund is to offset capital expenditures in advance of related revenues. The transfer from the Capital Project Fund to the Nonmajor Proprietary Funds was due to the reclassification of interfund loans to transfers for capital investment. 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 to the Stormwater Fund was to offset prior year capital investment in advance of related revenues.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 8 – 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 2012, the total cost was \$2,599,691 and provided 27 additional personnel.

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 2012, the total amount of lease payments received was \$256,198.

Operating Leases:

Golf Carts

In October 2009, the City entered into a noncancelable operating lease agreement for golf carts for the Palm Harbor Golf Club. The lease calls for monthly payments of \$5,449 for a term of 48 months with a fair market value buy out. The future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2013	\$ 65,388
	<u>\$ 65,388</u>

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, 2012 was \$207,000. The future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2013	\$ 226,000
2014	239,000
	<u>\$ 465,000</u>

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED  
SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt**

**A. Governmental Activities**

***SR100 CRA Redevelopment Revenue Note, Series 2009***

During year ended September 30, 2010, the City executed an agreement with BB&T Bank for the purpose of purchasing properties within the redevelopment area. The loan principal of \$4,000,000 is payable annually in accordance with the schedule below at an interest rate 4.34% through October 1, 2024.

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

Year Ending September 30,	Principal	Interest
2013	\$ -	\$ 145,824
2014	220,000	136,276
2015	230,000	126,294
2016	240,000	115,878
2017	250,000	105,028
2018-2022	1,415,000	345,898
2023-2027	1,005,000	44,919
	\$ 3,360,000	\$ 1,020,117

The 2013 principal payment was made during the year ended September 30, 2012, leaving a principal balance of \$3,360,000 payable at the end of the fiscal year.

**B. Business Activities**

**Utility System Long-term Debt**

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

On October 30, 2003, the City issued debt and closed on the purchase of the water and wastewater utility that serves the City of Palm Coast and some surrounding areas. The purchase price was \$82,774,934. Another \$10,690,000 was borrowed to complete some capital projects that were in process or needed in the near future and to fund a renewal and replacement reserve. Acquisition and closing costs included in the bond issue brought the total debt issued to \$96,650,000. The interest rate on these bonds ranges from 2.0 - 5.25%. 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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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, 2012, Moody's has provided a rating of A1 and Fitch A+ 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.

**Early Redemption**

**A. Optional Redemption**

The series 2003 bonds maturing on or after October 1, 2014 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, 2013, at the redemption prices equal to the principal amount of the Series 2003 Bonds to be redeemed plus interest accrued to the date of redemption.

**Debt Service**

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

Year Ending September 30,	Principal	Interest
2013	\$ 2,190,000	\$ 4,018,403
2014	2,270,000	3,934,413
2015	2,355,000	3,816,663
2016	2,470,000	3,693,163
2017	2,595,000	3,563,413
2018-2022	15,120,000	15,516,513
2023-2027	19,440,000	11,026,313
2028-2032	24,745,000	5,477,263
2033-2037	11,690,000	299,496
	\$ 82,875,000	\$ 51,345,640

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

***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, 2012, Moody's has provided a rating of A1 and Fitch A+ 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.

**Early Redemption**

***A. 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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

***Debt Service***

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

Year Ending September 30,	Principal	Interest
2013	\$ 1,090,000	\$ 2,001,106
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
2018-2022	7,180,000	8,166,856
2023-2027	8,910,000	6,317,081
2028-2032	11,075,000	4,078,381
2033-2037	13,770,000	1,260,015
	\$ 46,815,000	\$ 29,367,013

***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 at an interest rate 2.71% through December 15, 2025.

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

Year Ending September 30,	Principal	Interest
2013	\$ 124,025	\$ 53,148
2014	127,409	49,764
2015	130,885	46,288
2016	134,456	42,716
2017	138,124	39,048
2018-2022	749,248	136,613
2023-2027	587,813	32,288
	\$ 1,991,960	\$ 399,865

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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 at an interest rate 2.60% through June 15, 2026.

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

Year Ending <u>September 30,</u>	Principal	Interest
2013	\$ 594,987	\$ 253,721
2014	610,558	238,151
2015	626,535	222,173
2016	642,931	205,777
2017	659,756	188,952
2018-2022	3,566,973	676,569
2023-2027	3,204,544	190,290
	\$ 9,906,284	\$ 1,975,633

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 at an interest rate 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
2013	\$ 330,025	\$ 161,091
2014	338,461	152,655
2015	347,113	144,003
2016	355,985	135,131
2017	365,085	126,031
2018-2022	1,970,268	485,313
2023-2027	2,235,287	220,293
2028-2032	481,917	9,200
	\$ 6,424,141	\$ 1,433,717



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS – CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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 at an interest rate 2.54% through June 15, 2028.

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

Year Ending September 30,	Principal	Interest
2013	\$ 250,555	\$ 122,300
2014	256,960	115,896
2015	263,528	109,327
2016	270,264	102,591
2017	277,172	95,683
2018-2022	1,495,827	368,449
2023-2027	1,697,030	167,246
2028-2032	365,871	6,985
	\$ 4,877,207	\$ 1,088,477

**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 at an interest rate 2.5282% through August 15, 2026.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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

Year Ending September 30,	Principal	Interest
2013	\$ 214,439	\$ 88,730
2014	219,908	83,262
2015	225,517	77,653
2016	231,268	71,902
2017	237,166	66,004
2018-2022	1,279,707	236,142
2023-2027	1,146,350	66,330
	\$ 3,554,355	\$ 690,023

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
2013	\$ 106,704	\$ 75,928
2014	110,081	72,551
2015	113,565	69,067
2016	117,159	65,473
2017	120,866	61,766
2018-2022	664,185	248,974
2023-2027	776,147	137,012
2028-2032	435,838	20,740
	\$ 2,444,545	\$ 751,511

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2011**

**Note 9 – 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>
2013	\$ -	\$ 196,037
2014	673,000	180,222
2015	689,000	164,030
2016	706,000	147,439
2017	722,000	130,472
2018-2022	3,872,000	383,614
2023-2027	1,680,000	19,975
	<hr/>	<hr/>
	\$ 8,342,000	\$ 1,221,789
	<hr/>	<hr/>

The 2013 principal payment was made during the year ended September 30, 2012, leaving a principal balance of \$8,342,000 payable at the end of the fiscal year.

Balance of this page intentionally left blank.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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

***Capital Leases***

During year ended September 30, 2010, 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 \$85,120 is payable annually in the amount of \$21,986 at an interest rate of 2.20% through October 1, 2012.

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

Year Ending <u>September 30,</u>	Principal	Interest
2013	\$ 21,485	\$ 473
	\$ 21,485	\$ 473

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 at an interest 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>	Principal	Interest
2013	\$ 17,388	\$ 2,208
2014	18,459	1,137
	\$ 35,847	\$ 3,345

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

***Loan***

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

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

Year Ending September 30,	Principal	Interest
2013	\$ 14,506	\$ -
2014	15,087	-
2015	15,690	-
2016	16,318	-
2017	16,970	-
2018-2022	33,546	-
	\$ 112,117	\$ -

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

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

Year Ending September 30,	Principal	Interest
2013	\$ 28,008	\$ -
2014	28,848	-
2015	29,713	-
2016	17,139	-
	\$ 103,708	\$ -

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 9 – Long-Term Debt (Continued)**

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

During the year ended September 30, 2012, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
SR100 CRA Loan	\$ 3,570,000	\$ -	\$ (210,000)	\$ 3,360,000	\$ -
Net OPEB Liability	209,000	63,000	-	272,000	-
Compensated Absences	1,433,079	808,072	(715,534)	1,525,617	581,968
Long-term debt	<u>\$ 5,212,079</u>	<u>\$ 871,072</u>	<u>\$ (925,534)</u>	<u>\$ 5,157,617</u>	<u>\$ 581,968</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 132,860,000	\$ -	\$ (3,170,000)	\$ 129,690,000	\$ 3,280,000
Deferred Amounts:					
Plus: issuance premiums	1,251,094	-	(89,781)	1,161,313	-
Less: issuance costs	(3,367,001)	-	148,570	(3,218,431)	-
Total Revenue Bonds	130,744,093	-	(3,111,211)	127,632,882	3,280,000
State Revolving Fund Loans	30,757,945	-	(1,559,453)	29,198,492	1,620,737
Bank and Other Loans	9,256,965	-	(699,140)	8,557,825	42,514
Net OPEB Liability	97,000	50,000	-	147,000	-
Capital Leases	190,679	-	(133,347)	57,332	38,873
Compensated Absences	1,216,197	658,907	(782,819)	1,092,285	410,801
Long-term debt	<u>\$ 172,262,879</u>	<u>\$ 708,907</u>	<u>\$ (6,285,970)</u>	<u>\$ 166,685,816</u>	<u>\$ 5,392,925</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, \$15,072 of internal service fund compensated absences and \$2,000 of net OPEB liability are included in the above amounts. For governmental activities, compensated absences and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 10 – 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, 2012, 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, 2012, contributions to this plan totaled \$1,638,377.

***Florida Retirement System***

Former Flagler County and Palm Coast Service District employees hired as transfers during the 1999-2000 or 2000-2001 fiscal years have 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, 2012**

**Note 10 – 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:

	10/1/2011 -09/30/2012
Regular employees – members not qualifying for other classes	5.18%
Special Risk Employees – members employed as law enforcement officers and firefighters	14.90%
Health Insurance Subsidy included in the above rates	1.11%

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

<u>Fiscal Year Ending</u>	<u>Required Contribution</u>	<u>% Contributed</u>
9/30/2010	\$ 317,139	100%
9/30/2011	271,702	100%
9/30/2012	161,402	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 will provide 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, 2012**

**Note 10 – 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 shall be 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 shall be 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 shall 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, 2012 was \$377,962. Administrative costs are paid from plan assets. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, 14 members are receiving retirement benefits. There are 40 active participants, with one being eligible for normal retirement.

An actuarial valuation, utilizing the entry age normal method, has been completed as of October 1, 2011. Plan assets are reported at fair value. The actuarial assumption included an 8.0 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.

***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, 2012**

**Note 10 – 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, 2012 was \$3,299 and \$9,743 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, 2012 was \$2,759,985. 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	4.66	5.42

*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, 2012**

**Note 10 – 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
9/30/2011	\$ 89,877	100%	\$0
9/30/2010	0	100%	0
9/30/2009	0	100%	0

***Funded Status and Funding Progress***

As of October 1, 2011, the most recent actuarial valuation update, the plan was 119 percent funded. The actuarial accrued liability for benefits was \$1,841,699 and the actuarial value of assets was \$2,196,474 resulting in an unfunded actuarial accrued liability (UAAL) of (\$354,775).

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.

Balance of this page intentionally left blank.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 10 – 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, 2012, 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 11 – 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 March 1, 2012, the Plan had approximately 335 active participants and 4 retiree receiving benefits. The plan does not issue a separate publicly available financial report.

***Transition Year***

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

***Funding Policy***

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

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

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012**

**Note 11 – 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 period of 30 years using the level dollar method. Amortizations are open ended in that they begin a new amortization base at each valuation date. 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 6% at March 1, 2011 to an ultimate rate of 5% on and after 2012. The economic rates are based on an assumed inflation rate of 4% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2012, based on the above assumptions and cost method, and applied to member data current at March 1, 2011. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of March 1, 2011, with an AAL calculated to be \$724,000, which is unfunded (or 0% funded). The annual covered payroll is \$14.792 million, resulting in an unfunded AAL of 4.9%. 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 March 1, 2011.

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 involves 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)	\$ 145,000
Interest on Plan Obligation	12,000
Adjustment to ARC	<u>(13,000)</u>
Annual Plan OPEB Cost	144,000
Contributions Made	<u>(31,000)</u>
Change in OPEB Obligation	113,000
Net OPEB Obligation Beginning of year	<u>306,000</u>
Net OPEB Obligation End of year	<u><u>\$ 419,000</u></u>

As of September 30, 2012, the City accrued \$419,000 in the Government-Wide Statement of Net Assets, with \$149,000 in the Proprietary Funds Statement of Net Assets.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 11 – 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 2012 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)
2012	\$ 144,000	\$ 31,000	21.40%	\$ 419,000
2011	137,000	25,000	18.20%	306,000
2010	105,000	9,000	8.60%	194,000

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 12 – 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, 2012, the amount of prepaid impact fees is estimated to be \$21,332,984.

**Note 13 – 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, 2012. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2012. 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 a lifetime maximum benefit of \$2,000,000. Retention limits of \$125,000 for specific

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 13 – Risk Management**

claims 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 \$51 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 \$195,050 is reported in the fund at September 30, 2012.

Changes in the fund's claims liability amount for fiscal years 2011 and 2012 were:

<u>Changes in Claims Liability</u>	<u>2011</u>	<u>2012</u>
Beginning fiscal year liability	\$ 349,314	\$ 268,780
Current year claims and changes in estimates	2,315,546	1,758,474
Claim payments	(2,396,080)	(1,832,204)
Balance at fiscal year end	<u>\$ 268,780</u>	<u>\$ 195,050</u>

**Note 14 – 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, 2012, the fund received \$798,707 in property tax revenue, a \$515,874 transfer from the general fund, and \$27,067 in investment earnings. Expenditures for the fiscal year were \$120,557 in redevelopment costs and \$650,689 for debt service.

**Note 15 – 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 assets. 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 reduction in expenditures to return the adjusted unassigned

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 15 – Fund Balance Policy (Continued)**

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 assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses. Unrestricted net assets 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 assets 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 assets to ten percent or greater within three years.

***Stormwater Management Fund***

Unrestricted net assets, at year end, will be between ten percent and twenty percent of the following year's budgeted expenses excluding capital expenditures. Unrestricted net assets over twenty percent may be assigned for future system capital projects. If the unrestricted net assets 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 assets to ten percent or greater within three years.

***Solid Waste Fund***

Unrestricted net assets, at year end, will be between five percent and ten percent of the following year's budgeted operating expenses. Unrestricted net assets over ten percent may be assigned to a rate stabilization fund. If the unrestricted net assets 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 assets to five percent or greater within three years.

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

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



**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**SEPTEMBER 30, 2012**

**Note 15 – Fund Balance Policy (Continued)**

***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 16 – Deficit Fund Balance**

The OKR Special Assessment Fund has deficit fund balance of \$5,199,207 as of the end of the fiscal year. This is due to project costs in advance of special assessment revenues.

**Note 17 – Subsequent Events**

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

In December 2012, the City executed an agreement with BB&T Bank to refinance an existing loan, and increase the loan amount by approximately \$2 million for a redevelopment project. The principal amount of the loan is \$5,448,000, refinancing and replacing the existing SR100 CRA Redevelopment Revenue Note, Series 2009. The interest rate is fixed at 2.29%, with loan principal payable annually starting at \$393,000 on October 1, 2013 and ending at \$513,000 on October 1, 2024. Interest will be paid semi-annually.

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

Year Ending September 30,	Principal	Interest
2013	\$ 393,000	\$ 97,381
2014	411,000	115,760
2015	420,000	106,348
2016	429,000	96,730
2017	438,000	86,906
2018-2022	2,342,000	279,426
2023-2027	1,015,000	34,990
	\$ 5,448,000	\$ 817,541



**This page intentionally left blank**

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
VOLUNTEER FIREFIGHTERS PENSION PLAN  
SEPTEMBER 30, 2012**

**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)
10/1/2011	\$ 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
10/1/2006	305,039	440,413	135,374	69.26%	-	N/A

**Schedule of Employer and Other Contributing Entities**

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2011	\$ 89,877	\$ -	\$ 144,308	161
2010	98,481	-	144,308	147
2009	108,698	-	144,308	133
2008	82,833	-	112,408	136
2007	85,357	-	112,408	132
2006	-	-	112,408	100

\* The 2006-2010 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, 2011 \$814,159 of accumulated state contributions were reserved for future benefit improvements.

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)  
SEPTEMBER 30, 2012**

**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)
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 March 2013.

**Schedule of Employer Contributions**

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 17,590,300	\$ 17,458,524	\$ 17,486,375	\$ 27,851
Licenses and permits	175,300	75,000	210,196	135,196
Intergovernmental revenue	2,023,300	2,229,200	2,219,200	(10,000)
Charges for services	2,740,096	2,749,496	2,740,171	(9,325)
Fines and forfeitures	516,000	488,914	441,728	(47,186)
Contributions	-	55,225	58,949	3,724
Investment earnings	366,800	303,200	346,490	43,290
Miscellaneous	21,000	38,125	38,946	821
Total revenues	23,432,796	23,397,684	23,542,055	144,371
<b>EXPENDITURES</b>				
Current:				
General government:				
Culture and recreation	2,543,620	2,603,139	2,186,053	417,086
Major and Council	95,502	95,479	90,860	4,619
City Administration	2,320,279	2,274,392	2,096,422	177,970
City Attorney	383,248	383,301	377,897	5,404
Financial Services	759,914	759,914	675,224	84,690
Community Development	3,597,634	3,657,102	3,476,732	180,370
Nondepartmental	161,388	133,000	128,577	4,423
Total general government	9,861,585	9,906,327	9,031,765	874,562
Public safety:				
Fire	7,340,560	7,283,387	7,016,955	266,432
Law Enforcement	2,599,863	2,599,863	2,599,691	172
Total public safety	9,940,423	9,883,250	9,616,646	266,604
Transportation & physical environment:				
Streets and Drainage	7,380,213	7,236,420	4,863,829	2,372,591
Total transportation & physical environment	7,380,213	7,236,420	4,863,829	2,372,591
Engineering	506,505	505,201	463,107	42,094
Total expenditures	27,688,726	27,531,198	23,975,347	3,555,851
Excess (deficiency) of revenues over (under) expenditures	(4,255,930)	(4,133,514)	(433,292)	3,700,222
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,660,404	2,660,404	2,660,404	-
Transfers out	(614,974)	(710,874)	(710,874)	-
Total other financing sources (uses)	2,045,430	1,949,530	1,949,530	-
Net change in fund balance	(2,210,500)	(2,183,984)	1,516,238	3,700,222
Fund balance - beginning	11,212,343	11,212,343	11,212,343	-
Fund balance - ending	\$ 9,001,843	\$ 9,028,359	\$ 12,728,581	\$ 3,700,222

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 962,800	\$ 552,000	\$ 581,068	\$ 29,068
Investment earnings	16,300	7,000	-	(7,000)
Total revenues	979,100	559,000	581,068	22,068
<b>EXPENDITURES</b>				
Capital Outlay:				
Streets and Drainage	2,510,800	4,191,736	-	4,191,736
Debt Service:				
Interest and Other	-	-	9,814	(9,814)
Total expenditures	2,510,800	4,191,736	9,814	4,181,922
Excess (deficiency) of revenues over (under) expenditures	(1,531,700)	(3,632,736)	571,254	4,203,990
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	2,075,000	2,075,000	-
Total other financing sources (uses)	-	2,075,000	2,075,000	-
Net change in fund balance	(1,531,700)	(1,557,736)	2,646,254	4,203,990
Fund balance - beginning	(5,072,319)	(5,072,319)	(5,072,319)	-
Fund balance - ending	\$ (6,604,019)	\$ (6,630,055)	\$ (2,426,065)	\$ 4,203,990

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,033,500	\$ 4,001,000	\$ 4,352,576	\$ 351,576
Intergovernmental revenue	5,978,900	2,387,492	2,321,095	(66,397)
Fines and forfeitures	384,800	384,800	270,537	(114,263)
Investment earnings	22,500	5,000	26,130	21,130
Total revenues	10,419,700	6,778,292	6,970,338	192,046
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	382,200	382,200	154,905	227,295
Capital Outlay:				
Transportation and physical environment	9,501,400	6,506,598	2,465,409	4,041,189
Total expenditures	9,883,600	6,888,798	2,620,314	4,268,484
Excess (deficiency) of revenues over (under) expenditures	536,100	(110,506)	4,350,024	4,460,530
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,578,000)	(2,578,000)	(2,578,000)	-
Total other financing sources (uses)	(2,578,000)	(2,578,000)	(2,578,000)	-
Net change in fund balance	(2,041,900)	(2,688,506)	1,772,024	4,460,530
Fund balance - beginning	2,688,506	2,688,506	2,688,506	-
Fund balance - ending	\$ 646,606	\$ -	\$ 4,460,530	\$ 4,460,530



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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 722,800	\$ 798,707	\$ 798,707	\$ -
Investment earnings	34,400	12,000	27,067	15,067
Total revenues	757,200	810,707	825,774	15,067
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Transportation and physical environment	133,385	83,385	14,087	69,298
Capital Outlay:				
Transportation and physical environment	2,250,000	2,714,818	106,470	2,608,348
Principal	200,000	210,000	210,000	-
Interest and Other	440,689	440,689	440,689	-
Total expenditures	3,024,074	3,448,892	771,246	2,677,646
Excess (deficiency) of revenues over (under) expenditures	(2,266,874)	(2,638,185)	54,528	2,692,713
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	515,874	515,874	515,874	-
Total other financing sources (uses)	515,874	515,874	515,874	-
Net change in fund balance	(1,751,000)	(2,122,311)	570,402	2,692,713
Fund balance - beginning	(3,670,218)	(3,670,218)	(3,670,218)	-
Fund balance - ending	\$ (5,421,218)	\$ (5,792,529)	\$ (3,099,816)	\$ 2,692,713

**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**



**This page intentionally left blank**

## 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 and grant revenues 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.



**This page intentionally left blank**

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 4,302,500	\$ 3,541,429	\$ 3,145,396	\$ (396,033)
Contributions	60,000	60,000	-	(60,000)
Investment earnings	59,100	9,000	13,139	4,139
Total revenues	4,421,600	3,610,429	3,158,535	(451,894)
<b>EXPENDITURES</b>				
Capital Outlay:				
Transportation and physical environment	5,748,700	3,858,022	3,418,536	439,486
Culture and recreation	950,000	917,000	795,072	121,928
Total expenditures	6,698,700	4,775,022	4,213,608	561,414
Excess (deficiency) of revenues over (under) expenditures	(2,277,100)	(1,164,593)	(1,055,073)	109,520
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	200,000	200,000	-
Transfers out	-	(9,425,998)	(9,425,998)	-
Total other financing sources (uses)	-	(9,225,998)	(9,225,998)	-
Net change in fund balance	(2,277,100)	(10,390,591)	(10,281,071)	109,520
Fund balance - beginning	12,190,591	12,190,591	12,190,591	-
Fund balance - ending	\$ 9,913,491	\$ 1,800,000	\$ 1,909,520	\$ 109,520

City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2012

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Park Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 24,918	\$ 290,826	\$ 358,692	\$ 110,344	\$ 80,551	\$ 34,743	\$ 900,074
Special Assessment receivable - net	-	-	-	-	-	52,840	52,840
Due from other governments	-	-	-	-	113,567	-	113,567
Total assets	\$ 24,918	\$ 290,826	\$ 358,692	\$ 110,344	\$ 194,118	\$ 87,583	\$ 1,066,481
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 194,118	\$ 2,754	\$ 196,872
Advances from other funds	-	-	-	-	-	5,284,036	5,284,036
Total liabilities	-	-	-	-	194,118	5,286,790	5,480,908
Fund Balances:							
Restricted for							
Public safety	24,918	290,826	-	-	-	-	315,744
Construction	-	-	358,692	110,344	-	-	469,036
Unassigned	-	-	-	-	-	(5,199,207)	(5,199,207)
Total fund balances	24,918	290,826	358,692	110,344	-	(5,199,207)	(4,414,427)
Total liabilities and fund balances	\$ 24,918	\$ 290,826	\$ 358,692	\$ 110,344	\$ 194,118	\$ 87,583	\$ 1,066,481



City of Palm Coast, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2012

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Park Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ 1,063,331	\$ -	\$ 1,063,331
Special assessments	-	-	-	-	-	129,899	129,899
Fines and forfeitures	7,096	20,050	-	-	-	-	27,146
Impact fees	-	-	130,030	35,069	-	-	165,099
Investment earnings	228	2,866	3,819	1,006	-	366	8,285
Total revenues	7,324	22,916	133,849	36,075	1,063,331	130,265	1,393,760
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	1,376,367	-	1,376,367
Transportation and physical environment	-	-	-	-	-	78	78
Interest and Other	-	-	-	-	-	211,361	211,361
Total expenditures	-	-	-	-	1,376,367	211,439	1,587,806
Excess (deficiency) of revenues over (under) expenditures	7,324	22,916	133,849	36,075	(313,036)	(81,174)	(194,046)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	-	-	(200,000)	-	-	-	(200,000)
Total other financing sources (uses)	-	-	(200,000)	-	-	-	(200,000)
Net change in fund balances	7,324	22,916	(66,151)	36,075	(313,036)	(81,174)	(394,046)
Fund balances - beginning	17,594	267,910	424,843	74,269	313,036	(5,118,033)	(4,020,381)
Fund balances - ending	\$ 24,918	\$ 290,826	\$ 358,692	\$ 110,344	\$ -	\$ (5,199,207)	\$ (4,414,427)

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 5,000	\$ 6,900	\$ 7,096	\$ 196
Investment earnings	300	60	228	168
Total revenues	5,300	6,960	7,324	364
<b>EXPENDITURES</b>				
Current:				
Public safety	22,800	24,554	-	24,554
Total expenditures	22,800	24,554	-	24,554
Net change in fund balance	(17,500)	(17,594)	7,324	24,918
Fund balance - beginning	17,594	17,594	17,594	-
Fund balance - ending	\$ 94	\$ -	\$ 24,918	\$ 24,918

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 19,500	\$ 21,000	\$ 20,050	\$ (950)
Investment earnings	2,600	850	2,866	2,016
Total revenues	22,100	21,850	22,916	1,066
<b>EXPENDITURES</b>				
Current:				
Public safety	294,500	289,760	-	289,760
Total expenditures	294,500	289,760	-	289,760
Net change in fund balance	(272,400)	(267,910)	22,916	290,826
Fund balance - beginning	267,910	267,910	267,910	-
Fund balance - ending	\$ (4,490)	\$ -	\$ 290,826	\$ 290,826

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 321,100	\$ 112,800	\$ 130,030	\$ 17,230
Investment earnings	-	-	3,819	3,819
Total revenues	321,100	112,800	133,849	21,049
<b>EXPENDITURES</b>				
Capital Outlay:				
Culture and recreation	793,100	337,643	-	337,643
Total expenditures	793,100	337,643	-	337,643
Excess (deficiency) of revenues over (under) expenditures	(472,000)	(224,843)	133,849	358,692
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(200,000)	(200,000)	-
Total other financing sources (uses)	-	(200,000)	(200,000)	-
Net change in fund balance	(472,000)	(424,843)	(66,151)	358,692
Fund balance - beginning	424,843	424,843	424,843	-
Fund balance - ending	\$ (47,157)	\$ -	\$ 358,692	\$ 358,692

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 65,900	\$ 33,300	\$ 35,069	\$ 1,769
Investment earnings	-	-	1,006	1,006
Total revenues	65,900	33,300	36,075	2,775
<b>EXPENDITURES</b>				
Capital Outlay:				
Public safety	189,600	107,569	-	107,569
Total expenditures	189,600	107,569	-	107,569
Net change in fund balance	(123,700)	(74,269)	36,075	110,344
Fund balance - beginning	74,269	74,269	74,269	-
Fund balance - ending	\$ (49,431)	\$ -	\$ 110,344	\$ 110,344

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 900,000	\$ 1,435,000	\$ 1,063,331	\$ (371,669)
Miscellaneous	100,000	-	-	-
Total revenues	1,000,000	1,435,000	1,063,331	(371,669)
<b>EXPENDITURES</b>				
Current:				
General government	1,583,700	1,435,000	1,376,367	58,633
Total expenditures	1,583,700	1,435,000	1,376,367	58,633
Net change in fund balance	(583,700)	-	(313,036)	(313,036)
Fund balance - beginning	313,036	313,036	313,036	-
Fund balance - ending	\$ (270,664)	\$ 313,036	\$ -	\$ (313,036)

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, 2012

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 261,308	\$ 264,200	\$ 129,899	\$ (134,301)
Investment earnings	-	-	366	366
Total revenues	261,308	264,200	130,265	(133,935)
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	-	100	78	22
Debt Service:				
Interest and Other	261,308	264,100	211,361	52,739
Total expenditures	261,308	264,200	211,439	52,761
Net change in fund balance	-	-	(81,174)	(81,174)
Fund balance - beginning	(5,118,033)	(5,118,033)	(5,118,033)	-
Fund balance - ending	\$ (5,118,033)	\$ (5,118,033)	\$ (5,199,207)	\$ (81,174)



**This page intentionally left blank**



## **COMBINING NONMAJOR ENTERPRISE FUND STATEMENTS**



**This page intentionally left blank**

## 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 Assets  
Nonmajor Enterprise Funds  
September 30, 2012

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	\$ 3,851	\$ 13,859	\$ 2,342,633	\$ 209,698	\$ 2,570,041
Accounts receivable - net	1,400	-	2,742	90,554	94,696
Inventories	26,450	3,884	-	-	30,334
Prepaid Items	16,780	2,185	4,726	7,436	31,127
Due from other funds	-	-	60,000	-	60,000
Total current assets	48,481	19,928	2,410,101	307,688	2,786,198
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	-	-	4,442,547	8,718,038
Equipment	191,188	33,421	-	640,400	865,009
Less accumulated depreciation	(793,702)	(18,778)	-	(1,200,214)	(2,012,694)
Total noncurrent assets	6,343,012	14,643	-	3,882,733	10,240,388
Total assets	\$ 6,391,493	\$ 34,571	\$ 2,410,101	\$ 4,190,421	\$ 13,026,586
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	\$ 11,865	\$ 2,996	\$ 1,090	\$ 61,700	\$ 77,651
Due to other governments	-	-	4,218	-	4,218
Loans payable	-	-	-	81,387	81,387
Compensated absences	-	-	38,611	25,250	63,861
Accrued liabilities	19,778	2,032	29,168	22,834	73,812
Accrued loan interest payable	-	-	-	2,681	2,681
Deferred revenue	16,874	20,527	-	27,192	64,593
Total current liabilities	48,517	25,555	73,087	221,044	368,203
Noncurrent liabilities:					
Compensated absences	-	-	69,406	68,356	137,762
Net OPEB obligation	-	-	14,000	8,000	22,000
Loans payable	-	-	-	191,770	191,770
Total liabilities	48,517	25,555	156,493	489,170	719,735
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	6,343,012	14,643	-	3,609,576	9,967,231
Unrestricted	(36)	(5,627)	2,253,608	91,675	2,339,620
Total net assets	\$ 6,342,976	\$ 9,016	\$ 2,253,608	\$ 3,701,251	\$ 12,306,851

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended September 30, 2012

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	\$ -	\$ 157,818	\$ -	\$ -	\$ 157,818
Golf Course charges	1,479,063	-	-	-	1,479,063
Building permit and inspection charges	-	-	273,784	-	273,784
IT&C charges	-	-	-	2,936,065	2,936,065
Total operating revenues	1,479,063	157,818	273,784	2,936,065	4,846,730
<b>Operating Expenses:</b>					
Golf Course	1,547,714	-	-	-	1,547,714
Tennis Center	-	263,782	-	-	263,782
Building permits and inspections	-	-	1,305,956	-	1,305,956
IT&C	-	-	-	2,249,120	2,249,120
Depreciation	271,691	4,058	-	395,568	671,317
Total operating expenses	1,819,405	267,840	1,305,956	2,644,688	6,037,889
Operating income (loss)	(340,342)	(110,022)	(1,032,172)	291,377	(1,191,159)
<b>Nonoperating Revenues (Expenses):</b>					
Investment revenue	-	-	23,004	1,308	24,312
Interest/amortization expense	(971)	(78)	-	(4,173)	(5,222)
Other	-	-	-	1,641	1,641
Total nonoperating revenues (expenses)	(971)	(78)	23,004	(1,224)	20,731
Income (loss) before capital contributions and transfers	(341,313)	(110,100)	(1,009,168)	290,153	(1,170,428)
<b>TRANSFERS AND CONTRIBUTIONS</b>					
Transfers in	5,626,500	125,000	-	1,794,498	7,545,998
Transfers out	(22,000)	(1,000)	-	(12,000)	(35,000)
Total transfers and contributions	5,604,500	124,000	-	1,782,498	7,510,998
Change in net assets	5,263,187	13,900	(1,009,168)	2,072,651	6,340,570
<b>NET ASSETS</b>					
Total net assets - beginning	1,079,789	(4,884)	3,262,776	1,628,600	5,966,281
Total net assets - ending	\$ 6,342,976	\$ 9,016	\$ 2,253,608	\$ 3,701,251	\$ 12,306,851

**Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2012**

	<b>Golf Course</b>	<b>Tennis Center</b>	<b>Building Permits &amp; Inspections</b>	<b>IT&amp;C</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 1,487,473	\$ 148,208	\$ 272,034	\$ 2,903,785	\$ 4,811,500
Cash paid to suppliers	(765,914)	(128,348)	(584,084)	(1,743,435)	(3,221,781)
Cash paid to employees	(803,415)	(135,477)	(739,316)	(553,165)	(2,231,373)
Net cash provided by (used in) operating activities	(81,856)	(115,617)	(1,051,366)	607,185	(641,654)
<b>Cash flow from noncapital financing activities</b>					
Transfers in from other funds	5,626,500	125,000	-	1,794,498	7,545,998
Transfers out to other funds	(22,000)	(1,000)	-	(12,000)	(35,000)
Advances to other funds	(5,556,500)	-	-	(1,794,498)	(7,350,998)
Advances from other funds	-	-	2,294,506	-	2,294,506
Net cash provided by (used in) noncapital financing activities	48,000	124,000	2,294,506	(12,000)	2,454,506
<b>Cash flow from capital and related financing activities</b>					
Proceeds from issuance of long-term debt	-	-	-	-	-
Loan principal payments	-	-	-	(174,488)	(174,488)
Interest paid	(971)	(78)	-	(7,736)	(8,785)
Acquisition and construction of property, plant and equipment	-	-	-	(261,674)	(261,674)
Net cash provided by (used in) capital and related financing activities	(971)	(78)	-	(443,898)	(444,947)
<b>Cash flow from investing activities</b>					
Interest on investments	-	-	23,004	1,308	24,312
Net cash provided by (used in) investing activities	-	-	23,004	1,308	24,312
Net increase (decrease) in cash and cash equivalents	(34,827)	8,305	1,266,144	152,595	1,392,217
Beginning cash and cash equivalents	38,678	5,554	1,076,489	57,103	1,177,824
Ending cash and cash equivalents	\$ 3,851	\$ 13,859	\$ 2,342,633	\$ 209,698	\$ 2,570,041

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2012**

	<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)	\$ (340,342)	\$ (110,022)	\$ (1,032,172)	\$ 291,377	\$ (1,191,159)
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	271,691	4,058	-	395,568	671,317
Change in assets and liabilities:					
Accounts receivable	31,811	-	(1,750)	(59,472)	(29,411)
Inventories	5,582	(1,589)	-	-	3,993
Prepays	(3,191)	2,426	(235)	(1,329)	(2,329)
Accounts payable	(28,162)	(1,061)	(1,065)	(39,646)	(69,934)
Accrued liabilities	(19,245)	(9,429)	1,889	2,660	(24,125)
Customer Deposits	-	-	-	27,192	27,192
Compensated absences	-	-	(18,033)	(9,165)	(27,198)
Net cash provided by (used in) operating activities	\$ (81,856)	\$ (115,617)	\$ (1,051,366)	\$ 607,185	\$ (641,654)
<b>Cash and cash equivalents classified as:</b>					
Equity in pooled cash and investments in current assets	\$ 3,851	\$ 13,859	\$ 2,342,633	\$ 209,698	\$ 2,570,041
Total cash and cash equivalents	\$ 3,851	\$ 13,859	\$ 2,342,633	\$ 209,698	\$ 2,570,041



**This page intentionally left blank**



## **INTERNAL SERVICE FUNDS**



**This page intentionally left blank**

## 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 Assets  
Internal Service Funds  
September 30, 2012

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and investments	\$ 771,804	\$ 3,967,987	\$ 4,739,791
Accounts receivable - net	456	2,703	3,159
Inventories	-	65,730	65,730
Prepaid Items	49,316	14,597	63,913
Due from other governments	-	72,724	72,724
Total current assets	821,576	4,123,741	4,945,317
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	12,652,628	12,652,628
Less accumulated depreciation	-	(7,801,887)	(7,801,887)
Total noncurrent assets	-	5,947,885	5,947,885
Total assets	\$ 821,576	\$ 10,071,626	\$ 10,893,202
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 27,754	\$ 332,512	\$ 360,266
Claims payable	195,050	-	195,050
Compensated absences	-	3,564	3,564
Accrued liabilities	-	5,464	5,464
Total current liabilities	222,804	341,540	564,344
Noncurrent liabilities:			
Compensated absences	-	11,508	11,508
Net OPEB obligation	-	2,000	2,000
Total noncurrent liabilities	-	13,508	13,508
Total liabilities	222,804	355,048	577,852
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	5,947,885	5,947,885
Unrestricted	598,772	3,768,693	4,367,465
Total net assets	\$ 598,772	\$ 9,716,578	\$ 10,315,350

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Internal Service Funds  
For the Year Ended September 30, 2012

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>Operating Revenues:</b>			
Charges for services:			
Miscellaneous	\$ 2,799,733	\$ 3,831,674	\$ 6,631,407
Total operating revenues	2,799,733	3,831,674	6,631,407
<b>Operating Expenses:</b>			
Administrative	2,352,885	2,127,996	4,480,881
Depreciation	-	1,153,691	1,153,691
Total operating expenses	2,352,885	3,281,687	5,634,572
Operating income (loss)	446,848	549,987	996,835
<b>Nonoperating Revenues (Expenses):</b>			
Investment revenue	5,810	35,047	40,857
Other	-	2,886	2,886
Total nonoperating revenues (expenses)	5,810	37,933	43,743
Change in net assets	452,658	587,920	1,040,578
<b>NET ASSETS</b>			
Total net assets - beginning	146,114	9,128,658	9,274,772
Total net assets - ending	\$ 598,772	\$ 9,716,578	\$ 10,315,350

**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2012**

	Self Insured Health	Fleet	Totals
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,799,277	\$ 3,820,906	\$ 6,620,183
Cash paid to suppliers	(2,406,561)	(1,779,512)	(4,186,073)
Cash paid to employees	-	(145,609)	(145,609)
Net cash provided by (used in) operating activities	392,716	1,895,785	2,288,501
<b>Cash flow from noncapital financing activities</b>			
Transfer in from other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-
<b>Cash flow from capital and related financing activities</b>			
Acquisition and construction of property, plant and equipment	-	(453,853)	(453,853)
Proceeds from the sale of capital assets	-	-	-
Net cash provided by (used in) capital and related financing activities	-	(453,853)	(453,853)
<b>Cash flow from investing activities</b>			
Interest on investments	5,810	35,047	40,857
Net cash provided by (used in) investing activities	5,810	35,047	40,857
Net increase (decrease) in cash and cash equivalents	398,526	1,476,979	1,875,505
Beginning cash and cash equivalents	373,278	2,491,008	2,864,286
Ending cash and cash equivalents	\$ 771,804	\$ 3,967,987	\$ 4,739,791

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Internal Service Funds**  
**For the Year Ended September 30, 2012**

	Self Insured Health	Fleet	Totals
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 446,848	\$ 549,987	\$ 996,835
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,153,691	1,153,691
Change in assets and liabilities:			
Accounts receivable	(456)	(10,768)	(11,224)
Inventories	-	(9,052)	(9,052)
Prepays	-	(2,000)	(2,000)
Accounts payable	(53,676)	207,608	153,932
Accrued liabilities	-	(204)	(204)
Compensated absences	-	6,523	6,523
Net cash provided by (used in) operating activities	\$ 392,716	\$ 1,895,785	\$ 2,288,501
<b>Cash and cash equivalents classified as:</b>			
Equity in pooled cash and investments in current assets	\$ 771,804	\$ 3,967,987	\$ 4,739,791
Total cash and cash equivalents	\$ 771,804	\$ 3,967,987	\$ 4,739,791



**This page intentionally left blank**



## **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, 2012**

	Balance October 1, 2011	Additions	Deductions	Balance September 30, 2012
<b>Coquina Coast Cooperative</b>				
Cash and investments	\$ 753,644	\$ 150,276	\$ 179,997	\$ 723,923
Due from other governments	142,893	-	142,893	-
Total assets	<u>\$ 896,537</u>	<u>\$ 150,276</u>	<u>\$ 322,890</u>	<u>\$ 723,923</u>
Accounts payable	\$ 172,078	\$ 723,923	\$ 172,078	\$ 723,923
Deposits held in escrow	724,459	-	724,459	-
Total liabilities	<u>\$ 896,537</u>	<u>\$ 723,923</u>	<u>\$ 896,537</u>	<u>\$ 723,923</u>



This page intentionally left blank

## 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.

<b>Contents</b>	<b>Page</b>
<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.	125
<b>Revenue Capacity</b> These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	130
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	134
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	139
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the city's financial information related to the services the City's provides and the activities it performs.	141

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2000; schedules presenting government-wide information include information beginning in that year.



**This page intentionally left blank**

**Schedule 1**  
**City of Palm Coast, Florida**  
**Net Assets by Component,**  
**Last Ten Fiscal Years**  
***(accrual basis of accounting)***

	Fiscal Year									
	2003	2004 (1)	2005 (2)	2006	2007	2008	2009	2010	2011 (3)	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 171,361,402	\$ 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
Restricted	18,168	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
Unrestricted	14,698,845	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
Total governmental activities net assets	\$ 186,078,415	\$ 196,398,074	\$ 222,878,539	\$ 255,472,140	\$ 276,458,292	\$ 305,651,146	\$ 318,853,335	\$ 319,130,506	\$ 319,528,262	\$ 313,724,324
Business-type activities										
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
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
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
Total business-type activities net assets	-	-	\$ 30,934,363	\$ 45,694,107	\$ 63,364,928	\$ 74,569,649	\$ 78,883,295	\$ 82,651,660	\$ 80,704,671	\$ 92,188,955
Primary government										
Invested in capital assets, net of related debt	\$ 171,361,402	\$ 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
Restricted	18,168	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
Unrestricted	14,698,845	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
Total primary government net assets	\$ 186,078,415	\$ 207,135,473	\$ 253,812,902	\$ 301,166,247	\$ 339,823,220	\$ 380,220,795	\$ 397,736,630	\$ 401,782,166	\$ 400,232,933	\$ 405,913,279

**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 Assets,**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2003	2004 (1)	2005 (2)	2006	2007	2008	2009	2010 (3)	2011	2012
Governmental activities:										
General government	\$ 6,105,902	\$ 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
Public safety	2,837,067	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
Transportation and physical environment	5,449,800	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
Culture and recreation	687,477	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
Interest on long-term debt	39,515	17,983	39,017	19,208	291,244	264,240	314,337	545,416	698,126	652,050
Total governmental activities expenses	\$ 15,119,761	\$ 19,686,386	\$ 20,061,370	\$ 25,957,520	\$ 28,468,854	\$ 30,030,581	\$ 33,708,305	\$ 33,293,091	\$ 34,491,946	\$ 33,069,422
Business-type activities:										
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
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
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
Building Permits & Inspections	-	-	-	-	-	-	-	1,787,281	1,463,027	1,286,637
Information Technology and Communication	-	-	-	-	-	-	-	157,268	182,643	351,525
Golf Course	-	-	-	-	-	31,989	84,219	1,876,394	1,910,096	1,806,088
Tennis Center	-	-	-	-	-	226,646	242,969	284,483	353,796	267,918
Total business-type activities expenses	-	17,109,757	23,670,617	30,369,422	34,571,051	38,163,039	44,348,110	48,417,017	46,962,124	45,695,382
Total primary government expenses	15,119,761	36,796,143	43,731,987	56,326,942	63,039,905	68,193,620	78,056,415	81,710,108	81,454,070	78,764,804
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 5,157,949	\$ 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
Public safety	871,075	118,086	170,604	214,074	279,066	468,618	1,028,174	679,557	305,916	386,798
Transportation and physical environment	1,692,582	208,305	276,940	344,155	160,299	123,281	93,136	92,840	133,064	132,838
Culture and recreation	1,634,750	120,901	186,165	244,630	267,788	239,941	193,571	158,546	398,520	436,185
Operating grants and contributions	83,102	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
Capital grants and contributions	151,000	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
Total governmental activities program revenues	9,590,458	14,860,280	27,361,427	31,294,445	16,375,380	30,306,392	17,537,022	10,140,996	8,237,121	9,938,273
Business-type activities:										
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
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
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
Building Permits & Inspections	-	-	-	-	-	-	-	201,626	225,099	273,784
Information Technology and Communication	-	-	-	-	-	-	-	246,094	322,337	659,065
Golf Course	-	-	-	-	-	-	-	1,213,334	1,501,459	1,479,063
Tennis Center	-	-	-	-	-	109,791	153,925	164,404	181,598	157,818
Operating grants and contributions	-	-	-	2,673,226	-	-	-	-	-	477,582
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
Total business-type activities program revenues	-	27,467,122	44,306,850	44,996,215	51,957,988	44,650,498	53,060,644	45,715,260	45,053,471	47,803,789
Total primary government program revenues	\$ 9,590,458	\$ 42,327,402	\$ 71,668,277	\$ 76,290,660	\$ 68,333,368	\$ 74,956,890	\$ 70,597,666	\$ 55,856,256	\$ 53,290,592	\$ 57,742,062



	Fiscal Year									
	2003	2004 (1)	2005 (2)	2006	2007	2008	2009	2010 (3)	2011	2012
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (5,529,303)	\$ (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)
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
Total primary government net expense	\$ (5,529,303)	\$ 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)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 6,539,567	\$ 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
Sales and use taxes	2,202,280	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
Telecommunication services tax	1,531,099	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
Franchise taxes	103,024	79,730	9,651	-	-	571,591	58,423	744,353	660,354	651,129
Other local taxes	-	-	-	-	-	-	-	404,685	414,385	378,989
Intergovernmental revenue	2,016,034	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
Unrestricted investment earnings	186,128	197,427	750,053	2,358,173	3,515,416	2,132,333	1,244,703	888,531	388,707	461,968
Rental income	-	-	-	-	-	-	102,334	-	-	-
Miscellaneous	131,716	6,006	24,443	35,711	240,871	128,620	75,211	21,425	26,779	41,832
Gain (Loss) on sale of capital assets	(20,803)	8,895	93,575	25,115	66,891	14,653	231,860	81,725	16,241	-
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)
Total governmental activities	12,689,045	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
Business-type activities:										
Property Taxes	-	-	-	-	-	-	-	-	-	1,686,100
Unrestricted investment earnings	-	148,549	539,671	1,089,712	1,430,419	912,152	833,213	647,219	467,954	224,542
Other income	-	-	-	-	-	-	524,881	-	-	1,641
Transfers	-	(24,500)	(722,955)	(956,761)	(1,146,535)	3,805,110	(5,756,982)	5,822,903	(506,290)	7,463,594
Total business-type activities	-	124,049	(183,284)	132,951	283,884	4,717,262	(4,398,888)	6,470,122	(38,336)	9,375,877
Total primary government	12,689,045	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
<b>Change in Net Assets</b>										
Governmental activities	\$ 7,159,742	\$ 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)
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
Total primary government	\$ 7,159,742	\$ 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

**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									
	2003	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012
General Fund										
Reserved	\$ 820,575	\$ 605,668	\$ 1,443,695	\$ 1,103,293	\$ 2,933,294	\$ 2,106,699	\$ 7,141,109	\$ -	\$ -	\$ -
Unreserved	3,714,792	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
Restricted	-	-	-	-	-	-	-	-	-	55,221
Committed	-	-	-	-	-	-	-	2,171,614	2,183,984	2,205,117
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	2,393,217	3,049,181	4,485,999
Total general fund	\$ 4,535,367	\$ 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
All Other Governmental Funds										
Reserved	\$ 1,204,184	\$ 2,158,702	\$ 7,009,041	\$ 4,996,572	\$ 4,129,475	\$ -	\$ 4,500,000	\$ -	\$ -	\$ -
Unreserved, reported in:								-	-	-
Capital projects funds	4,746,588	2,633,691	2,656,158	6,313,502	9,341,010	7,899,230	7,517,095	-	-	-
Special revenue funds	4,840,163	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
Committed	-	-	-	-	-	-	-	14,908,303	14,879,097	6,370,050
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	(12,561,419)	(13,860,570)	(10,725,088)
Total all other governmental funds	\$ 10,790,935	\$ 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)

**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. Additional information can be found in Note 1 of the financial statements.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 11,571,061	\$ 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
Licenses and permits	4,209,977	5,910,993	6,525,597	6,161,259	2,578,103	2,572,951	1,147,673	391,479	160,742	210,196
Intergovernmental revenues	2,140,974	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
Charges for services	846,087	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
Special assessments	-	-	-	-	-	-	38,701	219,391	250,342	129,899
Fines and forfeitures	159,381	129,910	227,706	868,468	767,936	805,046	1,398,511	1,043,095	656,694	739,411
Impact fees	2,313,325	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
Contributions	-	-	146,100	7,396,000	1,808,376	12,719	21,295	14,348	6,603	58,949
Rental income	-	-	-	-	-	-	102,334	-	-	-
Investment Earnings	186,128	197,186	741,840	2,326,074	3,449,378	2,075,610	1,203,109	833,589	371,817	421,111
Miscellaneous	247,616	6,006	14,968	34,831	249,308	118,941	75,211	21,425	26,779	38,946
Total revenues	21,674,549	28,137,872	46,723,567	58,436,717	49,201,487	50,424,108	40,616,692	41,279,168	36,506,728	36,471,530
<b>Expenditures</b>										
Current:										
General government	6,841,677	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
Public safety	2,681,225	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
Transportation and physical environment	3,365,153	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
Culture and recreation	602,408	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
Capital outlay	3,548,620	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
Debt Service:										
Principal	2,598,933	77,510	138,301	55,158	37,318	34,735	36,150	267,623	225,930	210,000
Interest and Other	33,037	17,983	23,109	9,634	286,954	264,240	314,337	545,416	698,126	652,050
Total expenditures	19,671,053	28,839,857	27,440,314	38,225,917	56,544,167	57,802,550	58,809,807	54,391,677	37,436,995	33,178,135
Excess of revenues over (under) expenditures	2,003,496	(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
<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	98,811	53,811	-	-	-	-	-	4,000,000	-	-
Transfers In	980,622	904,436	973,133	819,193	1,051,078	1,112,077	5,792,243	5,270,599	1,649,068	5,451,278
Transfers Out	(1,096,522)	(879,936)	(1,280,965)	(1,673,682)	(641,829)	(4,971,669)	(555,170)	(11,226,792)	(1,209,240)	(12,914,872)
Total other financing sources (uses)	(17,089)	983,591	(307,832)	(854,489)	409,249	(3,859,592)	8,140,493	(128,913)	451,789	(7,463,594)
Net change in fund balances	\$ 1,986,407	\$ 281,606	\$ 18,975,421	\$ 19,356,311	\$ (6,933,431)	\$ (11,238,034)	\$ (10,052,622)	\$ (13,241,422)	\$ (478,478)	\$ (4,170,199)
Debt Service as a percentage of noncapital expenditures	16.32	0.54	0.90	0.27	1.17	1.03	1.14	2.78	3.30	3.27

**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**

<b>Fiscal Year Ended September 30,</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Agricultural Property</b>	<b>Institutional Property</b>	<b>Governmental Property</b>	<b>Other Property</b>	<b>Less: Homestead Exemption (1)</b>	<b>Less: Save our Homes (2)</b>	<b>Less: Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2003	\$ 2,051,254,318	\$ 194,862,777	\$ 26,395,838	\$ 5,798,060	\$ 39,438,049	\$ 100,525,175	\$ 196,993,077	\$ 321,753,386	\$ 92,574,202	\$ 217,199,078	\$ 1,983,740,628	\$ 3.40
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

**Source:** Flagler County Property Appraiser, based on preliminary values provided by July 1 of each year for 2003-2005. Fiscal year 2006 forward is based on final taxable values provided in October of each year. Detailed breakdown of final taxable values for 2003-2005 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
2003	3.0500	0.3500	3.40000	9.04900	5.26700	0.29100	0.46200	0.03850
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

**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 Seven Years Ago**

Taxpayer	2012			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%
	<u>\$ 173,718,726</u>		<u>4.47%</u>	<u>\$ 96,874,032</u>		<u>3.12%</u>

**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
2003	\$ 6,744,718	\$ 6,514,609	96.59	-	\$ 6,514,609	96.59
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	-	14,980,925	96.43

**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**

Governmental Activities						Business-type Activities										
Fiscal Year	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	Total Primary Government	Taxable Assessed Value of Property	Percentage Taxable Assessed	Personal Income (thousands of dollars)	Estimated Population	Percentage of Personal Income	Per Capita
												Value of Property			(d)	
2003	\$ 53,612	\$ -	\$ 260,300	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,912	\$ 1,983,740,628	0.02	\$ 1,555,403	38,348	0.03	\$ 10
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	-	129,690,000	23,199,592	14,340,900	273,157	170,863,649	3,891,594,126	4.39	-	75,180	-	2,273

**Note:** The City of Palm Coast was incorporated on December 31, 1999. No taxes were levied in fiscal year 2000. 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 2001-2011 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.

(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.

(d) Personal income data is for Flagler County 2000 - 2005. Personal income data is not available specifically for Palm Coast until 2006. See Demographic and Economic Statistics on page 139 for personal income and population data. Personal income data not available for 2012.



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

<b>General Bonded Debt Outstanding</b>						
<b>Fiscal Year</b>	<b>General Bonded Debt</b>	<b>Total</b>	<b>Taxable Assessed Value of Property</b>	<b>Percentage Taxable Assessed Value of Property</b>	<b>Estimated Population</b>	<b>Per Capita</b>
2003	-	-	\$ 1,983,740,628	-	38,348	-
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	-

**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 2002-2012 by 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, 2012**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (a)</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
Flagler County General Obligation Bonds, Series 2005	\$ 28,520,000	59.29	\$ 16,908,806
Flagler County Capital Improvement Revenue Bonds, Series 2005	26,570,000	59.29	15,752,699
Flagler County Limited Tax General Obligation Bonds, Series 2005	3,025,000	59.29	1,793,448
Flagler County Limited Tax General Obligation Bonds, Series 2009	9,090,000	59.29	5,389,237
Flagler County Limited Tax General Obligation Bonds, Series 2010	4,470,000	59.29	2,650,153
<b>Other debt</b>			
Flagler County School Board District Certificates of Participation	71,670,000	53.03	38,005,178
Flagler County School Board District State School Bonds	2,440,000	53.03	1,293,884
Flagler County School Board District Sales Tax Revenue Bonds	1,950,000	53.03	1,034,046
Flagler County School Board District Revenue Bonds	2,125,000	53.03	1,126,845
Flagler County Notes Payable	11,552,449	59.29	6,849,162
Subtotal, overlapping debt			90,803,458
<b>City Direct Debt</b>			3,360,000
<b>Total Direct and overlapping debt</b>			<b>\$ 94,163,458</b>

**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)	Rate Stabilization Transfers To/(From) (3)	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
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	(1,500,000)	12,461,373	2,970,000	6,352,364	1.34
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	3,280,000	6,136,499	1.54

**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
2002	35,443	1,391,448	24,227	7,054	4.60%
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%

**Sources:** Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2001-2010 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. Data is not available specifically for Palm Coast until 2006.

**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	2012			2003		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,741	1	5.91%	1,200	1	5.53%
Palm Coast Data	1,100	2	3.74%	1,032	2	4.75%
Florida Hospital-Flagler	900	3	3.06%	340	4	1.57%
Publix Supermarket	560	4	1.90%	190	5	0.88%
Hammock Beach Resort	475	5	1.61%	-	-	-
Wal Mart Stores	425	6	1.44%	350	3	1.61%
City of Palm Coast	386	7	1.31%	133	9	0.61%
Sea Ray Boats	375	8	1.27%	-	-	-
Flagler County	297	9	1.01%	-	-	-
Flagler County Sheriff's Office	264	10	0.90%	-	-	-
Winn-Dixie Stores	-	-	-	170	6	0.78%
American Radionic Company, Inc.	-	-	-	137	7	0.63%
Beverly Health & Rehabilitation	-	-	-	135	8	0.62%
Ascom Energy Systems, Inc.	-	-	-	131	10	0.60%
Total	<u>6,523</u>		<u>22.15%</u>	<u>3,818</u>		<u>17.58%</u>

**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,**

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008 (a)</b>	<b>2009</b>	<b>2010</b>	<b>2011 (b)</b>	<b>2012</b>
General Government										
City Administration	2	4	4	4	4	22	22	15	15	15
Community Relations	-	-	3	4	4	-	-	-	-	-
City Attorney	-	-	-	-	1	1	1	1	0.50	0.50
City Clerk	1	1	3	4	5	-	-	-	0.50	0.50
Financial Services	9	10	15	15	17	14	9	8	8	8
Information Tech & Communications	1	2	7	12	14	15	15	12	-	-
Community Development	23	16	14	17	19	60	17	16	40	40
Building and Code Enforcement	4	21	55	54	51	-	45	41	-	-
Fire	33	36	37	44	46	58	67	66	62	61.50
Law Enforcement	-	-	-	1	1	1	1	-	-	-
Streets and Facilities	34	34	37	55	55	43	64	54	59	59
Engineering	-	-	-	6	7	18	17	9	7	7
Recreation and Athletics	15	17	23	32	40	31	27	19	19	19
Capital Projects	9	16	10	7	8	-	-	-	-	-
Water and Wastewater Utility (1)	-	67	81	101	112	106	116	113	115	115
Solid Waste	-	-	2	2	2	-	-	-	-	-
Stormwater Management (2)	-	-	16	17	20	16	30	37	30	30
Golf Course	-	-	-	-	-	1	-	-	-	-
Building Permits & Inspections	-	-	-	-	-	-	-	-	15	15
Information Tech & Communications	-	-	-	-	-	-	-	-	12.50	12.50
Tennis Center	-	-	-	-	-	3	3	3	-	-
Fleet Management	2	4	4	5	5	3	3	3	3	3
<b>Total</b>	<b>133</b>	<b>228</b>	<b>311</b>	<b>380</b>	<b>411</b>	<b>392</b>	<b>437</b>	<b>397</b>	<b>386.50</b>	<b>386</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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued										
Residential	2,816	4,347	3,299	2,187	507	203	132	127	96	108
Commercial	77	97	130	56	83	100	17	26	15	12
Other	3,309	4,652	6,259	6,906	4,201	4,991	5,609	5,260	5,410	6,743
Total	6,202	9,096	9,688	9,149	4,791	5,294	5,758	5,413	5,521	6,863
Building Inspections	67,776	39,873	69,047	42,493	58,735	18,503	17,488	16,006	16,441	15,989
Code Violations										
Total Code Violations	9,395	10,897	14,528	15,743	14,775	19,789	18,775	23,749	21,261	23,201
Code Violations Cleared	3,594	2,791	7,756	9,820	12,226	14,335	13,028	16,500	19,995	907
Expenditures per Cleared Violation	\$126	\$206	\$111	\$119	\$168	\$140	\$143	\$125	\$ 105	\$ 143
Fire and Rescue										
Total Fire Calls	185	238	159	192	207	170	222	186	278	213
Total EMS Calls	1,866	2,592	3,050	2,419	3,311	4,501	4,860	5,404	5,300	5,365
% Responses under 5 Minutes	50%	44%	52%	52%	63.10%	61%	56%	61%	55%	56%
Public Works										
Refuse Collection (Annual Tons)	20,625	26,362	33,601	37,515	46,093	34,137	31,580	31,134	30,144	31,316
Recycle Collection (Annual Tons)	2,990	2,101	2,836	2,959	4,339	3,857	3,969	3,982	3,960	4,038
Street Rehabilitation (Expenditures per capita)	\$89	\$40	\$57	\$63	\$58	\$49	\$55	\$52	\$ 70	\$ 66
Potholes Repaired	695	454	404	790	1,790	1,210	350	86	24	36
Parks and Recreation										
Developed Park Acres/1000 population	0.97	4.29	3.43	4.02	4.52	3.53	4.41	5.05	4.84	4.60
Recreation Program Expenditures/1000 population	\$14,058	\$20,168	\$12,906	\$16,635	\$17,152	\$22,002	\$13,544	\$12,263	\$ 16,397	\$ 17,353
Total Recreation Revenues/1000 population	\$2,380	\$2,420	\$3,380	\$3,725	\$4,130	\$3,504	\$3,769	\$2,145	\$ 2,271	\$ 2,277
Engineering and Stormwater (1)										
Freshwater Canal Maintenance -										
100% Annual Service Required	-	-	-	60.20%	100%	100%	100%	100%	100%	100%
Existing Swale Service -										
2% of Existing Swales Regraded Annually	-	-	-	2.80%	2%	2%	2%	6%	7%	2%
Hazardous Drainage Conditions Resolved -										
100% Repaired in 24 Hours	-	-	-	85.70%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	-	3,745	3,751	1,603	1,599	481	201	229	114	115
Peak Daily Water Demand (Million gallons per day)	-	10.08	8.73	11.33	10.9	10.4	10.1	9.7	11.1	9.5
Wastewater (2)										
Peak Daily Wastewater Treated	-	7.07	7.63	6.38	10.62	6.9	11.8	6.83	6.83	6.83
(Million gallons per day)										

**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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire and Rescue										
Stations	2	3	3	3	3	3	5	5	5	5
Apparatus	14	9	12	12	15	15	15	17	16	20
Public Works										
Streets (miles)	1,032	1,077	1,078	1,078	1,102	1,102	1,102	1,138	1,169	1,169
Traffic Signals	26	26	29	36	41	43	47	47	50	52
Fleet Size	91	113	153	238	241	301	283	246	242	235
Parks and Recreation										
Acreage	481	602	602	647	672	672	746	746	1,278	1,265
Playgrounds	3	4	4	6	6	6	7	7	7	8
Athletic Fields	4	14	14	14	16	16	22	19	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
Drainage ditches (miles)	-	-	150	150	150	150	150	150	154	154
Canals (miles)	-	-	80	80	80	80	80	80	84	84
Water control structures	-	-	19	19	19	19	19	19	31	31
Water (2)										
Water Mains (miles)	-	623	623	648	648	648	679	679	714	714
Fire Hydrants	-	3,058	3,058	3,455	3,455	3,455	3,717	3,772	3,772	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
Wastewater (2)										
Sewers (miles)	-	475	475	560	560	560	613	613	613	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

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.



**This page intentionally left blank**

## **OTHER REPORTS**



**This page intentionally left blank**

**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 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 7, 2013. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

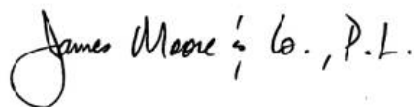
*Member of AGN International with offices in principal cities worldwide*

### **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*.

We noted certain matters that we reported to management of the City of Palm Coast, Florida, in a separate letter dated February 7, 2013.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities 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, looped initial "J".

Daytona Beach, Florida  
February 7, 2013

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>Federal Agency, Pass-Through Entity</b>	<b>CFDA Number</b>	<b>Contract / Grant Number</b>	<b>Program Award Amount</b>	<b>Program Expenditures</b>
<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	\$ 412,499
Passed Through Florida Department of Community Affairs:				
Community Development Block Grants	14.228	10DB-4X-04-28-02-F 20	2,664,903	963,868
Community Development Block Grants	14.228	11DB-T3-04-28-02-H18	750,000	50,533
				1,014,401
Total U.S. Department of Housing and Urban Development				1,426,900
<b>U.S. Department of Homeland Security</b>				
Passed Through State of Florida, Division of Emergency Management				
Hazard Mitigation Grant - Tropical Storm Fay	97.039	12HM-3H-04-28-02-001	308,858	307,369
<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	1,106,775
ARRA - Highway Planning and Construction - Whiteview Multi-Use Path Phase II	20.205	AQ 171	703,328	543,086
ARRA - Highway Planning and Construction - Palm Harbor Multi-Use Trail	20.205	AQ 247	1,380,116	1,047,636
Highway Planning and Construction - Rymfire Drive Multi-Use Path	20.205	APV 95	402,538	372,898
Highway Planning and Construction - Palm Coast Parkway Six Lane Row Acquisition	20.205	AQN 01	485,334	15,000
Highway Planning and Construction - Palm Coast Parkway Six Lane Design	20.205	AQ 462	1,164,500	735,446
Total Department of Transportation				3,820,841
<b>Total Expenditures of Federal Awards</b>				<b>\$ 5,555,110</b>

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

(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*.



**CITY OF PALM COAST, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

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

**Financial Statements:**

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

**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: *Unqualified.*
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133.
- Major program identification:
  - CFDA No. 14.218 – U.S. Department of Housing and Urban Development, Community Development Block Grants
  - CFDA No. 20.205 – U.S. Department of Transportation, Highway Planning and Construction, ARRA
  - CFDA No. 97.039 – U.S. Department of Homeland Security, Hazard Mitigation Grant
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Palm Coast, Florida is not 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, 2012.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
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:

**Compliance**

We have audited the City of Palm Coast, Florida's (the City) compliance with the types of compliance requirements described in the *OMB 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, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Palm Coast, Florida, complied, in all material respects, with the 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, 2012.

**Internal Control over Compliance**

Management of the City of Palm Coast, Florida, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular

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

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the City's compliance but to not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control compliance. Accordingly, this report is not suitable for any other purpose.

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

Daytona Beach, Florida  
February 7, 2013

**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, 2012, and have issued our report thereon dated February 7, 2013.

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 with Requirements that Could Have a Direct and Material Effect on each Major Federal Program 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 February 7, 2013, 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:

**2011-01 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  
gnv@jmco.com

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

*Member of AGN International with offices in principal cities worldwide*

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.

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:

#### **2012-01 Deficit Net Assets and Negative Fund Balances**

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 assets of \$36 and \$5,627 in its golf course and tennis center funds, respectively, and negative fund balances of \$2,426,065, \$3,099,816, and \$5,199,207 in its transportation impact fee, SR100 CRA, and OKR special assessment funds, respectively, as of September 30, 2012. However, the City had unrestricted net assets 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.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

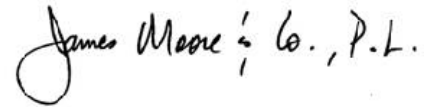
Section 10.554 (1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of 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, 2012.

Section 10.554(1)(i)7.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)7.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, 2012, 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, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.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, 2012.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the State of Florida Office of the Auditor General, City Council, management, others within the City, and Federal awarding agencies and pass-through entities 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, slightly stylized font.

Daytona Beach, Florida  
February 7, 2013



## **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 at the end of fiscal year 2011 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 in fiscal year 2013 through budgeted transfers from the general fund. 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 with the fiscal year 2013.

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

Finance Director  
February 7, 2013