

# INTRODUCTORY SECTION

This section contains the following subsections:

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



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



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## 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.

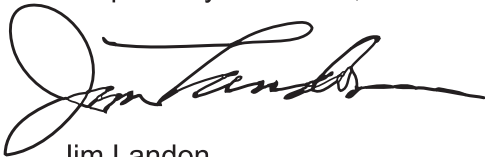
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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*

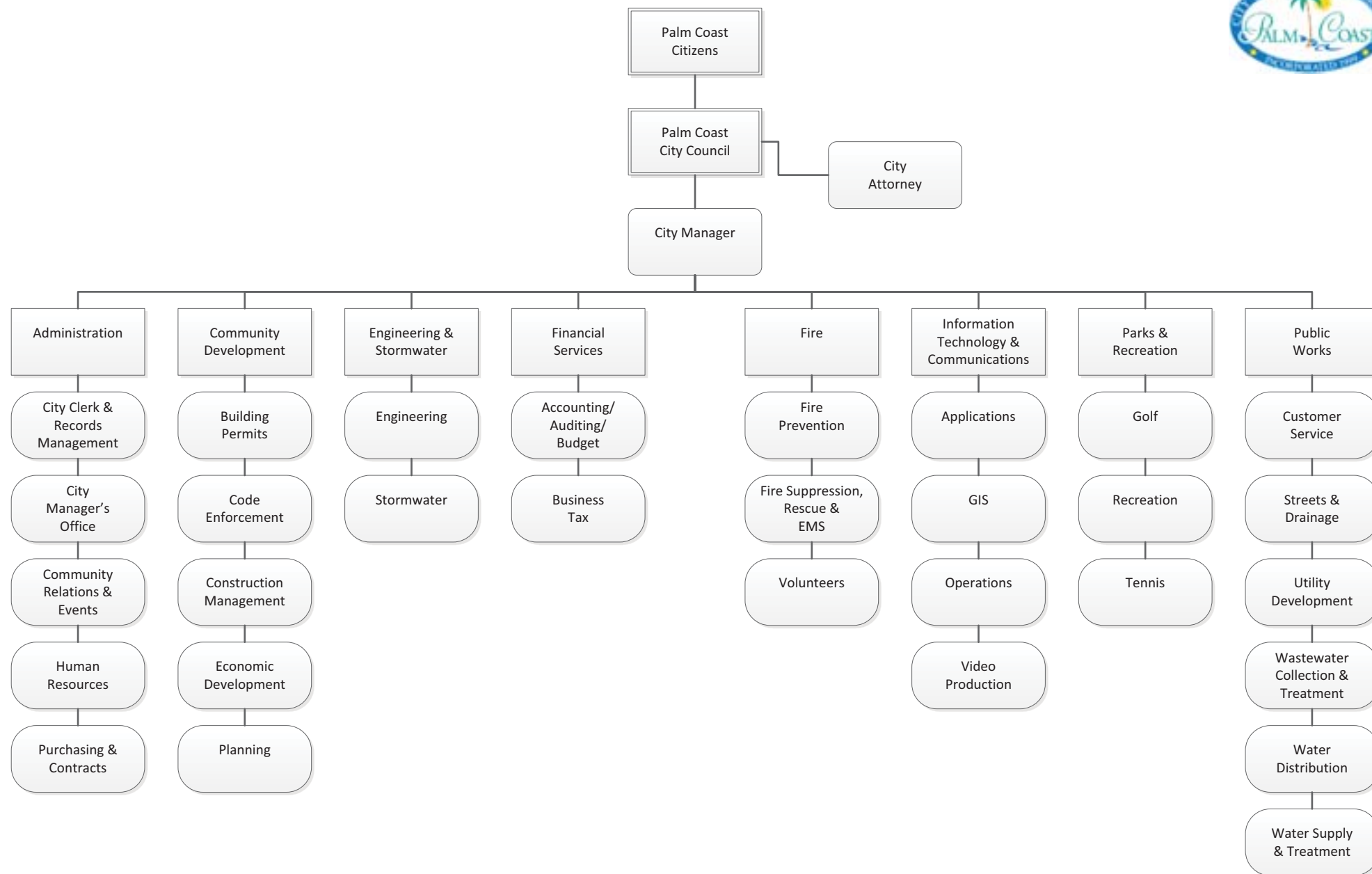
President

*Jeffrey R. Emer*

Executive Director



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## **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