

FINANCIAL SECTION

This section contains the following subsections:

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



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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

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

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Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported As Assets and Liabilities. See Note 17 for the effect of GASB 65 on beginning net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

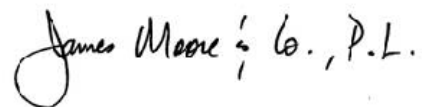
Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Palm Coast, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and statistical section, and the Schedule of Expenditures of Federal Awards as listed in the table of contents, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Daytona Beach, Florida
January 22, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Palm Coast, we offer readers of the City of Palm Coast's financial statements this narrative overview and analysis of the financial activities of the City of Palm Coast for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-x of this report.

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

Financial Highlights

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

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Palm Coast's finances, in a manner similar to a private-sector business.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Palm Coast that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Palm Coast include general government, public safety, transportation and physical environment, and culture and recreation. The business-type activities of the City of Palm Coast include a water and sewer utility, solid waste collection, stormwater management, building permits and inspections, information technology and communications (IT&C), a tennis center, and a golf course.

The government-wide financial statements can be found on pages 23-24 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 26-29 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer utility, stormwater management, and solid waste collection major funds, as well as, the building permits and inspections, information technology and communications (IT&C), golf course and tennis center nonmajor funds. Data from the nonmajor proprietary funds are combined into a single, aggregated presentation. Individual fund data for nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report. The internal service funds are also presented in the proprietary fund financial statements, but not included in the totals for proprietary funds. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-35 of this report.

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-81 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 84-90 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palm Coast, assets exceeded liabilities and deferred inflows by \$409,041,236 at the close of the most recent fiscal year.

Of the net position, 8.0% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 1.9% of net position represents resources that are subject to external restrictions. By far, the largest portion of the City of Palm Coast's net position (90.1%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt used to acquire the assets, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

City of Palm Coast's Net Assets

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

Governmental Activities

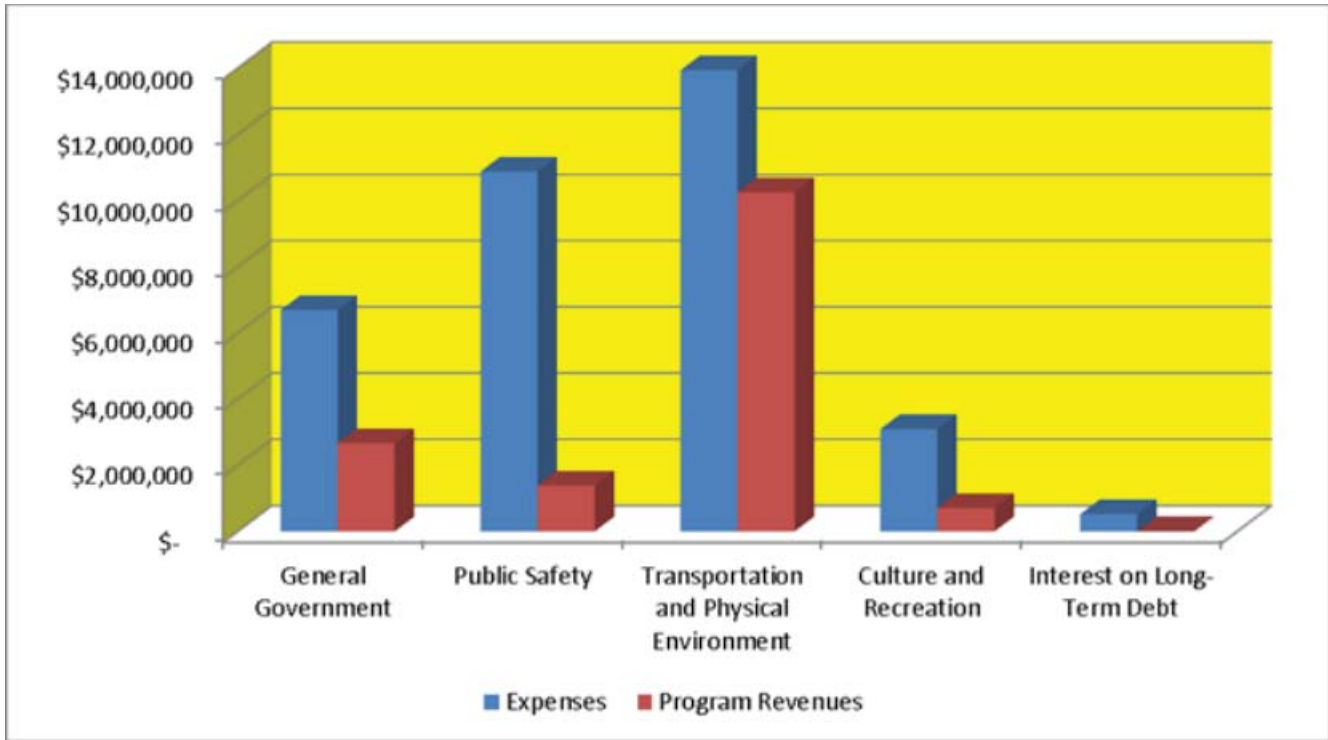
Governmental activities increased the City of Palm Coast's net position by \$6,916,672 during the current fiscal year. This is primarily due to the establishment of the Old King Road special assessments for nearly \$5 million. The balance is mostly due to revenues in excess of expenditures in the general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

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

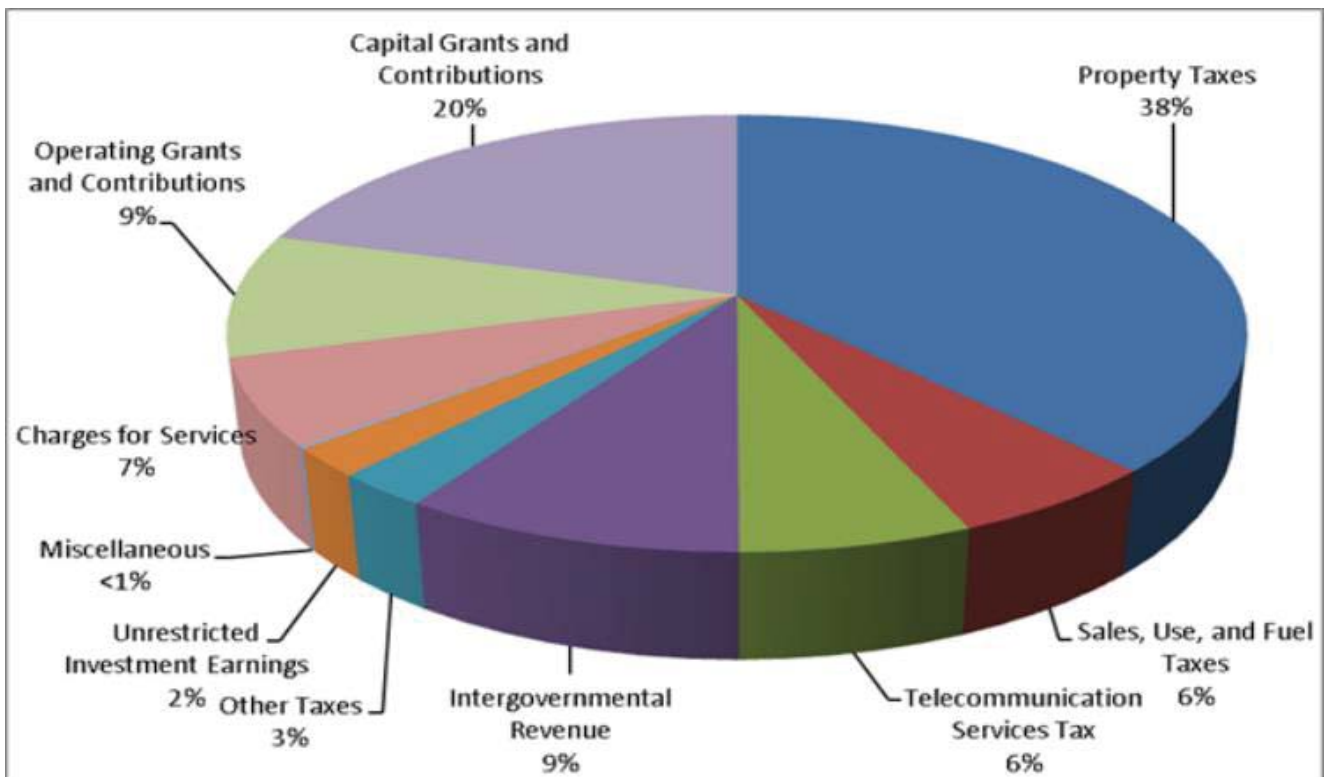
Table II
City of Palm Coast's Changes in Net Assets

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

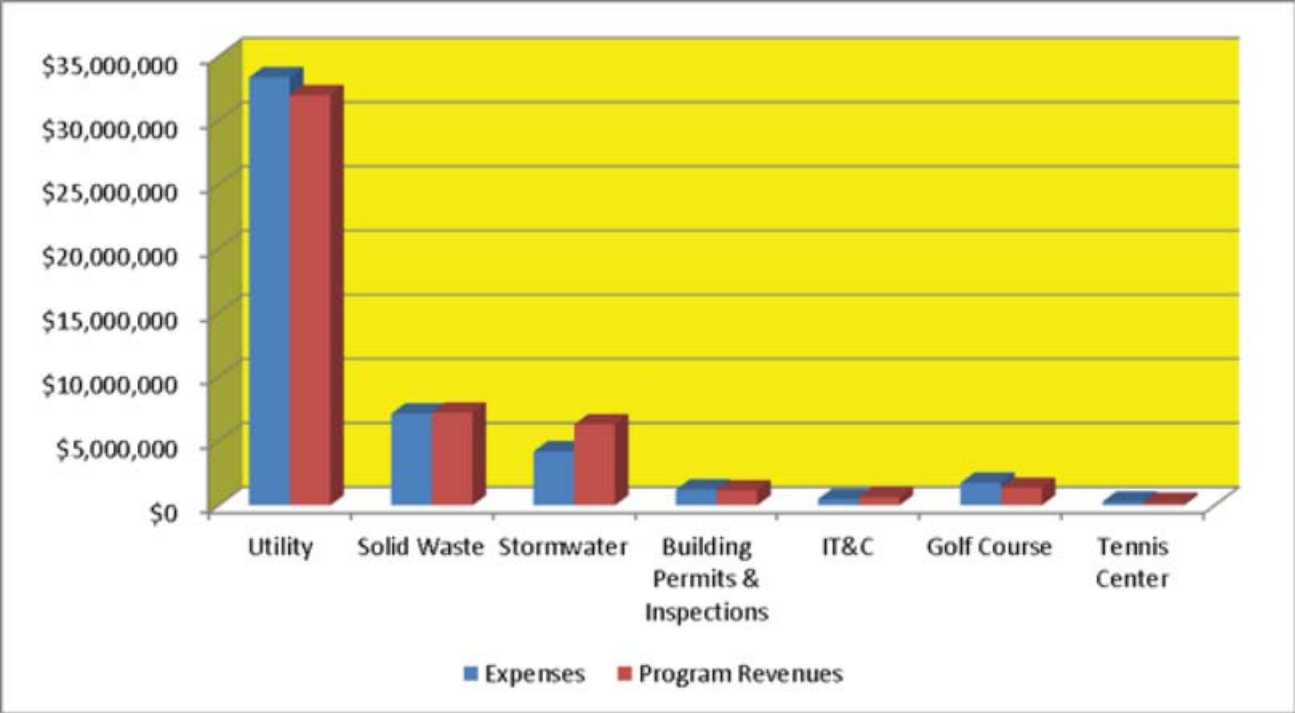
Expenses and Program Revenues – Governmental Activities



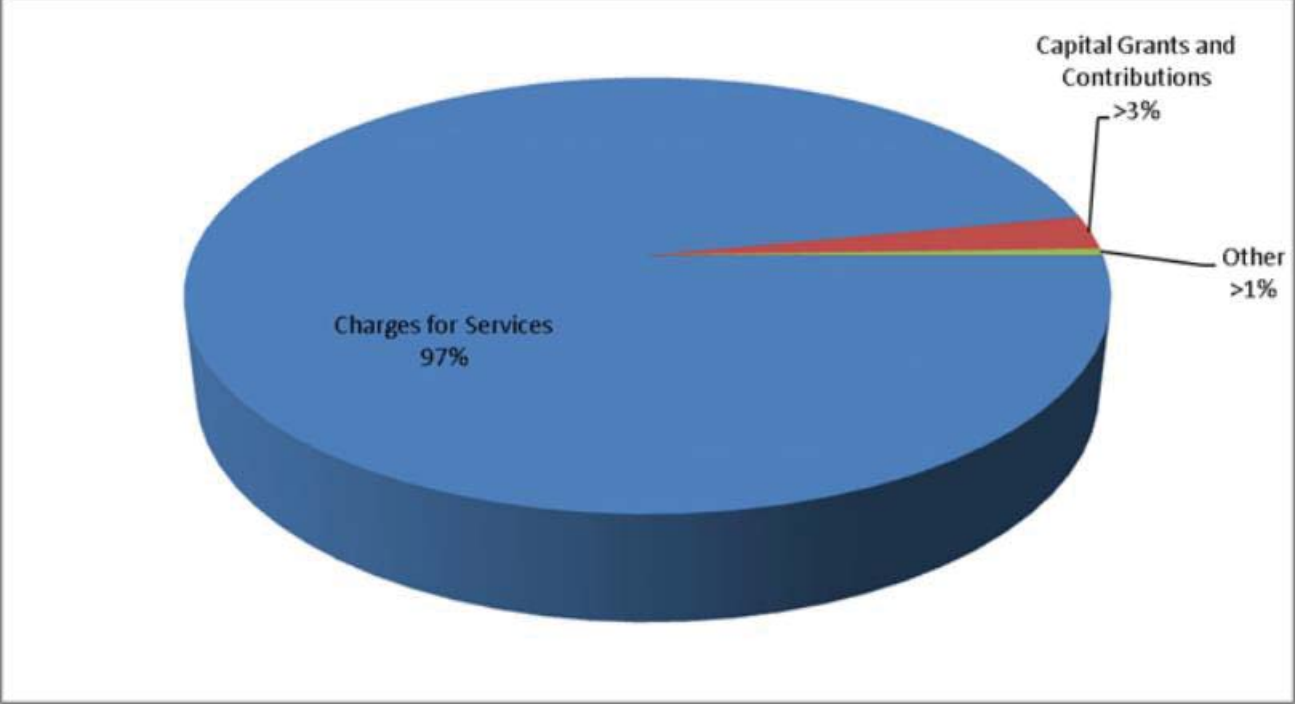
Revenues by Source – Governmental Activities



Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Business-type Activities

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

Financial Analysis of the Government's Funds

Governmental funds. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$5,900,427, with an additional \$2,204,711 committed for a disaster reserve. The total fund balance stood at \$14,146,546. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to fund expenditures. Unassigned fund balance represents approximately 24% of total general fund expenditures versus 19% for fiscal year 2012. Total fund balance represents approximately 58% of the total general fund expenditures versus 53% for fiscal year 2012.

The fund balance of the City of Palm Coast's general fund increased by \$1,417,965 during the current fiscal year. Key factors in this increase are as follows:

The primary driver for the overall increase in the fund balance is related to increases in general fund revenues. Taxes increased \$1,306,756 over 2012. This was due to property taxes in the general fund increasing because of a decrease in these taxes allocated to the stormwater fund. Property taxes allocated to the stormwater fund in 2012 were \$1,686,100 versus \$245,750 in fiscal year 2013.

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

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

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

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

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

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

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

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

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

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

Fund Balance Policy Compliance

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

Proprietary funds. The utility fund, stormwater fund, and solid waste funds unrestricted net position exceed the policy minimum of ten percent of the following year's budgeted expenses. The City Council has chosen to leave this excess in place to hedge against unanticipated future revenue decreases. The golf course and tennis center funds unrestricted net position are below the minimum fund balance threshold. A plan is currently in place to return unrestricted net position to the minimum threshold within three years.

Additional information relating to the fund balance policy can be found in Note 18 on pages 80-81 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses and transfers out totaled an increase of \$318,166. The change was due to net budget revisions in various departments of expenses and related revenues. During the year, final amended expenditures exceeded the revenues budget by \$2,394,743. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,359,023. The overall cost reduction program, as well as not needing to use accumulated disaster reserve funds, are the primary reasons for this difference.

Final Budget Compared to Actual Results

A review of actual expenditures compared to appropriations in the final budget yielded no significant unexpected variances with one exception. Current expenditures in the streets improvement fund exceeded the related appropriation by \$171,565, causing total expenditures to exceed total appropriations by \$103,649. This was due to higher than expected revenues from the red light camera program, as well as, higher than expected related expenditures.

Capital Asset and Debt Administration

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

Table III
City of Palm Coast's Capital Assets

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

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

Long-term debt. The City of Palm Coast owes \$142,624,496 in revenue bonds, net of premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$35,420,066 primarily for utility and stormwater improvements. The City also has a CRA revenue loan for redevelopment costs with a balance of \$5,055,000 at year end. The remainder of the long-term debt is made up of compensated absences, capital leases, and an unfunded net OPEB liability. The total long-term debt of the City is \$186,515,778.

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

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

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

Next Year's Budget and Rates

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

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

The water and sewer rates increased for fiscal year 2013 as a result of a rate study performed as part of the 2003 bond refinancing. The water and sewer rates increased by an average of 8% for all customers effective April 1, 2013. Additional increases of 4% per year will take place in fiscal year 2014 and 2015. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of funding stormwater capital improvements primarily through user fees. This required a rate study to determine the sufficiency of current rates in order to fund the five year capital program. The results were a rate increase from \$8 per ERU billing unit to \$11.65 per ERU billing unit. The new rate took effect in January 2013, and will continue through fiscal year 2014.

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

Due to the recent recession, the City significantly reduced the capital infrastructure investment program. The fiscal year 2014 budget includes over \$30 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, new and refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, and utility infrastructure expansion and replacements.

Requests for Information

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

City of Palm Coast
Financial Services
160 Cypress Point Parkway, Suite B-106
Palm Coast, FL 32164

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

BASIC FINANCIAL STATEMENTS



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

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

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

City of Palm Coast, Florida
Statement of Activities
For the Year Ended September 30, 2013

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

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



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

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 8,301,360	\$ 3,234,108	\$ 262	\$ 2,811,846	\$ 4,979,491	\$ 1,174,462	\$ 20,501,529
Accounts receivable - net	1,385,037	-	-	268,946	-	-	1,653,983
Special Assessment receivable - net	-	-	-	-	-	4,930,841	4,930,841
Prepaid items	193,658	-	-	-	-	-	193,658
Due from other governments	958,748	458,795	-	1,878,121	-	14,250	3,309,914
Advances to other funds	5,792,529	-	-	2,433,000	-	-	8,225,529
Total assets	\$ 16,631,332	\$ 3,692,903	\$ 262	\$ 7,391,913	\$ 4,979,491	\$ 6,119,553	\$ 38,815,454
LIABILITIES							
Accounts payable	\$ 333,802	\$ 90,457	\$ -	\$ 475,415	\$ 12,302	\$ 27,699	\$ 939,675
Accrued liabilities	420,910	-	-	-	-	-	420,910
Due to other governments	260,010	-	-	-	-	-	260,010
Customer deposits	220,160	-	-	-	-	-	220,160
Advances from other funds	-	-	2,433,000	-	5,792,529	4,930,841	13,156,370
Total liabilities	1,234,882	90,457	2,433,000	475,415	5,804,831	4,958,540	14,997,125
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - Special assessments	-	-	-	-	-	4,930,841	4,930,841
Unavailable revenue - Taxes	25,230	-	-	-	-	-	25,230
Unavailable revenue - Charges for services	4,368	-	-	-	-	-	4,368
Unavailable revenue - Fines & forfeitures	1,220,306	-	-	268,946	-	-	1,489,252
Total deferred inflows of resources	1,249,904	-	-	268,946	-	4,930,841	6,449,691
FUND BALANCES							
Nonspendable							
Prepaid items	193,658	-	-	-	-	-	193,658
Advances to other funds	5,792,529	-	-	-	-	-	5,792,529
Restricted for							
Public safety	-	-	-	-	-	223,008	223,008
Construction	-	-	-	-	-	839,338	839,338
Grants	-	-	-	-	-	66,857	66,857
Business Assistance	55,221	-	-	-	-	-	55,221
Committed for							
Disaster Reserve	2,204,711	-	-	-	-	-	2,204,711
Construction	-	3,602,446	-	6,647,552	-	-	10,249,998
Unassigned	5,900,427	-	(2,432,738)	-	(825,340)	(4,899,031)	(2,256,682)
Total fund balances (deficits)	14,146,546	3,602,446	(2,432,738)	6,647,552	(825,340)	(3,769,828)	17,368,638
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,631,332	\$ 3,692,903	\$ 262	\$ 7,391,913	\$ 4,979,491	\$ 6,119,553	\$ 38,815,454

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

City of Palm Coast, Florida
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2013

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

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

City of Palm Coast, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 18,793,131	\$ 1,861,525	\$ -	\$ 2,485,605	\$ 856,901	\$ -	\$ 23,997,162
Licenses and permits	229,590	-	-	-	-	-	229,590
Intergovernmental revenue	3,286,399	357,853	-	2,555,804	-	1,695,129	7,895,185
Charges for services	2,572,727	-	-	-	-	-	2,572,727
Fines and forfeitures	612,347	-	-	934,962	-	30,830	1,578,139
Impact fees	-	-	885,271	-	-	369,709	1,254,980
Contributions	2,217	-	-	-	-	-	2,217
Investment earnings	277,789	4,879	3,687	-	341	593	287,289
Miscellaneous	77,326	-	-	-	-	-	77,326
Total revenues	<u>25,851,526</u>	<u>2,224,257</u>	<u>888,958</u>	<u>5,976,371</u>	<u>857,242</u>	<u>2,096,261</u>	<u>37,894,615</u>
EXPENDITURES							
Current:							
General government	6,857,737	5,294	-	-	-	1,628,272	8,491,303
Transportation and physical environment	5,633,147	-	123,197	-	7,315	179	5,763,838
Public safety	9,743,262	-	-	657,265	-	123,566	10,524,093
Culture and recreation	2,161,053	-	-	-	-	-	2,161,053
Capital outlay:							
Public Safety	173,049	-	-	-	-	-	173,049
Transportation and physical environment	14,402	427,981	219,239	3,132,084	324,622	-	4,118,328
Culture and recreation	-	298,056	-	-	-	-	298,056
Debt service:							
Principal	-	-	-	-	393,000	-	393,000
Interest and Other	-	-	-	-	466,829	52,840	519,669
Total expenditures	<u>24,582,650</u>	<u>731,331</u>	<u>342,436</u>	<u>3,789,349</u>	<u>1,191,766</u>	<u>1,804,857</u>	<u>32,442,389</u>
Excess (deficiency) of revenues over (under) expenditures	1,268,876	1,492,926	546,522	2,187,022	(334,524)	291,404	5,452,226
OTHER FINANCING SOURCES (USES)							
Transfers in	961,976	200,000	-	-	521,000	353,195	2,036,171
Transfers out	(812,887)	-	(553,195)	-	-	-	(1,366,082)
Issuance of long term debt	-	-	-	-	2,088,000	-	2,088,000
Total other financing sources (uses)	<u>149,089</u>	<u>200,000</u>	<u>(553,195)</u>	<u>-</u>	<u>2,609,000</u>	<u>353,195</u>	<u>2,758,089</u>
Net change in fund balances	1,417,965	1,692,926	(6,673)	2,187,022	2,274,476	644,599	8,210,315
Fund balances (deficits) - beginning	12,728,581	1,909,520	(2,426,065)	4,460,530	(3,099,816)	(4,414,427)	9,158,323
Fund balances (deficits) - ending	<u>\$ 14,146,546</u>	<u>\$ 3,602,446</u>	<u>\$ (2,432,738)</u>	<u>\$ 6,647,552</u>	<u>\$ (825,340)</u>	<u>\$ (3,769,828)</u>	<u>\$ 17,368,638</u>

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

City of Palm Coast, Florida
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
September 30, 2013

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

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

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

Expenditures for capital assets	4,589,433	
Less current year depreciation	(9,498,193)	(4,908,760)

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

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

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

30,078

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(1,695,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

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

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

418,667

Change in net position of governmental activities.

\$ 6,916,672

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

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

Business-type Activities-Enterprise Funds

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

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

Business-type Activities-Enterprise Funds

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

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



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

Business-type Activities - Enterprise Funds

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

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

122,420
\$(129,070)

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

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

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

(continued)

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

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

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

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

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

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

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

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

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Internal service funds are incorporated into the governmental activities column.

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

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

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

Fund Financial Statements

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

The government reports the following major governmental funds:

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

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

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

The streets improvement special revenue fund is used to account for the revenue from a half-cent local government infrastructure surtax, state revenue sharing, red light camera fines, and a local option gas tax that is being used for road operations, maintenance, improvements, and to resurface city streets.

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The proprietary and pension funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activities. The principal operating revenues of the City's enterprise funds and the internal service fund are charges to customers for sales and services. Operating expenses for the enterprise funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Budgetary basis of accounting

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

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

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Cash, cash equivalents, and investments

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

Receivables and payables

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

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, stormwater, and fiber optic system usage billings. All general fund receivables are deemed collectible, and an allowance for doubtful accounts has been set up in the utility, solid waste, and stormwater funds for 18%, 14% and 22%, respectively, of the outstanding receivable amounts. Under Florida law, the assessment and collection of all county, municipal, and school district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to 10 mills.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items in governmental funds are recognized using the consumption method.

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

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

Interfund Transactions

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Net position flow assumption

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

Fund balance flow assumptions

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund balance

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

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

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

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

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

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

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

Program Revenues

Amounts reported as program revenues included 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) operating grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes (Continued)

Valuation Date January 1, 2012

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

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

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

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

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

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

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

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

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes. June 1, 2013

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility, solid waste, stormwater and other proprietary funds along with internal service funds are charges to customers for sales and services. Operating expenses for these funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Recently Issued and Adopted Accounting Pronouncements

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

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

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

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$294,886,509 difference are as follows:

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

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

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

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$9,022,978 difference are as follows:

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

A final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$7,086,820 difference are as follows:

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

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” Also, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. “This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$1,695,000 difference are as follows:

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

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

Note 3 – Stewardship, Compliance and Accountability

Compliance with Finance-Related Legal and Contractual Provision

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

Deficit Fund Balance

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

Excess of Expenditures over Appropriations

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

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$8,123,883 and the bank balance was \$9,282,600. All bank deposits were fully covered by federal depository insurance and by deposits held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories". Included in the carrying amount of the City deposits is \$11,557 in petty cash. In addition, the City has a money market cash balance of \$77,978 in its investment account.

Investments

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

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

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

Note 4 – Deposits and Investments (Continued)

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

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 6,145,040	11.43	44 Days
Florida SBA LGIP Fund B	511,894	0.95	4.04 Years
U.S. Government Agencies	14,109,688	26.25	1-3 Years
U.S. Treasuries	20,256,783	37.68	1-3 Years
Corporate Notes	1,089,081	2.03	1-3 Years
Commercial Paper	11,086,726	20.62	90 Days
Municipal Bonds	557,928	1.04	1-3 Years
	<u>\$ 53,757,140</u>		

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (LGIP), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Local Government Surplus Funds Trust Fund Investment Pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes. On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Pool coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub-prime mortgage risk. On December 4, 2007, the State Board of Administration restructured the Pool into two separate funds. Fund A consisted of all money market appropriate assets, which was approximately 86% of Pool assets. Fund B consisted of assets that defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately 14% of Pool assets. At the time of the restructuring, all current Pool participants had their existing balances proportionately allocated into Fund A and Fund B.

Fund A, currently known as the Local Government Surplus Funds Trust Fund (Florida PRIME), is a Securities and Exchange Commission rule 2a7-like external investment pool. The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2013, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME.

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

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

Note 4 – Deposits and Investments (Continued)

Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

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

Credit Risk. The City's investment policy allows investment in high grade corporate notes and government sponsored agencies with a minimum A rating by Standard and Poor's. Commercial paper is required to have a rating of A-1 by Standard and Poor's. As of September 30, 2013, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1 and A-1+, and corporate and municipal bonds rated between AA- and AA+ by Standard & Poor's.

Concentrations of Credit Risk. The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2013, the City's largest agency investment is in Fannie Mae (FNMA). These securities represent 17 percent of the City's total investments.

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

Note 5 – Receivables

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

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

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District (see Note 15). The amount due as of September 30, 2013 represents the balance remaining on the financing of the expansion and realignment of Old Kings Road.

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

Note 6 – Capital Assets

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

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

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

Note 6 – Capital Assets (Continued)

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

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

Note 7 - Accrued liabilities

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

Note 8 – Interfund Receivables, Payables, and Transfers

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

Due from/to other funds:

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

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

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

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

Advances from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	SR100 CRA Fund	Purchase and redevelopment of land	\$ 5,792,529
Streets Improvement Fund	Transportation Impact Fee Fund	Expansion and realignment of road	2,433,000
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	4,930,841
			<u>\$ 13,156,370</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. None of these balances are scheduled to be collected in the subsequent year.

Interfund transfers

Transfer out:	Transfer In:						
	General Fund	Capital Projects Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	Nonmajor Proprietary	Total
General Fund	\$ -	\$ -	\$ 521,000	\$ 56,887	\$ -	\$ 235,000	\$ 812,887
Utility Fund	844,976	-	-	25,428	-	-	870,404
Transportation Impact Fee Fund	-	200,000	-	-	353,195	-	553,195
Stormwater Fund	79,000	-	-	-	-	-	79,000
Nonmajor Proprietary	38,000	-	-	-	-	-	38,000
Total transfers out	<u>\$ 961,976</u>	<u>\$ 200,000</u>	<u>\$ 521,000</u>	<u>\$ 82,315</u>	<u>\$ 353,195</u>	<u>\$ 235,000</u>	<u>\$ 2,353,486</u>

Transfers from the General Fund are generally made to establish reserves for future capital expenditures, possible emergency related expenditures, and to move unrestricted general fund revenues to finance various programs that are accounted for in other funds in accordance with budgetary authorizations. The transfer to the Capital Project Fund from the Transportation Impact Fee Fund is to fund capital expenditures related to a developer contribution. Transfers to the CRA Fund represent base property tax collections within the redevelopment area. Transfers from the Utility Fund, Stormwater Fund, and Nonmajor Proprietary Funds are in lieu of tax transfers, maintenance transfers, and to establish reserves for future capital expenditures. The transfer from the Transportation Impact Fee Fund to Nonmajor Governmental Funds is impact fee collections related to the Old Kings Road Special Assessment District.

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

Note 9 – Leases and Agreements

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2013, the total cost was \$2,599,863 and provided 27 additional personnel.

The City entered into an interlocal agreement with Flagler County to provide funding for a road expansion project. The estimated funding available is \$3.5 million, payable on a cost reimbursement basis. As of September 30, 2013, \$1.6 million has been expended and is due per this agreement.

Lease of City Owned Facilities:

The City leases various facilities to telecommunications companies, who provide wireless phone and Internet access to the public. The leases are for a five year period, with renewal options for an additional five years. Annual lease payments increase by the U.S. Consumer Price Index or 3 to 4%, whichever is greater. For fiscal year 2013, the total amount of lease payments received was \$270,962.

Operating Leases:

City Administrative Offices

The City executed a noncancelable operating lease for new administrative office space on November 1, 2011 for a three year term. The monthly lease amount was \$17,000 to October 31, 2012, then \$19,000 monthly until October 31, 2013, with the final year at \$20,000 per month. The total cost for year ended September 30, 2013 was \$226,000. The future minimum lease payments are as follows:

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

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

Note 10 – Long-Term Debt

A. Governmental Activities

SR100 CRA Redevelopment Refunding Revenue Note, Series 2012

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

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

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

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

B. Business Activities

Utility System Long-term Debt

Utility System Revenue Bonds, Series 2003

Current refunding

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

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

Note 10 – Long-Term Debt (Continued)

Utility System Revenue Bonds, Series 2003

Current refunding (Continued)

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

Utility System Revenue Bonds, Series 2007

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

Disposition of Revenue in order of Priority

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

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

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

During the fiscal year ended September 30, 2010, MBIA Insurance Corporation (MBIA), the City's bond insurer, was downgraded by the three major credit rating agencies. Municipal bond insurance unconditionally and irrevocably guarantees that the full and complete payment will be made by or on behalf of the City to the Paying Agent or its successor in the event of default. Due to the downgrade of MBIA, the bond covenants required the City to establish a debt service reserve fund. However, this has not had a financial impact on any of the City's outstanding obligations. During the fiscal year ended September 30, 2013, Standard & Poor's and Fitch have provided an A+ rating on this bond issue.

Deposits are made into a utility capital projects account for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding Fiscal Year.

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

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

Note 10 – Long-Term Debt (Continued)

Utility System Revenue Bonds, Series 2007 (Continued)

Early Redemption

Optional Redemption

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

Debt Service

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

Year Ending <u>September 30.</u>	Principal	Interest
2014	\$ 1,130,000	\$ 1,955,906
2015	1,175,000	1,908,906
2016	1,220,000	1,864,681
2017	1,265,000	1,814,081
2018	1,315,000	1,748,331
2019-2023	7,480,000	7,851,506
2024-2028	9,325,000	5,894,706
2029-2033	11,565,000	3,563,256
2034-2038	11,250,000	764,533
	\$ 45,725,000	\$ 27,365,906

Utility System Improvement and Refunding Revenue Bonds, Series 2013

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

Disposition of Revenue in order of Priority

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

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

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

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

Note 10 – Long-Term Debt (Continued)

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

Deposits are then made into a utility capital projects account for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding Fiscal Year.

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

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

Early Redemption

Optional Redemption

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

Debt Service

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

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

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

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 127,409	\$ 49,764
2015	130,885	46,288
2016	134,456	42,716
2017	138,124	39,048
2018	141,893	35,280
2019-2023	769,690	116,171
2029-2033	425,480	17,451
	<u>\$ 1,867,937</u>	<u>\$ 346,718</u>

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 610,558	\$ 238,151
2015	626,535	222,173
2016	642,931	205,777
2017	659,756	188,952
2018	677,021	171,687
2019-2023	3,660,317	583,225
2024-2028	2,434,178	111,947
	<u>\$ 9,311,296</u>	<u>\$ 1,721,912</u>

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

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 338,461	\$ 152,655
2015	347,113	144,003
2016	355,985	135,131
2017	365,085	126,031
2018	374,417	116,699
2019-2023	2,020,630	434,950
2024-2028	2,292,424	163,156
	<u>\$ 6,094,115</u>	<u>\$ 1,272,625</u>

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

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 256,960	\$ 115,896
2015	263,528	109,327
2016	270,264	102,591
2017	277,172	95,683
2018	284,257	88,598
2019-2023	1,534,062	330,214
2024-2028	1,740,408	123,868
	<u>\$ 4,626,651</u>	<u>\$ 966,177</u>

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

Note 10 – Long-Term Debt (Continued)

Stormwater System Long-Term Debt

State Revolving Fund Loans

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

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

Year Ending September 30,	Principal	Interest
2014	\$ 219,908	\$ 83,262
2015	225,517	77,653
2016	231,268	71,902
2017	237,166	66,004
2018	243,215	59,955
2019-2023	1,312,345	203,504
2024-2028	870,496	39,014
	<u>\$ 3,339,915</u>	<u>\$ 601,294</u>

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

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

Year Ending September 30,	Principal	Interest
2014	\$ 110,081	\$ 72,551
2015	113,565	69,067
2016	117,159	65,473
2017	120,866	61,766
2018	124,691	57,941
2019-2023	685,204	227,955
2024-2028	800,709	112,450
2029-2033	265,566	8,382
	<u>\$ 2,337,841</u>	<u>\$ 675,585</u>

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

Note 10 – Long-Term Debt (Continued)

Bank Loan

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

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ -	\$ 180,222
2015	689,000	164,030
2016	706,000	147,439
2017	722,000	130,472
2018	739,000	113,106
2019-2023	3,963,000	290,484
2024-2028	850,000	-
	<u>\$ 7,669,000</u>	<u>\$ 1,025,753</u>

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

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

Note 10 – Long-Term Debt (Continued)

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

Capital Leases

During year ended September 30, 2011, the City executed an agreement with Dell Financial Services to lease computer equipment for use on the city-wide network. The non-cancelable capital lease principal of \$71,822 is payable annually in the amount of \$19,596 including interest at a rate of 6.16% through July 1, 2014.

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

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

Loans

During the year ended September 30, 2009, the City executed an agreement with MetroPCS Florida, LLC to purchase a wireless communications tower built on City land. MetroPCS Florida, LLC would construct the tower and lease space on the tower for its operations (see Note 9). The City agreed to apply fifty percent of the tower lease payments towards repayment of the cost of the tower in the amount of \$164,773 with principal only payable annually according to the schedule below.

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 15,087	\$ -
2015	15,690	-
2016	16,318	-
2017	16,970	-
2018	17,649	-
2019-2023	15,897	-
	<u>\$ 97,611</u>	<u>\$ -</u>

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

Note 10 – Long-Term Debt (Continued)

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

During the year ended September 30, 2011, the City executed an agreement with Verizon Wireless to purchase a wireless communications tower built at the City Tennis Center. Verizon Wireless would construct the tower and lease space on the tower for its operations (see Note 9). The City agreed to apply the tower lease payments towards repayment of the cost of the tower in the amount of \$157,300 with principal only payable annually according to the schedule below.

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 28,848	\$ -
2015	29,713	-
2016	17,139	
	<u>\$ 75,700</u>	<u>\$ -</u>

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

Note 10 – Long-Term Debt (Continued)

Changes in long-term debt

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

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

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$16,996 of internal service fund compensated absences and \$4,482 of net OPEB liability are included in the above amounts. For governmental activities, compensated absences and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

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

Note 11 – Retirement Plans

Defined Contribution Plan

The City maintains a single employer defined contribution plan. All full-time employees are eligible to participate. The name of the plan is the City of Palm Coast 401(a) Pension Plan. The plan is administered by a third party administrator, Great West Retirement Services. The authority to establish and amend benefits rests with the City Council. Under this plan, the City contributes a certain percentage of employees' eligible wages based upon their job classification as determined by City Council. For the fiscal year ended September 30, 2013, general employees received a 10% contribution, with department directors receiving 13% and special risk employees receiving 17.5%. Employees do not participate in the plan funding. Pension contributions are subject to a five year (5) vesting schedule. Withdrawals from the plan may be made due to retirement, attainment of age 59 ½, separation from service, disability, or death. For the period ended September 30, 2013, contributions to this plan totaled \$1,677,941.

Florida Retirement System

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

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

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

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

Note 11 – Retirement Plans (Continued)

Florida Retirement System (Continued)

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

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

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

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

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

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

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

Volunteer Firefighters' Pension Plan

Plan Description and Summary of Benefits

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

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

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

Volunteer firefighters who meet minimum City-established standards are eligible to participate in the plan. Minimum standards are based on a system that awards points used to certify years of credited service for completing training courses, attending drills, responding to emergency and non-emergency calls, and participating in other fire emergency related activities. The minimum number of years of active service shall be five years to qualify for retirement. Members with up to five years of consecutive service to the City prior to July, 2002 are eligible for up to five years credit providing such members satisfy pension requirements in at least one of the two years following July, 2002. The minimum age for receiving benefits is 52 with twenty-five years of service, or 55 and after ten years of service, or for volunteers 62 and over, five years of service. Early retirement may be arranged with consent of the Board for a member who has attained age 50 with ten years of continuous service. The retirement benefit will be actuarially reduced by three percent for each year by which the member's age at retirement precedes the member's normal retirement age. Each member shall become one hundred percent vested at normal retirement age, subject only to the actuarial reduction for early retirement at age fifty (50).

Contributions from the state to the plan are reported as revenues and expenditures in the general fund before being reported in the pension fund. The amount recorded for the period ended September 30, 2013 was \$364,572. Administrative costs are paid from plan assets. A separate, audited GAAP-basis pension plan report is not available for the plan. Currently, 17 members are receiving retirement benefits. There are 42 active participants, with two being eligible for normal retirement.

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

Basis of Accounting

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

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

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters’ Pension Plan (Continued)

Cash and Investments

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

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

The total invested with the Florida Municipal Pension Trust Fund (FMPTF) administered by the Florida League of Cities as of September 30, 2013 was \$3,315,442. The City’s investments in the Florida Municipal Pension Trust Fund, a Securities and Exchange Commission rule 2a7-like external investment pool, are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

Interest Rate Risk. The FMPTF includes the following fixed income fund.

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

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

Funding Policy

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

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

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

Funded Status and Funding Progress

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

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

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

Note 11 – Retirement Plans (Continued)

Deferred Compensation Program

The City offers its employees a voluntary deferred compensation program created in accordance with Internal Revenue Code (IRC) section 457 and Chapter 112.215 Florida Statutes. During the year ended September 30, 2013, the City complied with the requirements of IRC Section 457 and all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No amounts from this plan are included in the financial statements.

Note 12 – Other Post Employment Benefits (OPEB)

Plan Description and Summary of Benefits

The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate subsidy benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated October 1, 2012, the Plan had approximately 334 active participants and 2 retirees receiving benefits. The plan does not issue a separate publicly available financial report.

Transition Year

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

Funding Policy

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a closed period of 30 years using the level percentage of payroll method. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 8.5% in 2013, to the ultimate rate of 4.5% in 2017. The economic rates are based on an assumed inflation rate of 2.5% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2013, based on the above assumptions and cost method, and applied to member data current at October 1, 2012. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2012, with an AAL calculated to be \$1,027,559, which is unfunded (or 0% funded). The annual covered payroll is \$15.163 million, resulting in an unfunded AAL of 6.8%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 1, 2012.

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

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

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

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

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding years were as follows:

Fiscal Year ended September 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net ending OPEB Obligation (Asset)
2013	\$ 193,811	\$ 32,003	16.50%	\$ 580,808
2012	144,000	31,000	21.40%	419,000
2011	137,000	25,000	18.20%	306,000

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

Note 13 – Prepaid Water and Sewer Impact Fees

The original developers of the City of Palm Coast collected impact fees to establish utility infrastructure. These amounts are considered a prepayment of current impact fees and are subtracted from the total impact fees due when a building lot is developed. As of September 30, 2013, the amount of prepaid impact fees is estimated to be \$21,207,995.

Note 14 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

The City is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the City; such loss has been accrued in the accompanying financial statements. No such losses have been accrued for as of September 30, 2013. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2013. However, the remote possibility exists of losses as it relates to a class action lawsuit related to the legality of red light cameras fines charged prior to July 1, 2010, and a lawsuit by a property owner relating to business damages in anticipation of condemnation actions. The outcome of these and remaining claims cannot be determined at this time.

Self Insurance Program

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

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

Note 14 – Risk Management (Continued)

have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Blue Cross Blue Shield of Florida Insurance at a monthly rate of \$56.90 per participating employee. The City has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing, and paying claims. Settled claims have not exceeded the excess insurance limits.

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

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As a result, a liability of \$243,766 is reported in the fund at September 30, 2013.

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

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

Note 15 - Old Kings Road Special Assessment

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

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

Note 16 – Community Redevelopment Area

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

Note 17 – Prior Years Restatement

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

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

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

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

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

Note 18 – Fund Balance Policy

During the fiscal year ended September 30, 2009, the City enacted a policy establishing minimum levels of unassigned fund balance and unrestricted net position. The details of this policy are outlined below.

General Fund

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

Utility Fund

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

Stormwater Management Fund

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

Solid Waste Fund

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

Tennis Center Fund and Golf Course Fund

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

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

Note 18 – Fund Balance Policy (Continued)

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

Disaster Reserve

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

Other Funds

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

Note 19 – Subsequent Events

SR100 CRA Redevelopment Improvement Revenue Note, Series 2014

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

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

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



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REQUIRED SUPPLEMENTARY INFORMATION

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

Schedule of Funding Progress

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

Schedule of Employer and Other Contributing Entities

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

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

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

Schedule of Funding Progress

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

The actuarial valuation dated March 2008 was the first OPEB valuation completed. The next valuation will be dated October 2014.

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2013	\$ 193,811	32,003	16.51	0.1%
2012	145,000	31,000	21.38	0.1%
2011	137,000	25,000	18.25	0.1%
2010	105,000	9,000	8.57	0.1%
2009	98,000	-	-	0.0%

City of Palm Coast, Florida
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
Required Supplementary Information
Transportation Impact Fee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
Required Supplementary Information
Streets Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
Required Supplementary Information
SR100 CRA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013

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

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

CITY OF PALM COAST, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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



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CAPITAL PROJECTS FUNDS

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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



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City of Palm Coast, Florida
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

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

Special Revenue Funds

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

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

Special Revenue Funds

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

City of Palm Coast, Florida
 Police Education
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
 Police Automation
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 20,928	\$ (1,072)
Investment earnings	900	-	-	-
Total revenues	<u>22,900</u>	<u>22,000</u>	<u>20,928</u>	<u>(1,072)</u>
EXPENDITURES				
Current:				
Public safety	312,660	312,000	103,520	208,480
Total expenditures	<u>312,660</u>	<u>312,000</u>	<u>103,520</u>	<u>208,480</u>
Net change in fund balance*	(289,760)	(290,000)	(82,592)	207,408
Fund balance - beginning	<u>290,826</u>	<u>290,826</u>	<u>290,826</u>	-
Fund balance - ending	<u>\$ 1,066</u>	<u>\$ 826</u>	<u>\$ 208,234</u>	<u>\$ 207,408</u>

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

City of Palm Coast, Florida
 Park Impact Fee
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
 Fire Impact Fee
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
 Neighborhood Stabilization
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
 OKR Special Assessment Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2013

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

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

City of Palm Coast, Florida
CDBG Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2013

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

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

**COMBINING NONMAJOR ENTERPRISE
FUND STATEMENTS**



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NONMAJOR ENTERPRISE FUNDS

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

Golf Course Fund -This fund accounts for the operations of the Palm Harbor Golf Course financed primarily by user fees.

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

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

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

City of Palm Coast, Florida
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2013

Business-type Activities-Enterprise Funds

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

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

Business-type Activities - Enterprise Funds

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

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

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

(continued)

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

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



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INTERNAL SERVICE FUNDS



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INTERNAL SERVICE FUNDS

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

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

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

City of Palm Coast, Florida
Combining Statement of Net Position
Internal Service Funds
September 30, 2013

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

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

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

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

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

(continued)

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

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



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FIDUCIARY FUND SCHEDULES

FIDUCIARY FUNDS

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

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

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

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

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



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