



2017

Comprehensive  
Annual Financial Report  
For the Fiscal Year ending September 30, 2017



city of  
**PALM COAST**  
**FLORIDA**



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**CITY OF PALM COAST, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2017**

Prepared by:  
City of Palm Coast  
Financial Services Department



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# INTRODUCTORY SECTION

This section contains the following subsections:

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



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**Comprehensive Annual Financial Report  
Of the City of Palm Coast, Florida  
For The Year Ended September 30, 2017**

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# LETTER OF TRANSMITTAL



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

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

The City of Palm Coast currently has a population of 82,760 residents and covers an area of approximately 89 square miles. For fiscal year 2018, property within the City has a taxable value of \$4,612,577,686. This was an increase of approximately seven percent from 2017. The City's property tax rate for fiscal year 2018 is set at \$4.5937 per \$1,000 of taxable value. Approximately five percent of the property taxes levied have been committed to capital projects for fiscal year 2018.

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

## **Economic Outlook**

The City's economy continues to steadily improve. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2017 with the median sales price up 7.4% and with values expected to continue to appreciate in 2018. Single-family permits are up again with 610 permits issued in 2017, the sixth straight year of increased permit activity. Population projections are positioning Palm Coast to be one of the fastest growing areas over the next five years. In addition, the labor market has healed from the high unemployment rate of 9.6% five years ago, with the unemployment rate hitting 3.9% at the end of 2017. Palm Coast has 5,743 more people employed than five years ago.

A particular bright spot has been taxable sales within the City. We have seen over a 34% increase in taxable sales since 2011, which represents an increase of \$185 million. This is mainly due to the addition of several shopping centers since 2007 and increases in tourists and related spending. Previously vacant commercial plazas, such as City Marketplace and European Village, have seen renewed activity with many new businesses opening. Taxable sales should continue to grow in 2018 with continued commercial growth, especially the commercial development along State Road 100.

## **Long-term Financial Planning**

The City Council continues to focus on carrying out its Strategic Action Plan and the related goals, projects, and programs. Economic development is guided by the City's Prosperity 2021 plan, which is integrated within the Strategic Action Plan. This plan takes an inside out approach, by strengthening our existing neighborhoods and commercial areas. This past fiscal year, the City's taxable value appreciated approximately 6%. As all major economic indicators are now trending in a positive direction, we expect the local economy's improvement to accelerate in the coming year and have a positive impact on City revenue sources.

While we continue to project revenues conservatively, the improving economy is expected to have a positive effect on some revenue sources. However, due to the current rate structure of our stormwater fee, our stormwater improvement and maintenance program will require additional funding in the near future. Without additional revenue sources, increased fees or tax rates, or shifting funding from existing projects, programs, or services, the City will be limited in its ability to fund additional projects, programs, or services that might be desired by the community. The last stormwater rate increase went into effect in 2013. Due to the current rate structure of our stormwater fee, rising costs are not being offset by increases in revenue. The 2018 budget includes funding for a stormwater fee rate study.

This past fiscal year, staff presented City Council with options for refinancing Utility State Revolving Fund loans and the State Road 100 Corridor Community Redevelopment Agency (SR 100 CRA) Note issued in 2014. The City received an offer to reduce the interest rates applicable to various SRF loans. As a result, City Council took action to authorize a loan in order to refund certain State Revolving Fund loans from the Florida Department of Environmental Protection. In addition, the SR 100 CRA received an offer to substantially lower the current interest rate while eliminating the uncertainty and inflationary risks associated with resetting the interest rate in 2024. City Council authorized modifications to the existing loan achieving a significant interest savings to the Agency over the term of the Note.

### **Future Projects and Programs**

The need for infrastructure projects continues to grow as existing infrastructure ages, new development occurs, and the population continues to increase. In the upcoming fiscal year, we will continue rehabilitating our older infrastructure and constructing new infrastructure needed to accommodate anticipated growth. The City has experienced an increase in population year after year and we anticipate this growth to continue. The University of Florida Bureau of Economic and Business Research projects that by 2035, the City of Palm Coast will almost double in population, exceeding 150,000 people. During the past fiscal year, City Council made prudent financial decisions to ensure the City maintains a strong financial position and the ability to fund necessary projects to keep up with growth and maintain aging infrastructure.

The City will continue its efforts to expand the local economy through the Palm Coast Business Assistance Center (BAC) and by attracting sports tournaments and tourism. Both efforts have already seen much success. Since its inception, the BAC has helped businesses invest approximately \$31.5 million in our local economy through capital investment, increased sales, and salaries. The City in partnership with our local sports clubs and the Flagler County Tourist Development Council continues to attract sports tournaments and the associated visitor spending.

Consistent with the City Council focus to help grow the local economy and develop our downtown, this past year the State Road 100 Community Redevelopment Agency entered into a public-private partnership to develop the Bulldog Drive area. If redevelopment ultimately occurs, the economic impact will result in additional private investment and tax revenue to the CRA. In the upcoming fiscal year, the City will continue to work on attracting capital investment to the CRA and our future downtown, known as Town Center.

While the City will continue to implement programs and projects that have been successful, City Council is focused on downtown development, innovation, and new programs and projects to encourage economic growth in the coming years. The improving local economy enables the City and its partners to maintain our neighborhoods, support existing businesses, and encourage investment by attracting residents, visitors and businesses.

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Palm Coast for its comprehensive annual financial report for the fiscal year ended September 30, 2016. This is the sixteenth year that Palm Coast has achieved this prestigious award. In order

to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Palm Coast also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for its Fiscal Year 2016 Popular Annual Financial Report. This is the fourth year that Palm Coast has received this award.

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2017 budget document. This is the fourteenth consecutive year that Palm Coast has received this award.

The City of Palm Coast also received the ICMA Certificate of Distinction for its Fiscal Year 2017 performance management process. This is the fourth consecutive year that Palm Coast has received this award.

### **Acknowledgements**

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

Respectfully submitted,



Jim Landon  
City Manager



Helena Alves  
Finance Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Palm Coast  
Florida**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

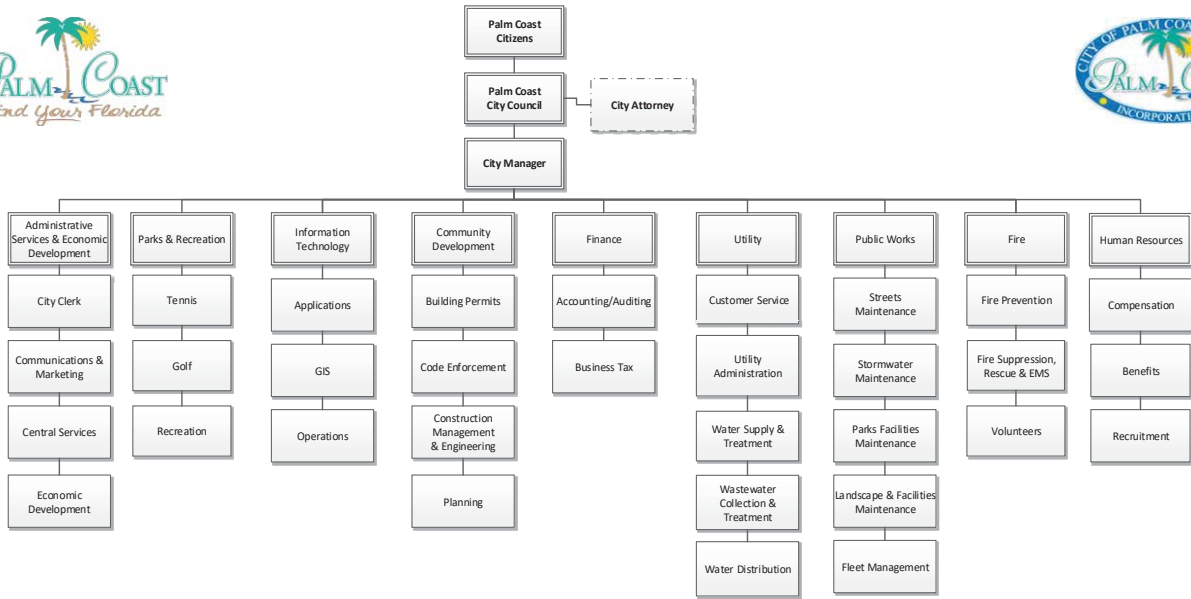
Executive Director/CEO



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# Organizational Chart



**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2017**

**ELECTED OFFICIALS**

Mayor

Honorable Milissa Holland

City Council Members:

Robert Cuff  
Nick Klufas  
Steven Nobile  
Heidi Shipley

**CITY OFFICIALS**

City Manager

James S. Landon

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Christopher M. Quinn

# **FINANCIAL SECTION**

This section contains the following subsections:

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



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# **INDEPENDENT AUDITORS' REPORT**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

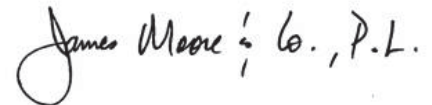
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Coast, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and statistical section, and the Schedule of Expenditures of Federal Awards as listed in the table of contents, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 5, 2018, on our consideration of the City of Palm Coast, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palm Coast, Florida's internal control over financial reporting and compliance.



Daytona Beach, Florida  
March 5, 2018



# **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, 2017. 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 and deferred outflows of the City of Palm Coast exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by \$479,942,892. Of this amount, \$41,305,216 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$28,251,716. Over \$9 million of the increase was the result of increased utility revenue due to planned rate increases and customer growth as well as related impact fee collections. The balance of the increase was primarily due to donated capital asset infrastructure received.
- As of the close of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$15,675,222 an increase of \$234,121 over the prior year. The increase in combined ending fund balances was primarily due to increased revenues from development related impact fees less a planned and budgeted use of capital projects fund balance for City projects.
- At the end of fiscal year 2017, unassigned fund balance in the general fund was \$6,784,518 or 19.6% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$14,617,481 during the current fiscal year. This was primarily due additional withdrawals from the State Revolving Fund Loan WW180420 for the construction of wastewater treatment plant II, net of, annual principal payments on outstanding debt.
- The application of GASB Statement No. 68 resulted in recording of a Net Pension Liability and Asset, as well as related Deferred Inflow and Outflows. The net result of these transactions was a decrease in unrestricted net position of \$997,641.

### Overview of the Financial Statements

This discussion and analysis is 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, deferred outflows, liabilities, and deferred inflows, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Palm Coast is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 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 25-28 of this report.

**Proprietary funds.** The City of Palm Coast maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

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

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

The basic proprietary fund financial statements can be found on pages 29-34 of this report.

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

The basic fiduciary fund financial statements can be found on pages 35-36 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-87 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters, select public safety employees, and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 90-101 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 and deferred outflows exceeded liabilities and deferred inflows by \$479,942,892 at the close of the most recent fiscal year.

Of the net position, 8.61% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 4.88% 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 (86.51) reflects its investment in capital assets (e.g., land, buildings, 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.

**Table I**  
**City of Palm Coast's Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 44,046,481	\$ 39,882,122	\$ 58,543,273	\$ 51,603,840	\$ 102,589,754	\$ 91,485,962
Capital assets	339,155,898	326,499,371	246,433,725	227,070,014	585,589,623	553,569,385
Total assets	<u>383,202,379</u>	<u>366,381,493</u>	<u>304,976,998</u>	<u>278,673,854</u>	<u>688,179,377</u>	<u>645,055,347</u>
Total deferred outflows of resources	1,574,494	1,627,351	1,209,630	1,326,959	2,784,124	2,954,310
Long-term liabilities	14,645,166	14,683,427	178,848,693	164,192,951	193,493,859	178,876,378
Other liabilities	15,575,060	13,384,595	1,043,395	3,109,475	16,618,455	16,494,070
Total liabilities	<u>30,220,226</u>	<u>28,068,022</u>	<u>179,892,088</u>	<u>167,302,426</u>	<u>210,112,314</u>	<u>195,370,448</u>
Total deferred inflows of resources	350,835	329,388	557,460	618,645	908,295	948,033
Net position:						
Net investment in capital						
assets	330,790,898	317,474,371	84,435,596	72,761,895	415,226,494	390,236,266
Restricted	7,954,237	5,537,610	15,456,945	14,009,367	23,411,182	19,546,977
Unrestricted	15,460,677	16,599,453	25,844,539	25,308,480	41,305,216	41,907,933
Total net position	<u>\$ 354,205,812</u>	<u>\$ 339,611,434</u>	<u>\$ 125,737,080</u>	<u>\$ 112,079,742</u>	<u>\$ 479,942,892</u>	<u>\$ 451,691,176</u>

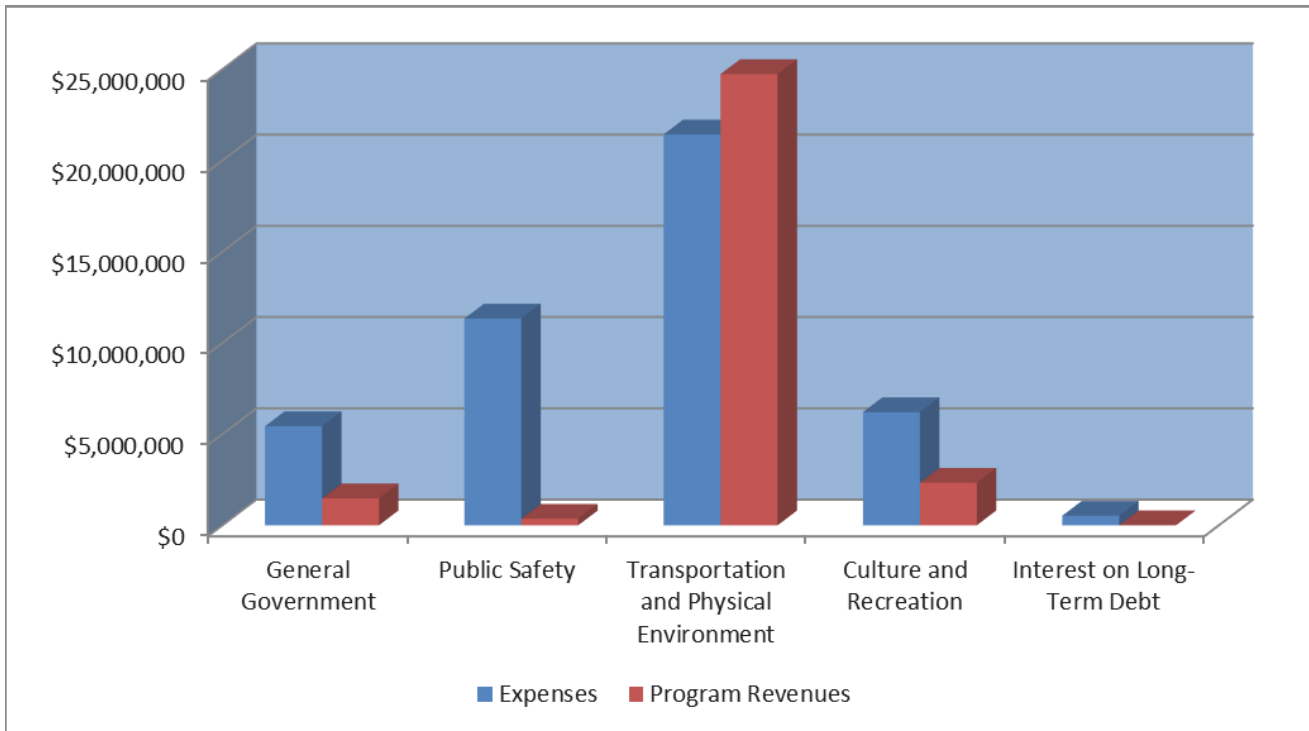
## Governmental Activities

Governmental activities increased the City of Palm Coast's net position by \$14,594,378 during the current fiscal year. Factors include revenues in excess of expenditures in the general fund, accumulation of impact fees due to increased development in the community, capital assets infrastructure donated to the City, and planned use of capital projects fund balance. Long-term liabilities decreased \$38,261 primarily due to principal payments made, net of an increase in the FRS net pension liability for the year. Governmental activities unrestricted net position decreased by \$1,138,776. The primary driver for this was due to hurricane expenditures incurred in excess of anticipated FEMA grant reimbursements. Capital grants and contributions increased \$11,745,653 primarily due to donated capital asset infrastructure received during the fiscal year, net of completion of grant funded road projects. Operating grants and contributions increased \$4,666,964 primarily due to several CDBG projects that were done during fiscal year 2017, and FEMA hurricane reimbursements expected. Property taxes increased \$788,549 due to a 5% increase in taxable value throughout the City. The millage rate remained flat. Changes in general government and transportation and physical environment expenses offset due to a reorganization during the fiscal year. Transportation and physical environment expenditures increased by \$3,847,276 mainly due to hurricane expenditures incurred.

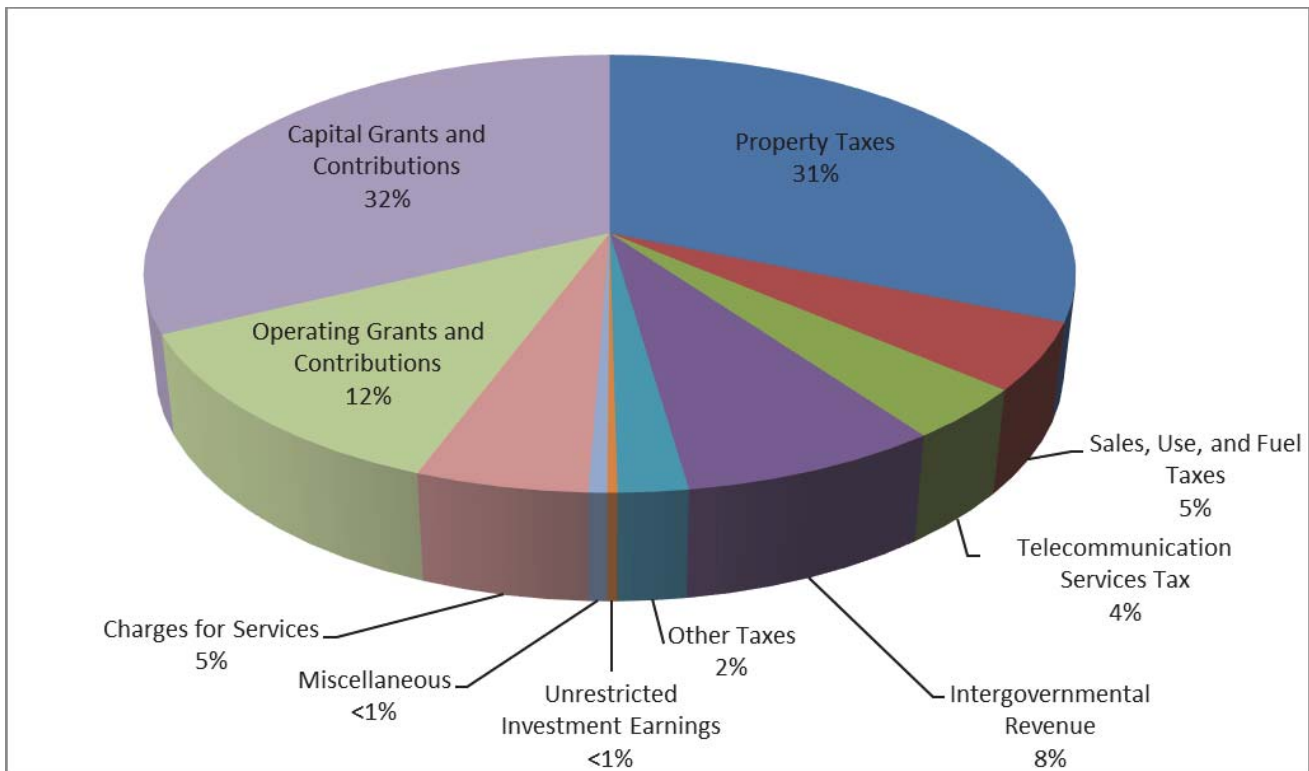
**Table II**  
**City of Palm Coast's Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 2,943,827	\$ 2,776,765	\$ 56,038,278	\$ 54,645,631	\$ 58,982,105	\$ 57,422,396
Operating grants and contributions	7,078,147	2,411,183	-	-	7,078,147	2,411,183
Capital grants and contributions	18,889,042	7,143,389	6,368,010	5,121,164	25,257,052	12,264,553
General revenues:						
Property taxes	18,380,759	17,592,210	418,442	363,863	18,799,201	17,956,073
Other taxes	6,291,114	6,303,559	-	-	6,291,114	6,303,559
Intergovernmental	4,463,316	4,299,085	-	-	4,463,316	4,299,085
Other	487,655	529,701	411,102	482,167	898,757	1,011,868
Total revenues	58,533,860	41,055,892	63,235,832	60,612,825	121,769,692	101,668,717
Expenses:						
General government	5,435,785	3,471,694	-	-	5,435,785	3,471,694
Public safety	11,332,196	11,013,862	-	-	11,332,196	11,013,862
Transportation and physical environment	21,427,067	17,579,791	-	-	21,427,067	17,579,791
Parks and recreation	6,202,008	6,136,059	-	-	6,202,008	6,136,059
Utility	-	-	33,063,660	31,562,957	33,063,660	31,562,957
Solid waste	-	-	7,680,586	7,349,686	7,680,586	7,349,686
Stormwater	-	-	5,554,569	6,473,450	5,554,569	6,473,450
Building permits	-	-	1,592,586	1,516,413	1,592,586	1,516,413
Information technology	-	-	705,729	985,726	705,729	985,726
Interest on long-term debt	523,790	578,231	-	-	523,790	578,231
Total expenses	44,920,846	38,779,637	48,597,130	47,888,232	93,517,976	86,667,869
Increase (decrease) in net position before transfers	13,613,014	2,276,255	14,638,702	12,724,593	28,251,716	15,000,848
Transfers	981,364	1,157,742	(981,364)	(1,157,742)	-	-
Increase (decrease) in net position	14,594,378	3,433,997	13,657,338	11,566,851	28,251,716	15,000,848
Net position - beginning	339,611,434	336,177,437	112,079,742	100,512,891	451,691,176	436,690,328
Net position - ending	\$ 354,205,812	\$ 339,611,434	\$ 125,737,080	\$ 112,079,742	\$ 479,942,892	\$ 451,691,176

### Expenses and Program Revenues – Governmental Activities

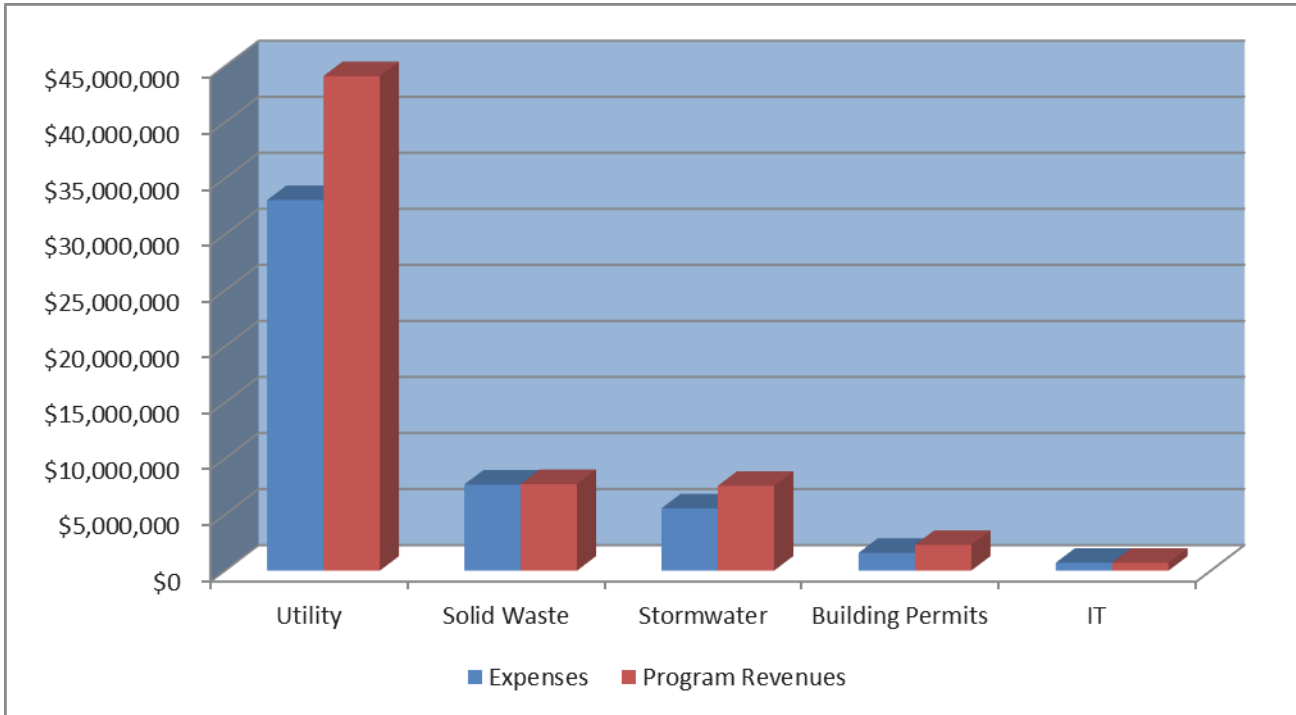


### Revenues by Source – Governmental Activities

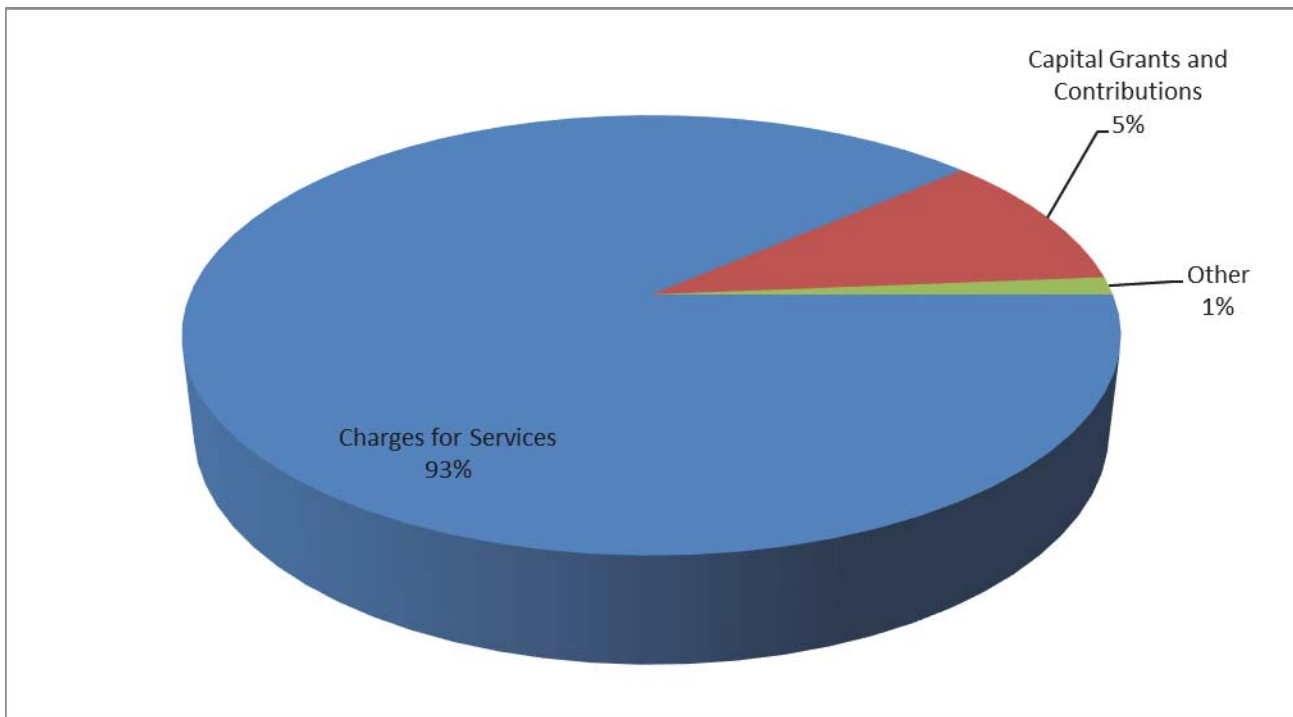




### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities



## Business-type Activities

Business-type activities increased the City of Palm Coast's net position by \$13,657,338. The increase in net position was attributable to an approximately \$9.9 million increase in the utility fund, the continuing effect of a multi-year rate increase designed to improve reserves and allocate additional amounts for capital projects, and increased revenues due to development contributed to the change. Utility expenses also increased due to the increasing customer base, but at a slower rate than revenues. Approximately \$6 million of the increase was due to impact fee collections from development activities. Stormwater expenses decreased \$888,178 for the year due to projects that were carried to FY 2018. The net results of these activities above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$5.9 million. The increase of over \$9 million in restricted net position for capital construction and renewal & replacement was primarily related to impact fees collected, and projected transfers to capital projects of the Utility.

## Financial Analysis of the Government's Funds

**Governmental funds.** The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$6,784,518, with an additional \$2,826,717 committed for a disaster reserve. The total fund balance stood at \$9,813,111. 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 20% of total general fund expenditures for fiscal year 2017 and 22% for fiscal year 2016. Total fund balance represents approximately 28% of the total general fund expenditures versus 30% for fiscal year 2016.

The fund balance of the City of Palm Coast's general fund increased by \$903,056 during the current fiscal year.

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

The capital projects fund has a total fund balance of \$2,139,299, a decrease of \$3,292,818. This decrease is primarily due to the budgeted use of accumulated funds from previous years. The transportation impact fee total fund balance was \$2,734,520, an increase of \$1,328,530. This is due to the accumulation of impact fee collections to offset past expenditures in excess of available revenues. The streets improvement fund balance was \$3,560,496 representing an increase of \$741,271. This increase is primarily due to a budgeted transfer of \$700,000. The SR100 CRA fund balance was \$251,220, an increase of \$85,255. The other governmental funds have a total fund balance of \$(2,823,424). This represents an increase of \$468,827 during the current fiscal year. The increase is primarily due to the accumulation of impact fees in the various funds.

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

Unrestricted net position of the utility fund was \$22,100,910 at the end of the year, with the total fund balance at \$91,178,742. The unrestricted net position increased \$5,968,960 for the year. This was partially due to increased income before capital contributions and transfers. This was the result of increased customer sales and the effects of a recent rate adjustment program.

The unrestricted net position of the solid waste fund was \$1,460,849, which represents an increase of \$50,395. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$2,466,751, which represents an increase of \$1,039,576. This increase was due to the deferral of certain expenditures until fiscal year 2018.

Unrestricted net position in the building permits fund was \$2,884,232, which represents an increase of \$615,556. This increase is primarily due increased revenues from development within the City.

Unrestricted net position in the information technology fund (IT) was \$687,356, which represents an increase of \$198,352. This increase is primarily due to the decrease in invested capital assets due to equipment depreciation.

### **Fund Balance Policy Compliance**

**Governmental funds.** The general fund adjusted unassigned fund balance exceeds the policy minimum of ten percent of the following year's budgeted expenditures. The City Council has chosen to leave this excess in place to hedge against unanticipated future revenue decreases, and the need for future infrastructure investment. In September of 2017, the City was affected by Hurricane Irma. The majority of the hurricane expenditures will be incurred in fiscal year 2018. It is anticipated that a portion of the adjusted unassigned fund balance may be needed to replenish disaster reserve funds not reimbursable by insurance or FEMA.

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

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

Additional information relating to the fund balance policy can be found in Note 18 on pages 86-87 of this report.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budgeted expenses totaled an increase of \$2,446,609. The change was due primarily to hurricane related expenditures, the City was effected by two major hurricanes during the fiscal year and the effect of various minor operational increases and decreases across the different departments. During the year, final amended revenues exceeded the expenditure budget by \$727,204. This was due primarily to an overall cost reduction program.

### **Final Budget Compared to Actual Results**

A review of actual expenditures compared to appropriations in the final budget yielded no significant unexpected variances, except for amounts budgeted for hurricane related expenditures that were carried to fiscal year 2018.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2017, amounts to \$585,589,623 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, equipment and construction in progress. This investment increased \$32,020,238 for the current fiscal year. The overall increase is due to road expansions, bridge rehabilitation, utility infrastructure, park expansions, and infrastructure donated during the fiscal year. Many of these projects remain in progress as of the end of the fiscal year.

**Table III**  
**City of Palm Coast's Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 91,294,729	\$ 90,808,604	\$ 13,889,568	\$ 13,889,568	\$ 105,184,297	\$ 104,698,172
Buildings and improvements other than buildings	46,854,727	43,180,480	61,756,145	62,582,869	108,610,872	105,763,349
Infrastructure	179,789,792	175,598,406	139,133,465	141,833,249	318,923,257	317,431,655
Equipment	9,115,991	8,551,187	439,484	446,433	9,555,475	8,997,620
Construction in progress	12,100,659	8,360,694	31,215,063	8,317,895	43,315,722	16,678,589
Total	\$ 339,155,898	\$ 326,499,371	\$ 246,433,725	\$ 227,070,014	\$ 585,589,623	\$ 553,569,385

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

**Long-term debt.** The City of Palm Coast owes \$86,078,817 in revenue bonds, including premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and bank loans totaling \$91,003,454 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$8,365,000 at year end. The remainder of the long-term debt is made up of compensated absences, an unfunded net OPEB liability, and a net pension liability. The total long-term debt of the City is \$193,493,859.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Loans from other governments	\$ -	\$ -	\$ 31,939,908	\$ 28,128,909	\$ 31,939,908	\$ 28,128,909
Loans from financial institutions	8,365,000	9,025,000	59,063,546	44,949,517	67,428,546	53,974,517
Revenue bonds, net	-	-	86,078,817	89,473,487	86,078,817	89,473,487
Net pension liability	3,377,862	3,032,226	-	-	3,377,862	3,032,226
Net OPEB liability	678,886	599,132	485,366	429,850	1,164,252	1,028,982
Compensated absences	2,223,418	2,027,069	1,281,056	1,211,188	3,504,474	3,238,257
Total	\$ 14,645,166	\$ 14,683,427	\$ 178,848,693	\$ 164,192,951	\$ 193,493,859	\$ 178,876,378

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on pages 57-64 of this report.

## Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$6,784,518. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 19.6%.

The City Council approved a millage rate of 4.5937 mills for fiscal year 2018. Of the total millage, .2476 mills will be dedicated to the stormwater and capital projects funds for capital improvements. The balance of 4.3461 mills is assigned to the general fund. Market values of properties have increased for only the fifth consecutive year. The increase in taxable value was approximately 5.75%. New construction added approximately 1.25% to the taxable value, therefore the City had a net 4.5% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2017 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 .1% for all customers effective October 1, 2015. Annual C.P.I. adjustments take place annually starting in fiscal year 2016. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of having new development help fund its impact on infrastructure in the community through impact fees. These fees are annually indexed and will increase approximately two percent for fiscal year 2018. One exception to this policy are recreation impact fees. These fees are based on a study of expected recreation enhancements and population growth as outlined in the park master plan for the City as of fiscal year 2014. These fees will remain static until this plan is updated in the future.

The fiscal year 2018 budget includes over \$46 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, a new wastewater treatment plant, and utility infrastructure expansion and replacements.

## Requests for Information

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

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

Telephone (386) 986-3726 Fax (386) 986-2614  
E-mail [halves@palmcoastgov.com](mailto:halves@palmcoastgov.com)



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## **BASIC FINANCIAL STATEMENTS**



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City of Palm Coast, Florida  
Statement of Net Position  
September 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 30,360,364	\$ 19,895,727	\$ 50,256,091
Accounts receivable - net	5,453,963	7,801,695	13,255,658
Due from other governments	6,835,112	8,379,747	15,214,859
Prepaid items	212,402	82,949	295,351
Inventories	28,078	798,030	826,108
Restricted assets:			
Equity in pooled cash and investments	-	21,585,125	21,585,125
Net pension asset	1,156,562	-	1,156,562
Capital assets not being depreciated			
Land	91,294,729	13,889,568	105,184,297
Construction in progress	12,100,659	31,215,063	43,315,722
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	46,854,727	61,756,145	108,610,872
Infrastructure	179,789,792	139,133,465	318,923,257
Equipment	9,115,991	439,484	9,555,475
Total assets	383,202,379	304,976,998	688,179,377
Deferred outflows of resources:			
Deferred outflows related to pensions	1,574,494	-	1,574,494
Deferred loss on refunding	-	1,209,630	1,209,630
Total deferred outflows of resources	1,574,494	1,209,630	2,784,124
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	4,723,036	1,748,401	6,471,437
Due to other governments	1,102,848	11,905	1,114,753
Internal balances	9,324,804	(9,324,804)	-
Customer deposits	407,951	3,716,833	4,124,784
Unearned revenue	16,421	114,489	130,910
Payable from restricted assets:			
Accrued bond interest payable	-	1,893,375	1,893,375
Accrued loan interest payable	-	122,644	122,644
Accounts payable	-	1,756,238	1,756,238
Contracts payable	-	1,004,314	1,004,314
Noncurrent liabilities:			
Due within one year	814,389	5,408,060	6,222,449
Due in more than one year	10,452,915	173,440,633	183,893,548
Net pension liability	3,377,862	-	3,377,862
Total liabilities	30,220,226	179,892,088	210,112,314
Deferred inflows of resources:			
Deferred gain on refunding	-	557,460	557,460
Deferred inflows relating to pensions	350,835	-	350,835
Total deferred inflows of resources	350,835	557,460	908,295
<b>NET POSITION</b>			
Net investment in capital assets	330,790,898	84,435,596	415,226,494
Restricted for:			
Construction	-	2,139,473	2,139,473
Debt service	-	4,929,014	4,929,014
Renewal and replacements	-	8,388,458	8,388,458
Public safety	722,504	-	722,504
Parks and recreation	632,777	-	632,777
Transportation construction and maintenance	6,295,016	-	6,295,016
Redevelopment	251,220	-	251,220
Grants	52,720	-	52,720
Unrestricted	15,460,677	25,844,539	41,305,216
Total net position	\$ 354,205,812	\$ 125,737,080	\$ 479,942,892

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, 2017

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		Total
					Primary Government	Business-type Activities	
Primary government:							
General government	\$ 5,435,785	\$ 1,013,720	\$ 470,415	\$ -	\$ (3,951,650)	\$ -	\$ (3,951,650)
Public safety	11,332,196	148,114	-	214,044	(10,970,038)	-	(10,970,038)
Transportation and physical environment	21,427,067	146,937	6,592,453	17,991,025	3,303,348	-	3,303,348
Culture and recreation	6,202,008	1,635,056	15,279	683,973	(3,867,700)	-	(3,867,700)
Interest on long-term debt	523,790	-	-	-	(523,790)	-	(523,790)
Total governmental activities	44,920,846	2,943,827	7,078,147	18,889,042	(16,009,830)	-	(16,009,830)
Business-type activities							
Utility	33,063,660	38,085,170	-	6,033,178	-	11,054,688	11,054,688
Solid waste	7,680,586	7,727,089	-	-	-	46,503	46,503
Stormwater	5,554,569	7,228,213	-	334,832	-	2,008,476	2,008,476
Building permits	1,592,586	2,291,570	-	-	-	698,984	698,984
Information technology	705,729	706,236	-	-	-	507	507
Total business-type activities	48,597,130	56,038,278	-	6,368,010	-	13,809,158	13,809,158
Total primary government	\$ 93,517,976	\$ 58,982,105	\$ 7,078,147	\$ 25,257,052	(16,009,830)	13,809,158	(2,200,672)
General revenues:							
Property taxes					18,380,759	418,442	18,799,201
Sales and use taxes					2,878,973	-	2,878,973
Telecommunication services tax					2,221,345	-	2,221,345
Franchise taxes					790,697	-	790,697
Other local taxes					400,099	-	400,099
Intergovernmental revenue, non-program					4,463,316	-	4,463,316
Unrestricted investment earnings					172,268	411,102	583,370
Miscellaneous					70,126	-	70,126
Gain on sale of capital assets					245,261	-	245,261
Transfers					981,364	(981,364)	-
Total general revenues and transfers					30,604,208	(151,820)	30,452,388
Change in net position					14,594,378	13,657,338	28,251,716
Net position - beginning of year					339,611,434	112,079,742	451,691,176
Net position - end of year					\$ 354,205,812	\$ 125,737,080	\$ 479,942,892

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

City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2017

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 6,784,557	\$ 3,315,343	\$ 2,822,121	\$ 3,360,850	\$ 252,201	\$ 1,833,000	\$ 18,368,072
Accounts receivable - net	751,098	-	-	-	-	-	751,098
Special assessment receivable - net	-	-	-	-	-	4,700,616	4,700,616
Prepaid items	190,280	-	-	-	-	-	190,280
Due from other governments	5,081,737	627,150	-	972,992	-	151,280	6,833,159
<b>Total assets</b>	<b>\$ 12,807,672</b>	<b>\$ 3,942,493</b>	<b>\$ 2,822,121</b>	<b>\$ 4,333,842</b>	<b>\$ 252,201</b>	<b>\$ 6,684,896</b>	<b>\$ 30,843,225</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,062,363	\$ 1,803,194	\$ 87,601	\$ 773,346	\$ 981	\$ 183,112	\$ 3,910,597
Accrued liabilities	306,874	-	-	-	-	-	306,874
Due to other governments	502,848	-	-	-	-	-	502,848
Unearned revenue	-	-	-	-	-	16,421	16,421
Customer deposits	407,951	-	-	-	-	-	407,951
Advances from other funds	-	-	-	-	-	4,700,616	4,700,616
<b>Total liabilities</b>	<b>2,280,036</b>	<b>1,803,194</b>	<b>87,601</b>	<b>773,346</b>	<b>981</b>	<b>4,900,149</b>	<b>9,845,307</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - special assessments	-	-	-	-	-	4,608,171	4,608,171
Unavailable revenue - taxes	7,293	-	-	-	-	-	7,293
Unavailable revenue - charges for services	6,058	-	-	-	-	-	6,058
Unavailable revenue - fines & forfeitures	701,174	-	-	-	-	-	701,174
<b>Total deferred inflows of resources</b>	<b>714,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,608,171</b>	<b>5,322,696</b>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	190,280	-	-	-	-	-	190,280
Restricted for							
Public safety	-	-	-	-	-	722,504	722,504
Parks and recreation	-	-	-	-	-	632,777	632,777
Transportation construction and maintenance	-	-	2,734,520	3,560,496	-	-	6,295,016
Grants	-	-	-	-	-	41,124	41,124
Redevelopment	-	-	-	-	251,220	-	251,220
Business assistance	11,596	-	-	-	-	-	11,596
Committed for							
Disaster reserve	2,826,717	-	-	-	-	-	2,826,717
Construction	-	2,139,299	-	-	-	-	2,139,299
Unassigned	6,784,518	-	-	-	-	(4,219,829)	2,564,689
<b>Total fund balances (deficits)</b>	<b>9,813,111</b>	<b>2,139,299</b>	<b>2,734,520</b>	<b>3,560,496</b>	<b>251,220</b>	<b>(2,823,424)</b>	<b>15,675,222</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 12,807,672</b>	<b>\$ 3,942,493</b>	<b>\$ 2,822,121</b>	<b>\$ 4,333,842</b>	<b>\$ 252,201</b>	<b>\$ 6,684,896</b>	<b>\$ 30,843,225</b>

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

City of Palm Coast, Florida  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 September 30, 2017

Fund balances - total governmental funds	\$	15,675,222
<p>Amounts reported for governmental activities in the statement of net position          are different because:</p>		
<p>Capital assets used in governmental activities are not financial          resources and, therefore, are not reported in the funds.</p>		330,859,437
<p>Net pension liability (asset) of the defined benefit pension plans and related          deferred outflows and inflows that are not due and payable in the current          period and therefore are not reported in the funds.</p>		
Volunteer Firefighter Pension Fund (VFFP)		1,166,716
Florida Retirement System (FRS)		(2,164,357)
<p>Revenues in the statement of activities that do not provide current financial          resources are reported as unavailable revenues in the funds.</p>		5,322,696
<p>Internal services funds are used by management to charge the costs of          fleet and risk management to individual funds. The assets and liabilities          of the internal of the internal service funds are included in governmental          activities in the statement of net position.</p>		14,522,193
<p>Long-term liabilities, including bonds payable, are not due and payable          in the current period and therefore are not reported in the funds.</p>		(11,176,095)
Net position of governmental activities	\$	354,205,812

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, 2017

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 20,906,301	\$ 2,878,973	\$ -	\$ 1,930,754	\$ 1,119,196	\$ -	\$ 26,835,224
Licenses and permits	196,332	-	-	-	-	-	196,332
Intergovernmental revenue	8,245,263	370,405	-	916,981	-	620,415	10,153,064
Charges for services	5,417,506	-	-	-	-	-	5,417,506
Special assessments	-	-	-	-	-	333,148	333,148
Fines and forfeitures	449,314	-	-	160,801	-	4,734	614,849
Impact fees	-	-	2,379,630	-	-	732,454	3,112,084
Investment earnings	66,883	22,435	11,392	13,667	5,659	9,646	129,682
Miscellaneous	43,169	26,957	-	-	-	-	70,126
<b>Total revenues</b>	<b>35,324,768</b>	<b>3,298,770</b>	<b>2,391,022</b>	<b>3,022,203</b>	<b>1,124,855</b>	<b>1,700,397</b>	<b>46,862,015</b>
<b>EXPENDITURES</b>							
Current:							
General government	9,162,783	-	-	-	-	445,698	9,608,481
Transportation and physical environment	9,666,514	-	44,987	534,518	112,630	18,034	10,376,683
Public safety	10,846,575	-	-	-	-	10,000	10,856,575
Culture and recreation	4,832,870	-	-	-	10,535	-	4,843,405
Capital outlay:							
General government	-	21,811	-	-	-	-	21,811
Public safety	42,875	-	-	-	-	-	42,875
Transportation and physical environment	45,947	504,534	177,908	2,446,414	-	-	3,174,803
Culture and recreation	-	6,773,757	-	-	-	524,488	7,298,245
Debt service:							
Principal	-	-	-	-	660,000	-	660,000
Interest and other	-	-	-	-	284,357	239,433	523,790
<b>Total expenditures</b>	<b>34,597,564</b>	<b>7,300,102</b>	<b>222,895</b>	<b>2,980,932</b>	<b>1,067,522</b>	<b>1,237,653</b>	<b>47,406,668</b>
Excess (deficiency) of revenues over (under) expenditures	727,204	(4,001,332)	2,168,127	41,271	57,333	462,744	(544,653)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	840,150	838,514	-	700,000	594,922	236,083	3,209,669
Transfers out	(664,298)	(130,000)	(839,597)	-	(575,000)	(230,000)	(2,438,895)
Sale of capital assets	-	-	-	-	8,000	-	8,000
<b>Total other financing sources (uses)</b>	<b>175,852</b>	<b>708,514</b>	<b>(839,597)</b>	<b>700,000</b>	<b>27,922</b>	<b>6,083</b>	<b>778,774</b>
<b>Net change in fund balances</b>	<b>903,056</b>	<b>(3,292,818)</b>	<b>1,328,530</b>	<b>741,271</b>	<b>85,255</b>	<b>468,827</b>	<b>234,121</b>
Fund balances (deficits) - beginning	8,910,055	5,432,117	1,405,990	2,819,225	165,965	(3,292,251)	15,441,101
<b>Fund balances (deficits) - ending</b>	<b>\$ 9,813,111</b>	<b>\$ 2,139,299</b>	<b>\$ 2,734,520</b>	<b>\$ 3,560,496</b>	<b>\$ 251,220</b>	<b>\$ (2,823,424)</b>	<b>\$ 15,675,222</b>

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

City of Palm Coast, Florida  
 Reconciliation of the Statement of Revenues, Expenditures,  
 And Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ 234,121

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	10,548,269	
Less current year depreciation	(12,848,910)	(2,300,641)

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

Contributed capital assets		14,783,067
Change in revenue collections expected after 60 days		(112,797)

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. 660,000

Governmental funds report contributions to defined benefit pension plans as expenditures.

However, in the Statement of Activities, the amount contributed reduces future net liability. Also included in pension expense in the Statement of Activities are amounts amortized for related deferred inflows and outflows.

Volunteer Firefighter Pension Fund (VFFP)		85,752
Florida Retirement System (FRS)		(199,367)

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		(196,327)
Annual OPEB Cost		(69,932)

Internal service funds are used by management to charge the costs of certain fleet and risk management activities to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. 1,710,502

Change in net position of governmental activities. \$ 14,594,378

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, 2017

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments	\$ 13,682,291	\$ 886,351	\$ 1,206,652	\$ 4,120,433	\$ 19,895,727	\$ 11,992,292
Accounts receivable - net	4,831,163	1,198,818	1,677,584	94,130	7,801,695	2,249
Inventories	798,030	-	-	-	798,030	28,078
Prepaid items	46,245	-	25,570	11,134	82,949	22,122
Restricted current assets:						
Cash with fiscal agent	4,903,375	-	-	-	4,903,375	-
Due from other governments	8,379,747	-	-	-	8,379,747	1,953
Total current assets	32,640,851	2,085,169	2,909,806	4,225,697	41,861,523	12,046,694
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	1,771,452	-	270,206	-	2,041,658	-
Impact fees	2,500,317	-	-	-	2,500,317	-
Renewal and replacements	8,913,092	-	-	-	8,913,092	-
Bond proceeds	3,226,683	-	-	-	3,226,683	-
Advances to other funds	4,700,616	-	-	-	4,700,616	-
Land	12,927,925	-	961,643	-	13,889,568	-
Building and improvements other than buildings	105,254,944	-	-	-	105,254,944	1,097,144
Infrastructure	168,269,281	-	42,015,448	4,683,788	214,968,517	-
Equipment	960,985	-	468,207	1,356,383	2,785,575	17,772,745
Less accumulated depreciation	(103,518,141)	-	(15,361,844)	(2,799,957)	(121,679,942)	(10,573,428)
Construction in progress	31,215,063	-	-	-	31,215,063	-
Total noncurrent assets	236,222,217	-	28,353,660	3,240,214	267,816,091	8,296,461
Deferred outflows of resources						
Deferred loss on refunding	1,209,630	-	-	-	1,209,630	-
Total deferred outflows of resources	1,209,630	-	-	-	1,209,630	-
Total assets and deferred outflows	\$ 270,072,698	\$ 2,085,169	\$ 31,263,466	\$ 7,465,911	\$ 310,887,244	\$ 20,343,155

City of Palm Coast, Florida  
Statement of Net Position (continued)  
Proprietary Funds  
September 30, 2017

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 651,546	\$ 624,320	\$ 168,621	\$ 132,837	\$ 1,577,324	\$ 123,601
Claims payable	-	-	-	-	-	374,022
Due to other governments	-	-	-	11,905	11,905	600,000
Loans payable	1,498,000	-	367,906	17,649	1,883,555	-
Compensated absences	371,792	-	47,177	95,536	514,505	17,352
Accrued liabilities	118,199	-	20,949	31,929	171,077	7,942
Customer deposits	3,716,833	-	-	-	3,716,833	-
Unearned revenue	-	-	-	114,489	114,489	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	3,010,000	-	-	-	3,010,000	-
Accrued bond interest payable	1,893,375	-	-	-	1,893,375	-
Accrued loan interest payable	112,504	-	10,140	-	122,644	-
Accounts payable	1,756,238	-	-	-	1,756,238	-
Contract payable	1,004,314	-	-	-	1,004,314	-
Total current liabilities	<u>14,132,801</u>	<u>624,320</u>	<u>614,793</u>	<u>404,345</u>	<u>15,776,259</u>	<u>1,122,917</u>
Noncurrent liabilities:						
Compensated absences	524,680	-	45,930	195,941	766,551	44,863
Net OPEB obligation	253,516	-	160,378	71,472	485,366	28,994
Bonds payable	83,068,817	-	-	-	83,068,817	-
Loans payable	80,356,682	-	8,747,320	15,897	89,119,899	-
Total noncurrent liabilities	<u>164,203,695</u>	<u>-</u>	<u>8,953,628</u>	<u>283,310</u>	<u>173,440,633</u>	<u>73,857</u>
Deferred inflows of resources						
Deferred gain on refunding	557,460	-	-	-	557,460	-
Total deferred inflows of resources	<u>557,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>557,460</u>	<u>-</u>
Total liabilities and deferred inflows	<u>178,893,956</u>	<u>624,320</u>	<u>9,568,421</u>	<u>687,655</u>	<u>189,774,352</u>	<u>1,196,774</u>
<b>NET POSITION</b>						
Net investment in capital assets	62,260,700	-	18,968,228	3,206,668	84,435,596	8,296,461
Restricted for construction	2,139,473	-	-	-	2,139,473	-
Restricted for renewal & replacements	8,388,458	-	-	-	8,388,458	-
Restricted for debt service	4,668,948	-	260,066	-	4,929,014	-
Unrestricted	13,721,163	1,460,849	2,466,751	3,571,588	21,220,351	10,849,920
Total net position	<u>\$ 91,178,742</u>	<u>\$ 1,460,849</u>	<u>\$ 21,695,045</u>	<u>\$ 6,778,256</u>	<u>121,112,892</u>	<u>\$ 19,146,381</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					4,624,188	
					<u>\$125,737,080</u>	

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



City of Palm Coast, Florida  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>						
Charges for services:						
Water sales	\$ 22,247,566	\$ -	\$ -	\$ -	\$ 22,247,566	\$ -
Sewer charges	14,689,887	-	-	-	14,689,887	-
Garbage charges	-	7,727,089	-	-	7,727,089	-
Stormwater charges	-	-	7,228,213	-	7,228,213	-
Building permit and inspection charges	-	-	-	2,291,570	2,291,570	-
Information technology charges	-	-	-	2,352,711	2,352,711	-
Miscellaneous	1,147,717	-	-	-	1,147,717	-
Risk management	-	-	-	-	-	4,673,590
Fleet management	-	-	-	-	-	4,745,213
Total operating revenues	38,085,170	7,727,089	7,228,213	4,644,281	57,684,753	9,418,803
<b>OPERATING EXPENSES</b>						
Administrative	5,265,219	-	-	-	5,265,219	5,548,231
Water system	7,719,545	-	-	-	7,719,545	-
Sewer system	5,399,596	-	-	-	5,399,596	-
Solid waste system	-	7,680,586	-	-	7,680,586	-
Stormwater system	-	-	3,655,451	-	3,655,451	-
Building permits and inspections	-	-	-	1,662,756	1,662,756	-
Information technology	-	-	-	2,008,391	2,008,391	-
Depreciation	10,662,709	-	1,903,653	395,610	12,961,972	1,607,540
Total operating expenses	29,047,069	7,680,586	5,559,104	4,066,757	46,353,516	7,155,771
Operating income (loss)	9,038,101	46,503	1,669,109	577,524	11,331,237	2,263,032
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	381,431	3,892	10,651	15,128	411,102	42,586
Interest/amortization expense	(4,698,735)	-	(234,321)	-	(4,933,056)	-
Property taxes	-	-	418,442	-	418,442	-
Other	-	-	-	-	-	237,261
Total nonoperating revenues (expenses)	(4,317,304)	3,892	194,772	15,128	(4,103,512)	279,847
Income (loss) before capital contributions and transfers	4,720,797	50,395	1,863,881	592,652	7,227,725	2,542,879
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	6,033,178	-	334,832	-	6,368,010	-
Transfers in	-	-	-	-	-	210,590
Transfers out	(802,320)	-	(138,475)	(40,569)	(981,364)	-
Total transfers and contributions	5,230,858	-	196,357	(40,569)	5,386,646	210,590
Change in net position	9,951,655	50,395	2,060,238	552,083	12,614,371	2,753,469
Net position - beginning	81,227,087	1,410,454	19,634,807	6,226,173		16,392,912
Net position - ending	\$ 91,178,742	\$ 1,460,849	\$ 21,695,045	\$ 6,778,256		\$ 19,146,381
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					1,042,967	
					<u>\$13,657,338</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 Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

Business-type Activities - Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 38,801,304	\$ 7,693,038	\$ 7,205,038	\$ 2,835,269	\$ 56,534,649	\$ 23,472
Cash from interfund charges	-	-	-	1,742,100	1,742,100	9,396,655
Cash paid to suppliers	(12,764,871)	(7,625,010)	(3,046,146)	(2,240,414)	(25,676,441)	(5,355,629)
Cash paid to employees	(5,736,743)	-	(598,957)	(1,450,742)	(7,786,442)	(343,174)
Net cash provided by (used in) operating activities	20,299,690	68,028	3,559,935	886,213	24,813,866	3,721,324
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in from other funds	-	-	-	-	-	210,590
Transfers out to other funds	(802,320)	-	(138,475)	(40,569)	(981,364)	-
Advances from other funds	88,042	-	-	-	88,042	-
Net cash provided by (used in) noncapital financing activities	(714,278)	-	(138,475)	(40,569)	(893,322)	210,590
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of long-term debt	35,130,176	-	-	-	35,130,176	-
Loan principal payments	(22,957,914)	-	(1,097,033)	(16,970)	(24,071,917)	-
Interest paid	(5,386,847)	-	(235,264)	-	(5,622,111)	-
Acquisition and construction of property, plant and equipment	(30,662,487)	-	(1,823,436)	(116,815)	(32,602,738)	(1,839,210)
Proceeds from the sale of capital assets	-	-	-	-	-	294,830
Property tax proceeds	-	-	418,442	-	418,442	-
Impact fees and contributions	5,102,525	-	334,832	-	5,437,357	-
Net cash provided by (used in) capital and related financing activities	(18,774,547)	-	(2,402,459)	(133,785)	(21,310,791)	(1,544,380)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Interest on investments	381,431	3,892	10,651	15,128	411,102	42,586
Net cash provided by (used in) investing activities	381,431	3,892	10,651	15,128	411,102	42,586
Net increase (decrease) in cash and cash equivalents	1,192,296	71,920	1,029,652	726,987	3,020,855	2,430,120
Beginning cash and cash equivalents	33,804,914	814,431	447,206	3,393,446	38,459,997	9,562,172
Ending cash and cash equivalents	\$ 34,997,210	\$ 886,351	\$ 1,476,858	\$ 4,120,433	\$ 41,480,852	\$ 11,992,292

(continued)

**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

Business-type Activities - Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Fund	Total Enterprise Fund	Governmental Activities - Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME</b>						
<b>TO NET CASH PROVIDED BY OPERATING</b>						
<b>ACTIVITIES</b>						
Operating income (loss)	\$ 9,038,101	\$ 46,503	\$ 1,669,109	\$ 577,524	\$ 11,331,237	\$ 2,263,032
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	10,662,709	-	1,903,653	395,610	12,961,972	1,607,540
Change in assets and liabilities:						
Accounts receivable	672,764	(34,051)	(23,175)	(52,442)	563,096	1,324
Inventories	(261,734)	-	-	-	(261,734)	(6,473)
Prepays	(70)	-	(2,440)	991	(1,519)	(702)
Accounts payable	102,556	55,576	(27,751)	(54,308)	76,073	(152,163)
Accrued liabilities	(1,563)	-	42,756	4,780	45,973	8,744
Customer deposits	47,976	-	-	(14,470)	33,506	-
Compensated absences	43,557	-	(2,217)	28,528	69,868	22
Net cash provided by (used in) operating activities	<u>\$ 20,304,296</u>	<u>\$ 68,028</u>	<u>\$ 3,559,935</u>	<u>\$ 886,213</u>	<u>\$ 24,818,472</u>	<u>\$ 3,721,324</u>
<b>CASH AND CASH EQUIVALENTS</b>						
<b>CLASSIFIED AS:</b>						
Equity in pooled cash and investments In current assets	\$ 13,682,291	\$ 886,351	\$ 1,206,652	\$ 4,120,433	\$ 19,895,727	\$ 11,992,292
Restricted equity in pooled cash and investments						
Cash with fiscal agent	4,903,375	-	-	-	4,903,375	-
Debt service	1,771,452	-	270,206	-	2,041,658	-
Impact Fees	2,500,317	-	-	-	2,500,317	-
Renewal and replacements	8,913,092	-	-	-	8,913,092	-
Bond proceeds	3,226,683	-	-	-	3,226,683	-
Total restricted equity in pooled cash and investments	<u>21,314,919</u>	<u>-</u>	<u>270,206</u>	<u>-</u>	<u>21,585,125</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 34,997,210</u>	<u>\$ 886,351</u>	<u>\$ 1,476,858</u>	<u>\$ 4,120,433</u>	<u>\$ 41,480,852</u>	<u>\$ 11,992,292</u>
<b>NONCASH CAPITAL AND RELATED</b>						
<b>FINANCING ACTIVITIES:</b>						
Developer contributions of capital assets	\$ 680,723	\$ -	\$ -	\$ -	\$ 680,723	\$ -

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

City of Palm Coast, Florida  
Statement of Fiduciary Net Position  
September 30, 2017

	<u>Volunteer Firefighter Pension Fund</u>
<b>ASSETS</b>	
Pension Investments	
External investment pools	\$ 4,040,315
Total assets	<u>4,040,315</u>
 <b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 4,040,315</u>

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

City of Palm Coast, Florida  
Statement of Changes in Fiduciary Net Position  
For the fiscal year ended September 30, 2017

	<u><b>Volunteer Firefighter Pension Fund</b></u>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 232,597
Total contributions	<u>232,597</u>
Investment earnings:	
Interest	465,858
Less investment expense	<u>(7,246)</u>
Total investment earnings	<u>458,612</u>
Total additions	<u>691,209</u>
<b>DEDUCTIONS</b>	
Administrative expenses	25,314
Benefit distributions	<u>162,594</u>
Total deductions	<u>187,908</u>
<b>Change in net position</b>	503,301
 Net position - beginning	 <u>3,537,014</u>
Net position - ending	<u>\$ 4,040,315</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2017**

**City of Palm Coast, Florida**  
**Notes to Financial Statements**  
**September 30, 2017**

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

***Reporting Entity***

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

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

***Government-Wide Financial Statements***

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

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

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

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

***Fund Financial Statements***

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



City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

**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 capital project fund is used to track impact fees collected for the purpose of funding expenditures for the expansion of road capacity.

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

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

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

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

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

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

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

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

***Budgetary basis of accounting***

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

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

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

***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".

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, stormwater, and fiber optic system usage billings. All general fund receivables are deemed collectible, and an allowance for doubtful accounts has been set up in the utility, solid waste, stormwater, and IT funds for 9%, 9%, 18% and 3%, 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.

***Fair value measurements***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

***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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***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 valued at their estimated acquisition value on the date donated. 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. The amount of capitalized interest reported for fiscal year 2017 in the Utility and Stormwater funds, was \$154,076 and \$22,788, respectively.

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.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has various items related to pensions in this category. Also, a deferred loss on refunding is reported in the proprietary funds statement of financial position and the government-wide statement of net position. A deferred loss 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.

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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***Deferred outflows/inflows of resources (Continued)***

The City has three items that qualify for reporting in this category. The first item is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: taxes, special assessments, fines and forfeitures, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. 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. The City also has various items related to pensions in this category.

***Net position flow assumption***

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

***Fund balance flow assumptions***

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

***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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***Fund balance (Continued)***

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. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget and through delegation to the City Manager by passage of a resolution.

***Program Revenues***

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

***Property taxes***

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***Property taxes (Continued)***

Valuation Date	January 1, 2016												
Property Appraiser prepares the assessment roll with values as of January 1, 2016, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1, 2016												
City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 2016												
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date).	November 1, 2016												
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2016 through March 2017, with the following applicable discounts:	November 1, 2016 through March 31, 2017												
<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Month Paid</u></th> <th style="text-align: center;"><u>Discount (%)</u></th> </tr> </thead> <tbody> <tr> <td>November</td> <td style="text-align: center;">4</td> </tr> <tr> <td>December</td> <td style="text-align: center;">3</td> </tr> <tr> <td>January</td> <td style="text-align: center;">2</td> </tr> <tr> <td>February</td> <td style="text-align: center;">1</td> </tr> <tr> <td>March</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	<u>Month Paid</u>	<u>Discount (%)</u>	November	4	December	3	January	2	February	1	March	0	April 1, 2017
<u>Month Paid</u>	<u>Discount (%)</u>												
November	4												
December	3												
January	2												
February	1												
March	0												
All unpaid taxes on real and tangible personal property become delinquent.	April and May 2017												
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	June 1, 2017												
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date).	June 1, 2017												
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, 2017												



City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

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

***Compensated Absences***

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

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

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

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

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

1. GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
2. GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in GASB 82 are effective for periods beginning after either June 15, 2016 or June 15, 2017, if certain assumptions are met.

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

*Recently Issued and Adopted Accounting Pronouncements (Continued)*

3. GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
4. GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improved guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
5. GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.
6. GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in May 2017. GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources. The provisions in GASB 86 are effective for periods beginning after June 15, 2017.
7. GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

**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 \$330,859,437 difference are as follows:

Land	\$	91,294,729
Construction in progress		12,100,659
Buildings and other improvements		60,387,577
Less: Accumulated depreciation		(14,319,135)
Infrastructure		263,964,550
Less: Accumulated depreciation		(84,174,759)
Equipment		6,559,379
Less: Accumulated depreciation		(4,953,563)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$</u>	<u>330,859,437</u>

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 \$14,522,193 difference are as follows:

Net position of the internal service funds	\$	19,146,381
Less: Internal payable representing charges in excess of cost to business-type activities - prior years		(3,581,221)
Less: Internal payable representing charges in excess of cost to business-type activities - current year		(1,042,967)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$</u>	<u>14,522,193</u>

A final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$11,176,095 difference are as follows:

Loans payable	\$	8,365,000
Net OPEB obligation		649,892
Compensated absences		2,161,203
<i>Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u>\$</u>	<u>11,176,095</u>

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.” Also, the governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. “This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$660,000 difference are as follows:

Principal payments:	
SR100 CRA Revenue Note	\$ 660,000
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 660,000</u>

**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 OKR Special Assessment special revenue fund had a deficit fund balance of \$4,219,829. This fund incurred construction expenditures in excess of current revenues and transfers.

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 4 – Deposits and Investments

*Deposits*

At year-end, the carrying amount of the City's deposits was \$7,920,889 and the bank balance was \$9,931,440. 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 \$8,233 in petty cash.

*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
- Supranational bonds
- Commercial paper
- Corporate bonds

As of September 30, 2017, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 12,458,796	21.11	51 Days
U.S. Government Agencies	15,405,675	26.11	1-3 Years
U.S. Treasuries	16,729,217	28.35	1-3 Years
Corporate Issues	11,318,591	19.18	1-5 Years
Municipal Bonds	1,002,028	1.70	1-3 Years
Foreign Issues	2,102,645	3.56	1-3 Years
	<u>\$ 59,016,952</u>		

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2017:

- *Fixed Income Securities* - Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of the issuers with similar credit ratings.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

The following table summarizes the assets and liabilities of the City for which fair values are determined on a recurring bases as of September 30, 2017:

Investment Type	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
U.S. Government Agencies	\$ 15,405,675	-	\$ 15,405,675	-	\$ 15,405,675
U.S. Treasuries	16,729,217	-	16,729,217	-	16,729,217
Corporate Issues	11,318,591	-	11,318,591	-	11,318,591
Municipal Bonds	1,002,028	-	1,002,028	-	1,002,028
Foreign Issues	2,102,645	-	2,102,645	-	2,102,645
<b>Total investments by fair value level</b>	<b>\$ 46,558,156</b>	<b>-</b>	<b>\$ 46,558,156</b>	<b>-</b>	<b>\$ 46,558,156</b>

*Investments measured at the net  
asset value (NAV)*

External Investment Pool:

SBA Florida Prime	\$ 12,458,796
Total investments measured at NAV	<u>12,458,796</u>
<i>Total investments measured at fair value</i>	<u>\$ 59,016,952</u>

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (Florida PRIME), 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 Florida PRIME investment pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes.

The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in the fund at amortized cost. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2017, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME. The occurrence of an event that has a material impact on liquidity or operations of the trust fund can cause limits on contributions or withdrawals. During the fiscal year there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value. Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

*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. Foreign Issues requirements are that the US is a shareholder and voting member with a long term debt rating of "AAA" category, or a short term debt rating of A-1 or higher, by any two NRSROs at the time of purchase. As of September 30, 2017, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1, corporate and municipal bonds rated between A- and AAA by Standard & Poor's, and foreign issues were rated AAA by Standard and Poor's and Aaa by Moody'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, 2017, the City's largest agency investment is in the Federal Home Loan Bank (FHLB).

Cash with fiscal agent as of September 30, 2017 totaled \$4,903,375. 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	\$ 751,098	\$ -	\$ -	\$ 751,098
Nonmajor Governmental Funds	-	4,700,616	-	4,700,616
Utility Fund	5,284,725	-	(453,562)	4,831,163
Solid Waste Fund	1,316,191	-	(117,373)	1,198,818
Stormwater Fund	2,047,305	-	(369,721)	1,677,584
Nonmajor Enterprise Funds	97,238	-	(3,108)	94,130
Fleet Management Fund	2,249	-	-	2,249
<b>Totals</b>	<b>\$ 9,498,806</b>	<b>\$ 4,700,616</b>	<b>\$ (943,764)</b>	<b>\$ 13,255,658</b>

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, 2017 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, 2017**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance 9/30/2016	Increases	Decreases	Balance 9/30/2017
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 90,808,604	\$ 486,125	\$ -	\$ 91,294,729
Construction in progress	8,360,694	10,459,448	(6,719,483)	12,100,659
Total capital assets, not being depreciated	99,169,298	10,945,573	(6,719,483)	103,395,388
Capital assets, being depreciated:				
Buildings and improvements other than buildings	55,826,135	5,658,586	-	61,484,721
Infrastructure	249,120,068	14,844,482	-	263,964,550
Equipment	22,920,332	2,468,887	(1,057,095)	24,332,124
Total capital assets, being depreciated	327,866,535	22,971,955	(1,057,095)	349,781,395
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(12,645,655)	(1,984,339)	-	(14,629,994)
Infrastructure	(73,521,662)	(10,653,096)	-	(84,174,758)
Equipment	(14,369,145)	(1,819,014)	972,026	(15,216,133)
Total accumulated depreciation	(100,536,462)	(14,456,449)	972,026	(114,020,885)
Total capital assets, being depreciated, net	227,330,073	8,515,506	(85,069)	235,760,510
Governmental activities capital assets, net	\$ 326,499,371	\$ 19,461,079	\$ (6,804,552)	\$ 339,155,898
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 13,889,568	\$ -	\$ -	\$ 13,889,568
Construction in progress	8,317,895	22,897,168	-	31,215,063
Total capital assets, not being depreciated	22,207,463	22,897,168	-	45,104,631
Capital assets, being depreciated:				
Buildings and improvements other than buildings	101,842,602	3,412,342	-	105,254,944
Infrastructure	209,129,787	5,838,730	-	214,968,517
Equipment	2,620,024	177,445	(11,894)	2,785,575
Total capital assets, being depreciated	313,592,413	9,428,517	(11,894)	323,009,036
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(39,259,733)	(4,239,066)	-	(43,498,799)
Infrastructure	(67,296,538)	(8,538,508)	-	(75,835,046)
Equipment	(2,173,591)	(184,398)	11,892	(2,346,097)
Total accumulated depreciation	(108,729,862)	(12,961,972)	11,892	(121,679,942)
Total capital assets, being depreciated, net	204,862,551	(3,533,455)	(2)	201,329,094
Business-type activities capital assets, net	\$ 227,070,014	\$ 19,363,713	\$ (2)	\$ 246,433,725



**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

Governmental activities:	
General government	\$ 236,253
Public safety	284,462
Transportation and physical environment	10,980,540
Culture and recreation	1,347,654
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,607,540</u>
Total depreciation expense - governmental activities	<u>\$ 14,456,449</u>
Business activities:	
Utility	\$ \$ 10,662,709
Stormwater	1,903,653
Information Technology (IT)	<u>395,610</u>
Total depreciation expense - business activities	<u>\$ 12,961,972</u>

**Note 7 - Accrued liabilities**

Accrued liabilities totaling \$306,874 reported by the general fund as of September 30, 2017 represent accrued salaries and related employee benefits.

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

**Advances from/to other funds:**

Receivable Fund	Payable Fund	Purpose	Amount
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	\$ 4,700,616
			<u>\$ 4,700,616</u>

The Utility Fund loan is a working capital loan made to the OKR Special Assessment Fund upon its creation. This balance is not scheduled to be collected in the subsequent year.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

**Interfund transfers:**

Transfer out:	Transfer In:						Total
	General Fund	Capital Projects Fund	Streets Improvement Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	
General Fund	\$ -	\$ -	\$ -	\$ 594,922	\$ 69,376	\$ -	664,298
Utility Fund	725,136	-	-	-	77,184	-	802,320
Transportation Impact Fee Fund	-	33,514	700,000	-	-	106,083	839,597
Capital Projects Fund	-	-	-	-	-	130,000	130,000
SR100 CRA Fund	-	575,000	-	-	-	-	575,000
Stormwater Fund	99,679	-	-	-	38,796	-	138,475
Nonmajor Governmental	-	230,000	-	-	-	-	230,000
Nonmajor Proprietary	15,335	-	-	-	25,234	-	40,569
<b>Total transfers out</b>	<b>\$ 840,150</b>	<b>\$ 838,514</b>	<b>\$ 700,000</b>	<b>\$ 594,922</b>	<b>\$ 210,590</b>	<b>\$ 236,083</b>	<b>3,420,259</b>

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

**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 2017, the total cost was \$2,702,136.

**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 2017, the total amount of these lease payments were \$296,798.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

**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
2018	\$ -	\$ 76,875
2019	447,000	66,639
2020	461,000	56,082
2021	468,000	45,365
2022	476,000	34,465
2023-2025	1,505,000	34,991
	<u>\$ 3,357,000</u>	<u>\$ 314,417</u>

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

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

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

Year Ending September 30,	Principal	Interest
2018	\$ -	\$ 172,776
2019	233,000	164,738
2020	240,000	156,457
2021	254,000	147,695
2022	268,000	138,448
2023-2027	2,372,000	496,145
2028-2029	1,641,000	28,911
	<u>\$ 5,008,000</u>	<u>\$ 1,305,170</u>

The 2018 principal payment was made on both loans during the year ended September 30, 2017, leaving a principal balance of \$3,357,000 and \$5,008,000 payable respectively at the end of the fiscal year.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

**B. Business Activities**

**Utility System Long-term Debt**

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

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

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

Gross revenues are first deposited in the Utility Fund for payment of operation and maintenance costs. Net revenues (revenues after payment of operating and maintenance costs) are then first transferred to Debt Service Reserve for the following purposes:

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

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

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 10 – Long-Term Debt (Continued)

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

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

The Series 2013 bonds are not secured by insurance or the reserve fund. During the fiscal year ended September 30, 2016, Standard & Poor's and Fitch provided an A+ rating on this bond issue.

**Early Optional Redemption**

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

*Debt Service*

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

Year Ending September 30,	Principal	Interest
2018	\$ 3,010,000	\$ 3,636,250
2019	3,160,000	3,478,250
2020	3,320,000	3,312,250
2021	3,485,000	3,138,000
2022	3,660,000	2,955,000
2023-2027	21,255,000	11,689,750
2028-2032	26,955,000	5,849,013
2033-2037	16,405,000	792,893
	<u>\$ 81,250,000</u>	<u>\$ 34,851,406</u>

*Bank Loans*

During year ended September 30, 2016, the City executed an agreement with Ameris Bank to borrow funds in order to refinance the Series 2007 Utility Revenue Bonds. These bonds were originally used to finance a water treatment plant and related infrastructure. The loan principal of \$40,193,000 is payable annually with interest at a rate of 2.48% payable semi-annually through October 2036.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

<u>Year Ending</u> <u>September 30,</u>	Principal	Interest
2018	\$ -	\$ 937,514
2019	1,581,000	898,306
2020	1,620,000	858,130
2021	1,663,000	816,887
2022	1,705,000	774,603
2023-2027	9,167,000	3,202,176
2028-2032	10,360,000	1,978,054
2033-2037	11,707,000	594,673
2042-2046	-	-
	<u>\$ 37,803,000</u>	<u>\$ 10,060,343</u>

The 2018 principal payment was made during the year ended September 30, 2017, leaving a principal balance of \$37,803,000 payable at the end of the fiscal year.

During year ended September 30, 2017, the City executed an agreement with CenterState Bank to borrow funds in order to refinance four of its State Revolving Fund loans: WW90302S originally used for the purpose of lift station and force main improvements, WW90303S originally used for the purpose of wastewater treatment facilities improvements, WW903050 originally used for the purpose of biosolids, reclaimed water and aerobic digestion improvements and WW903080 originally used for the purpose of construction of water reuse facilities. The City was able to reduce the interest rates applicable to the various SRF loans from a range of 2.54% - 2.71% to a rate of 2.35%. The interest rate reduction resulted in projected cashflow savings of \$164,970 over the remaining life of the loan, with net present value savings of \$130,081.

The loan principal of \$17,163,000 with interest at a rate of 2.35% is payable semi-annually through June 2038.

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

<u>Year Ending</u> <u>September 30,</u>	Principal	Interest
2018	\$ 1,498,000	\$ 276,928
2019	1,534,000	341,502
2020	1,570,000	305,265
2021	1,607,000	268,147
2022	1,646,000	230,136
2022-2026	7,716,000	656,633
2028	843,000	14,864
	<u>\$ 16,414,000</u>	<u>\$ 2,093,475</u>

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***State Revolving Fund Loans***

During the year ended September 30, 2016, 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 constructing a second wastewater treatment plant and related infrastructure (WW180420). The agreement allows the City to borrow up to \$30,100,000 at an interest rate of .67%. The loan is payable semi-annually in the amount of \$828,515 commencing in October 2018 for a period of 20 years. The total amount of funding received during the fiscal year was \$17,967,176 with \$7,824,486 pending as of year end.

Description	Interest Rate	Disbursable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Wastewater Treatment Plant #2	0.67%	\$ 30,100,000	\$ 19,748,280	10/15/2018	\$ 828,515	20

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to borrow \$2,734,789 through the State Revolving Fund loan program, for the purpose of lift station and force main improvements (WW90302S). This loan was refinanced with a bank loan on January 19, 2017.

During year ended September 30, 2005, the City executed an agreement with the Florida Department of Environmental Protection to \$13,281,775 borrow through the State Revolving Fund loan program, for the purpose of wastewater treatment facilities improvements (WW90303S). This loan was refinanced with a bank loan on January 19, 2017.

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). This loan was refinanced with a bank loan on January 19, 2017.

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). This loan was refinanced with a bank loan on January 19, 2017.

**Stormwater System Long-Term Debt**

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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

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

Year Ending September 30,	Principal	Interest
2018	\$ 243,215	\$ 59,955
2019	249,418	53,752
2020	255,779	47,391
2021	262,303	40,867
2022	268,993	34,177
2023-2026	1,146,348	66,331
	\$ 2,426,056	\$ 302,473

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
2018	\$ 124,691	\$ 57,941
2019	128,637	53,995
2020	132,708	49,924
2021	136,908	45,724
2022	141,241	41,391
2023-2027	776,147	137,012
2028-2030	435,838	20,741
	\$ 1,876,170	\$ 406,728



**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***Bank Loan***

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ -	\$ 113,106
2019	756,000	95,340
2020	774,000	77,151
2021	792,000	58,539
2022	811,000	59,455
2023-2024	1,680,000	-
	<u>\$ 4,813,000</u>	<u>\$ 403,591</u>

The 2018 principal payment of \$739,000 was made during the year ended September 30, 2017, leaving a principal balance of \$4,813,000 payable at the end of the fiscal year.

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

***Loans***

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 17,649	\$ -
2019	15,897	-
	<u>\$ 33,546</u>	<u>\$ -</u>

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 10 – Long-Term Debt (Continued)

*Changes in long-term debt*

During the year ended September 30, 2017, the following changes in long-term debt occurred:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
SR100 CRA Loans	\$ 9,025,000	\$ -	\$ (660,000)	\$ 8,365,000	-
Net OPEB Obligation	599,132	79,754	-	678,886	-
Net Pension Liability	3,032,226	345,636	-	3,377,862	-
Compensated Absences	2,027,069	1,225,168	(1,028,819)	2,223,418	814,389
Long-term debt	<u>\$ 14,683,427</u>	<u>\$ 1,650,558</u>	<u>\$ (1,688,819)</u>	<u>\$ 14,645,166</u>	<u>814,389</u>
<b>Business Type</b>					
<b>Activities:</b>					
Utility Revenue Bonds	\$ 84,120,000	\$ -	\$ (2,870,000)	\$ 81,250,000	3,010,000
Premiums	5,353,487	-	(524,670)	4,828,817	-
Total Revenue Bonds	89,473,487	-	(3,394,670)	86,078,817	3,010,000
State Revolving Fund					
Loans	28,128,909	21,963,946	(18,152,947)	31,939,908	1,515,649
Bank and Other Loans	44,949,517	17,163,000	(3,048,971)	59,063,546	367,906
Net OPEB Obligation	429,850	55,516	-	485,366	-
Compensated Absences	1,211,188	821,291	(751,423)	1,281,056	514,505
Long-term debt	<u>\$ 164,192,951</u>	<u>\$ 40,003,753</u>	<u>\$ (25,348,011)</u>	<u>\$ 178,848,693</u>	<u>5,408,060</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, \$62,215 of internal service fund compensated absences and \$28,994 of net OPEB obligation are included in the above amounts. For governmental activities, compensated absences, net pension liability and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

**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, 2017, 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, 2017, contributions to this plan totaled \$2,109,539, with no employer liability outstanding. Plan forfeitures are used to pay administrative expenses, or reallocated to employee accounts.

***Deferred Compensation Program***

The City offers its employees a voluntary deferred compensation program created in accordance with Internal Revenue Code (IRC) section 457 and Chapter 112.215 Florida Statutes. The City offers a matching contribution program of up to 2% of eligible wages. During the year ended September 30, 2017, the City complied with the requirements of IRC Section 457 and all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. City contributions to this plan totaled \$351,600.

***Volunteer Firefighters' Pension Plan***

**Summary of Significant Accounting Policies**

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

*Volunteer Firefighters' Pension Plan*

**Plan Description and Administration**

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

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

**Plan Benefits**

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

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

*Volunteer Firefighters' Pension Plan (Continued)*

**Plan Benefits (Continued)**

The supplemental benefit (share plan) was initially funded with 80% of the \$1,505,738 excess State monies reserve during fiscal year 2015 and allocated to eligible participants. Annual premium tax revenues received by the City in excess of \$144,307, if any, shall be allocated to active participants on a pro-rata basis based on years of credited service. Share plan accounts shall be credited or debited annually based on the Plan's net-of-fees investment performance for the preceding year. Vesting for the share plan is five years of credited service.

**Plan Membership**

As of September 30, 2017, the following volunteers were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not receiving benefits	2
Active plan members	37
	61
	61

**Contributions**

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

Contributions from the State to the plan are reported as revenues and expenditures in the general fund before being reported in the pension fund. The amount recorded for the period ended September 30, 2017 was \$232,597. There were no required City contributions.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

The components of the net pension liability (asset) as of September 30, 2017 were as follows:

Total Pension Liability	\$ 2,883,753
Plan Fiduciary Net Position	(4,040,315)
Net Pension Liability (Asset)	\$ (1,156,562)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	140.11%

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 11 – Retirement Plans (Continued)

*Volunteer Firefighters' Pension Plan (Continued)*

**Actuarial Assumptions**

The total pension liability (asset) was determined by an actuarial valuation as of Oct 1, 2016 updated to September 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	n/a, unpaid volunteers
Discount Rate	7.00 percent
Investment Rate of Return	7.00 percent

Mortality rates healthy lives were based on the RP-2000 Generational, 100% Annuitant White Collar, Scale BB for females and RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB for males. Mortality rates disabled lives were based on 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale for females and 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale for males.

The date of the most recent experience study for which significant assumptions are based upon is not available.

The actuarial valuation utilized the entry age normal actuarial cost method. The amortization method is level dollar and the period is 30 years and is closed. The asset valuation method utilized the historical geometric 4-year average Market Value return. Plan assets are reported at fair value.

The long-term expected rate of return on pension plan investments was determined using a building-block method which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. For 2017 the inflation rate assumption of the investment advisor was 2.90%. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2017 (see discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Large Cap Equity	34%	5.10%
U.S. Small Cap Equity	11%	5.60%
International Equity	15%	5.60%
Core Real Estate	10%	4.50%
Core Bonds	12%	1.40%
Core Plus	18%	1.70%
Total	100%	

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

*Volunteer Firefighters' Pension Plan (Continued)*

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that State contributions will be made at the current contribution rate and that City contribution, if any, will be made at rates equal to the difference between actuarially determined contribution rates and the State contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2016	\$ 2,686,856	\$ 3,537,093	(850,237)
Changes for the year:			
Service Cost	132,449	-	132,449
Interest	170,580	-	170,580
Share Plan Allocation	32,597	-	32,597
Differences between expected and actual experience	23,865	-	23,865
Changes of assumptions	-	-	-
Contributions - State	-	232,597	(232,597)
Net investment income (loss)	-	458,612	(458,612)
Benefit payments	(162,594)	(162,594)	-
Administrative expenses	-	(25,393)	25,393
Net Changes	196,897	503,222	(306,325)
Balances at September 30, 2017	\$ 2,883,753	\$ 4,040,315	(1,156,562)

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

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability (asset)	\$(970,474)	\$(1,156,562)	\$(1,309,776)

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

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

*Volunteer Firefighters' Pension Plan (Continued)*

**Pension Plan Fiduciary Net Position**

The plan does not issue a separate financial report. Information about the plan's fiduciary net position is available on pages 35-36 of this report.

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

For the year ended September 30, 2017, the City recognized pension expense (benefit) of \$146,845. On September 30, 2017, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 19,092	\$ 67,254
Changes of assumptions	111,387	-
Net difference between Projected and Actual Earnings on Pension		
Plan Investments	-	53,071
<b>Total</b>	<b>\$ 130,479</b>	<b>\$ 120,325</b>

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

Year ended September 30:	
2018	\$ 34,983
2019	34,983
2020	(22,694)
2021	(37,118)
2022	-
Thereafter	-

**Investment Policy**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of September 30, 2017:



City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

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

*Volunteer Firefighters' Pension Plan (Continued)*

**Investment Policy (Continued)**

**Investments**

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

The total invested with the Florida Municipal Pension Trust Fund (FMTPF) as of September 30, 2017 was \$4,040,315. The Plan's investment in the Florida Municipal Pension Trust Fund (FMTPF), a Securities and Exchange Commission rule 2a7-like external investment pool, are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

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

Fixed Income Fund	Effective Duration (Years)	Weighted Average Maturity (Years)
FMLvT Broad Market High Quality Bond	4.74	6.10
FMLvT Core Plus Fixed Income	2.24	7.40

*Risk.* The Broad Market High Quality Bond fund is rated AAf/S4 by Fitch, the Core plus Fixed Income Fund is not rated. There are also a number of equity portfolios within the investment pool which are not rated.

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

*Rate of Return.* For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense, was 13.21 percent. The money-weighted rate of return expresses investment performance, not of investment expenses, adjusted for changing amounts actually invested.

The plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

Note 11 – Retirement Plans (Continued)

*Volunteer Firefighters' Pension Plan (Continued)*

Investments (Continued)

The following table summarizes the assets and liabilities of the Plan for which fair values are determined on a recurring bases as of September 30, 2017:

Investment Type	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Broad Market High Quality Bond	\$ 634,330	\$ -	\$ 634,330	\$ -	634,330
Core Plus Fixed Income	933,313	-	-	933,313	933,313
High Quality Growth	323,225	-	323,225	-	323,225
Diversified Value	319,185	-	319,185	-	319,185
Russell 1000 Enhanced Index	941,393	-	941,393	-	941,393
Diversified Small to Mid Cap	444,435	-	444,435	-	444,435
International Blend	428,273	-	428,273	-	428,273
Total investments by fair value level	\$ 4,024,154	\$ -	\$ 3,090,841	\$ 933,313	4,024,154
Uninvested Cash	16,161				
Total investments at fair value	<u>\$ 4,040,315</u>				

Reserves

During the year ended September 30, 2015, the City established a reserve amount per Ordinance 2015-02, and further revised per Ordinance 2015-10. The reserve was established at 20% of the September 30, 2013 Excess State Monies Reserve of \$1,505,738, plus an allocation of annual earnings (losses), totaling \$301,147. This reserve can be used to supplement the defined benefit funding in the event that fire insurance premium tax contributions are insufficient to pay the actuarially determined current costs and amortized unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes. Subsequent to year end Ordinance 2015-10 was revised per Ordinance 2017-21 to establish the reserve to the Excess State Monies Reserve of \$1,505,738 and any future premium tax revenues in excess of \$200,000, beginning with plan year ending September 30, 2017.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

*Florida Retirement System*

**General Information**

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

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

**Plan Description**

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

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

**Plan Benefits**

Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

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

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

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

**Contributions**

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017, respectively, were as follows: Regular—7.52% and 7.92%; Special Risk Administrative Support—34.63% and 32.95%; Special Risk—23.27% and 22.07%; Senior Management Service—22.71% and 21.43%; Elected Officers'—42.27% and 42.47%; and DROP participants—13.26% and 12.88%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017.

The City's contributions, including employee contributions, to the Pension Plan totaled \$336,187 for the fiscal year ended September 30, 2017.

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

At September 30, 2017, the City reported a liability of \$2,911,962 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .009844583 percent, which was an decrease of 1.42 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$185,818. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

**Florida Retirement System (Continued)**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 267,248	\$ 16,131
Change of assumptions	978,625	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	113,621	170,687
City Pension Plan contributions subsequent to measurement date	76,703	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	72,166
Total	\$ 1,436,197	\$ 258,984

The deferred outflows of resources related to the Pension Plan, totaling \$76,703 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:		
2018	\$	111,040
2019		361,542
2020		278,495
2021		77,204
2022		200,936
Thereafter		71,294

**Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Investment Rate of Return	7.10 percent, net of pension plan expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

City of Palm Coast, Florida  
Notes to Financial Statements – Continued  
September 30, 2017

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

*Florida Retirement System (Continued)*

**Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Real Estate (property)	10.0%	6.6%	5.9%	12.8%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.60%	1.9%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
City's net pension liability	\$ 5,270,475	\$ 2,911,962	\$ 953,855

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

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

**Pension Plan Fiduciary Net Position**

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

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

**Plan Description**

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

**Plan Benefits**

For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions**

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2017, the HIS contribution for the period October 1, 2016 through June 30, 2017 and from July 1, 2017 through September 30, 2017 was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$23,339 for the fiscal year ended September 30, 2017.



**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***HIS Plan (Continued)***

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

At September 30, 2017, the City reported a liability of \$465,900 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2017, the City's proportionate share was .004357276 percent, which was an increase of .54 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$23,060. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 970
Change of assumptions	65,490	40,287
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	7,630	2,435
City Pension Plan contributions subsequent to measurement date	6,606	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	258	-
Total	\$ 79,984	\$ 43,692

The deferred outflows of resources related to the Pension Plan, totaling \$6,606 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:		
2018	\$	9,090
2019		9,041
2020		9,018
2021		6,263
2022		2,697
Thereafter		(6,424)

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***HIS Plan (Continued)***

**Actuarial Assumptions**

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Municipal Bond Rate	3.58 percent

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**Discount Rate**

The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's net pension liability	\$ 531,654	\$ 465,900	\$ 411,131

**Pension Plan Fiduciary Net Position**

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***HIS Plan (Continued)***

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

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

	Net Pension Asset	Deferred Outflows related to Pensions	Deferred Inflows related to Pensions	Net Pension Liability
Volunteer Firefighter's Pension Plan	\$ 1,156,562	\$ 130,479	\$ 120,325	-
Florida Retirement System (FRS)	-	1,364,031	186,818	2,911,962
FRS HIS Plan	-	79,984	43,692	465,900
<b>Totals</b>	<b>\$ 1,156,562</b>	<b>\$ 1,574,494</b>	<b>\$ 350,835</b>	<b>\$ 3,377,862</b>

Pension expenditures reported for the fiscal year were \$185,819 and \$13,548 for the Florida Retirement System and the Florida Retirement System HIS plan, respectively. The Volunteer Firefighter's Pension Plan reported revenue of \$85,752.

**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, 2015, the Plan had approximately 377 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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***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.

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

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a closed period of 30 years using the level percentage of payroll method. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 7.25% in 2017, to the ultimate rate of 4.5% in 2021. 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, 2017, based on the above assumptions and cost method, and applied to member data current at October 1, 2015. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2015, with an AAL calculated to be \$478,359, which is unfunded (or 0% funded). The annual covered payroll is \$17.82 million, resulting in an unfunded AAL of 5.8%. 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, 2015.

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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

Plan Obligation:	
Annual Required Contribution (ARC)	\$ 147,592
Interest on Plan Obligation	41,159
Adjustment to ARC	(43,690)
Annual Plan OPEB Cost	<u>145,061</u>
Contributions Made	<u>(9,791)</u>
Change in OPEB Obligation	135,270
Net OPEB Obligation Beginning of year	<u>1,028,982</u>
Net OPEB Obligation End of year	<u><u>\$ 1,164,252</u></u>

As of September 30, 2017, the City accrued \$678,886 in the Government-Wide Statement of Net Position, with \$485,366 in the Proprietary Funds Statement of Net Position.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 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)
2017	\$ 145,061	\$ 9,791	6.60%	\$ 1,164,252
2016	\$ 136,310	\$ 9,024	6.60%	\$ 1,028,982
2015	\$ 166,254	\$ 17,352	10.40%	\$ 901,696

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, 2017, the amount of prepaid impact fees is estimated to be \$19,845,098.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

**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, 2017. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2017. However, the remote possibility exists of losses as it relates to a class action lawsuit related to the legality of red light cameras fines charged prior to July 1, 2010. The outcome of these and remaining claims cannot be determined at this time.

***Self Insurance Program***

The City is also exposed to risks for losses related to health and other medical benefits it provides to its employees. A self insurance program was created July 1, 2010 to handle these risks. The Self Insured Health Fund (internal service fund) was established to account for medical insurance claims of City employees and their covered dependents. Under this program, the fund provides the employee with an unlimited lifetime maximum benefit. Retention limits of \$150,000 for specific claims have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Florida Blue at a monthly rate of up to \$85 per participating employee, and \$7 in the aggregate. The City has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing, and paying claims. Settled claims have not exceeded the excess insurance limits.

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

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As a result, a liability of \$374,022 is reported in the fund at September 30, 2017.

Changes in the fund's claims liability amount for fiscal years 2016 and 2017 were:

<u>Changes in Claims Liability</u>	<u>2016</u>	<u>2017</u>
Beginning fiscal year liability	\$ 142,240	\$ 206,624
Current year claims and changes in estimates	2,445,531	2,563,816
Claim payments	(2,381,147)	(2,396,418)
Balance at fiscal year end	<u>\$ 206,624</u>	<u>\$ 374,022</u>

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

During the fiscal year ended September 30, 2013, property owners within the Old King's Road Special Assessment District agreed to a repayment schedule for an interfund loan used to realign and widen a portion of Old King's Road. The interfund loan will be repaid from amounts levied against property owners within the district starting in fiscal year 2014. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment interfund loan. In the event that a deficiency exists because of unpaid or delinquent special assessments, the City can only utilize foreclosure proceeds to satisfy the special assessment. No other government resources can be used to cover any deficiencies. The interfund loan has an interest rate of 5%, with a 30 year amortization. The first three years of the agreement call for interest only, with the principal amortized over the remaining 27 years. The principal and any interest accrued can be paid in full at any time. The balance on the interfund loan was \$4,700,616 as of September 30, 2017.

In addition to the special assessment revenue, any transportation impact fees generated from this district are transferred to this fund to accumulate towards the next phase of the road widening project.

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

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

For the fiscal year ended September 30, 2017, the fund received \$1,119,196 in property tax revenue, a \$594,922 transfer from the general fund, and \$5,659 in miscellaneous income. The transfer included the City portion of the tax increment. Expenditures for the fiscal year were \$112,630 in administrative costs, \$10,535 in culture and recreation costs, and \$944,357 for debt service. There was also a transfer out for the CRA portion of the construction of a community building project in the amount of \$575,000 and proceeds from sale of fixed assets in the amount of \$8,000.

**Note 17 – Construction Commitments**

The City has an active construction project as of September 30, 2017 for a new wastewater treatment plant. The commitments with the contractors as of year end are as follows:

	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Wastewater Treatment Plant #2	\$ 24,320,717	\$ 5,779,283

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

**Note 18 – Fund Balance Policy**

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



**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2017**

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

***Disaster Reserve***

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

***Self Insured Health Fund***

The Self Insured Health Fund unrestricted net position, at year end, will be a minimum of three months claims in order to be considered actuarially sound by the Florida Office of Insurance Regulation. Amounts in excess of this floor can be used to hedge against future cost increases. If the unrestricted net position is below this floor, a plan must be developed using increased premiums and/or a reductions in benefits to return unrestricted net position to the minimum level within three years.

***Fleet Fund***

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

***Other Funds***

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



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## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Asset and Related Ratios**  
**Volunteer Firefighter's Pension Plan**  
**Last Five Fiscal Years**

	\$	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total pension liability						
Service cost		132,449 \$	97,464 \$	104,091 \$	113,712 \$	105,631
Interest		170,580	169,505	94,316	103,447	95,623
Change in excess State money		-	-	-	237,659	-
Share plan allocation		32,597	129,180	180,335	-	-
Differences between expected and actual experience		23,865	(57,517)	(65,491)	-	-
Changes of assumptions		-	185,644	-	-	-
Benefit payments, including refunds of employee contributions		(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Net change in total pension liability		196,897	10,573	(229,749)	344,008	97,966
Total pension liability - beginning		2,686,856	2,676,283	2,906,032	2,562,024	2,464,058
Total pension liability - ending (a)	\$	2,883,753 \$	2,686,856 \$	2,676,283 \$	2,906,032 \$	2,562,024
Plan fiduciary net position						
Contributions - State	\$	232,597 \$	273,487 \$	324,642 \$	381,967 \$	364,571
Net investment income		458,612	262,259	(6,801)	270,512	324,552
Benefit payments, including refunds of employee contributions		(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Administrative expenses		(25,393)	(29,092)	(41,443)	(60,987)	(25,630)
Net change in fiduciary net position		503,222	(7,049)	(266,602)	480,682	560,205
Plan fiduciary net position - beginning		3,537,093	3,544,142	3,810,744	3,330,062	2,769,857
Plan fiduciary net position - ending (b)	\$	4,040,315 \$	3,537,093 \$	3,544,142 \$	3,810,744 \$	3,330,062
Net pension liability (asset) - ending (a) - (b)	\$	(1,156,562) \$	(850,237) \$	(867,859) \$	(904,712) \$	(768,038)
Plan fiduciary net position as a percentage of total Pension liability		140.11%	131.64%	132.43%	131.13%	129.98%

**NOTES TO SCHEDULE:**

Plan participants are volunteers, and there is no related payroll.

Information relating to this schedule is not available for prior years. Additional years' information will be displayed as it becomes available.

Ordinance 2015-10, adopted August 4, 2015, and effective March 3, 2015, amended the Reserve Amount utilized for the initial Share Plan allocation. A letter of no actuarial impact was submitted for this amendment.

**Changes of assumptions:**

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from the following changes:

- As a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.
- The investment rate of return was lowered from 7.65% to 7.00% per year, compounded annually, net of investment-related expenses.

**City of Palm Coast, Florida  
Required Supplementary Information  
Schedule of City Contributions  
Volunteer Fire Fighter's Pension Plan  
Last Five Fiscal Years**

	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 109,250	\$ 117,326	\$ 127,816	\$ 130,671	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	200,000	144,307	127,816	130,671	120,718
Contribution Deficiency (Excess)	\$ (90,750)	\$ (26,981)	-	-	-

**Notes to Schedule:**

Plan participants are volunteers, and there is no related payroll.

Information relating to this schedule is not available for prior years. Additional years' information will be displayed as it becomes available.

**Valuation Date:** 10/01/2015

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. An interest load of 1.5 years (at the current valuation assumption of 7.65%) has been applied for the determination of Sponsor funding requirement.
Amortization Method:	Level Dollar
Remaining Amortization Period:	30 years (as of 10/1/2015)
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce insignificant bias above or below Market Value.
Inflation:	3.0%
Interest Rate:	7.65% per year, compounded annually, net of investment related expenses.
Normal Retirement:	The earlier of attainment of age 55 with 10 years of credited service, age 52 with 25 years of credited service, or age 62 with 5 years of credited service. Also, any members who have reached Normal Retirement age are assumed to continue employment for one additional year.
Early Retirement:	Commencing with the attainment of Early Retirement Status (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.
Mortality Rates:	RP-2000 Table with no projection. Disabled lives set forward 5 years.

**City of Palm Coast, Florida  
 Required Supplementary Information  
 Schedule of Investment Returns  
 Volunteer Fire Fighter's Pension Plan  
 Last Five Fiscal Years**

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	13.21%	8.02%	-0.18%	8.26%	11.24%

**Notes to Schedule:**

Information relating to this schedule is not available for prior years. Additional years' information will be displayed as it becomes available.

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Last Four Fiscal Years**

	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.0098446	0.0099867	0.008813455%	0.009156791%
City's proportionate share of the net pension liability (asset)	\$ 2,911,962 \$	2,521,655 \$	1,138,376 \$	558,699
City's covered-employee payroll	\$ 1,388,870 \$	1,352,403 \$	1,310,373 \$	1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	209.66%	186.46%	86.87%	43.30%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 6/30.

Information in this schedule is intended to display the last ten years, however, information is not available for prior years. Additional years' information will be displayed as it becomes available.

**City of Palm Coast, Florida  
Required Supplementary Information  
Schedule of City's Contributions  
Florida Retirement System  
Last Four Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 336,187	\$ 306,073	\$ 272,830	\$ 257,211
Contributions in relation to the contractually required contribution	(336,187)	(306,073)	(272,830)	(257,211)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
City's covered-employee payroll	\$ 1,405,980	\$ 1,408,009	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered-employee payroll	23.91%	21.74%	20.41%	19.77%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 9/30.

Information in this schedule is intended to display the last ten years, however, information is not available for prior years. Additional years' information will be displayed as it becomes available.



**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Schedule of the City's Proportionate Share of Net Pension Liability**  
**Health Insurance Subsidy Program (HIS)**  
**Last Four Fiscal Years**

	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.004357276	0.004380861%	0.004319202%	0.004327487%
City's proportionate share of the net pension liability (asset)	\$ 465,900	\$ 510,571	\$ 440,491	\$ 404,631
City's covered-employee payroll	\$ 1,388,870	\$ 1,352,403	\$ 1,310,373	\$ 1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.55%	37.75%	33.62%	31.36%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 6/30.

Information in this schedule is intended to display the last ten years, however, information is not available for prior years. Additional years' information will be displayed as it becomes available.

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Schedule of City's Contributions**  
**Health Insurance Subsidy (HIS)**  
**Last Four Fiscal Years**

	2017	2016	2015	2014
Contractually required contribution	\$ 23,339	\$ 23,373	\$ 18,141	\$ 15,792
Contributions in relation to the contractually required contribution	(23,339)	(23,373)	(18,141)	(15,792)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-
Covered-employee payroll	\$ 1,405,980	\$ 1,408,009	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.36%	1.21%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of 9/30.

Information in this schedule is intended to display the last ten years, however, information is not available for prior years. Additional years' information will be displayed as it becomes available.

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Post Employment Benefits Other Than Pension (OPEB)**  
**September 30, 2017**

**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)
10/1/2015	\$ -	\$ 478,359	\$ 478,359	0%	\$ 17,824,363	2.70%
10/1/2014	-	992,548	992,548	0%	16,149,589	6.10%
10/1/2012	-	1,027,559	1,027,559	0%	15,163,229	0.07
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 2017.

**Schedule of Employer Contributions**

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2017	\$ 147,592	\$ 9,747	6.60	0.80%
2016	137,054	9,024	6.58	0.80%
2015	166,874	17,352	10.40	1.10%
2014	208,138	34,723	16.68	-
2013	194,157	32,003	16.48	2.10%
2012	145,000	31,000	21.38	2.10%
2011	137,000	25,000	18.25	1.70%
2010	105,000	9,000	8.57	0.10%
2009	98,000	-	-	0.00%

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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 21,143,725	\$ 20,947,259	\$ 20,906,301	\$ (40,958)
Licenses and permits	235,500	215,500	196,332	(19,168)
Intergovernmental revenue	3,996,531	8,381,551	8,245,263	(136,288)
Charges for services	5,461,241	5,423,520	5,417,506	(6,014)
Fines and forfeitures	366,000	401,000	449,314	48,314
Investment earnings	25,000	77,400	66,883	(10,517)
Miscellaneous	55,000	55,508	43,169	(12,339)
Total revenues	<u>31,282,997</u>	<u>35,501,738</u>	<u>35,324,768</u>	<u>(176,970)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
Mayor and council	107,730	107,614	104,646	2,968
City administration	2,165,527	2,100,017	1,993,165	106,852
City attorney	453,284	453,284	447,116	6,168
Financial services	928,183	923,643	859,711	63,932
Community development	5,474,020	5,478,119	5,296,854	181,265
Nondepartmental	510,681	470,301	461,291	9,010
Total general government	<u>9,639,425</u>	<u>9,532,978</u>	<u>9,162,783</u>	<u>370,195</u>
Public safety:				
Fire	7,933,112	8,403,235	8,187,314	215,921
Law enforcement	2,720,287	2,702,137	2,702,136	1
Total public safety	<u>10,653,399</u>	<u>11,105,372</u>	<u>10,889,450</u>	<u>215,922</u>
Transportation and physical environment:				
Streets and drainage	8,301,635	10,416,346	9,712,461	703,885
Total transportation and physical environment	<u>8,301,635</u>	<u>10,416,346</u>	<u>9,712,461</u>	<u>703,885</u>
Culture and recreation	5,163,446	5,149,818	4,832,870	316,948
Total expenditures	<u>33,757,905</u>	<u>36,204,514</u>	<u>34,597,564</u>	<u>1,606,950</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,474,908)</u>	<u>(702,776)</u>	<u>727,204</u>	<u>1,429,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	840,150	840,150	840,150	-
Transfers out	(645,922)	(664,298)	(664,298)	-
Total other financing sources (uses)	<u>194,228</u>	<u>175,852</u>	<u>175,852</u>	<u>-</u>
Net change in fund balance*	<u>(2,280,680)</u>	<u>(526,924)</u>	<u>903,056</u>	<u>1,429,980</u>
Fund balance - beginning	<u>8,721,573</u>	<u>8,721,573</u>	<u>8,910,055</u>	<u>188,482</u>
Fund balance - ending	<u>\$ 6,440,893</u>	<u>\$ 8,194,649</u>	<u>\$ 9,813,111</u>	<u>\$ 1,618,462</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  
Streets Improvement Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,845,000	\$ 1,845,000	\$ 1,930,754	\$ 85,754
Intergovernmental revenue	2,337,540	1,137,540	916,981	(220,559)
Fines and forfeitures	120,000	160,000	160,801	801
Investment earnings	-	15,000	13,667	(1,333)
Total revenues	<u>4,302,540</u>	<u>3,157,540</u>	<u>3,022,203</u>	<u>(135,337)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	2,028,000	1,995,000	534,518	1,460,482
Capital outlay:				
Transportation and physical environment	<u>4,825,000</u>	<u>3,277,285</u>	<u>2,446,414</u>	<u>830,871</u>
Total expenditures	<u>6,853,000</u>	<u>5,272,285</u>	<u>2,980,932</u>	<u>2,291,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,550,460)</u>	<u>(2,114,745)</u>	<u>41,271</u>	<u>2,156,016</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Total other financing sources (uses)	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Net change in fund balance*	(1,850,460)	(1,414,745)	741,271	2,156,016
Fund balance - beginning	<u>4,529,564</u>	<u>4,529,564</u>	<u>2,819,225</u>	<u>(1,710,339)</u>
Fund balance - ending	<u>\$ 2,679,104</u>	<u>\$ 3,114,819</u>	<u>\$ 3,560,496</u>	<u>\$ 445,677</u>

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

City of Palm Coast, Florida  
Required Supplementary Information  
SR100 CRA Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,140,000	\$ 1,119,196	\$ 1,119,196	\$ -
Investment earnings	-	4,200	5,659	1,459
Total revenues	<u>1,140,000</u>	<u>1,123,396</u>	<u>1,124,855</u>	<u>1,459</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	103,939	149,200	112,630	36,570
Culture and recreation	200,000	15,000	10,535	4,465
Debt service:				
Principal	660,000	660,000	660,000	-
Interest and other	319,118	319,118	284,357	34,761
Total expenditures	<u>1,283,057</u>	<u>1,143,318</u>	<u>1,067,522</u>	<u>75,796</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,057)</u>	<u>(19,922)</u>	<u>57,333</u>	<u>77,255</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	594,922	594,922	594,922	-
Transfers out	(575,000)	(575,000)	(575,000)	-
Sale of capital assets	-	-	8,000	8,000
Total other financing sources (uses)	<u>19,922</u>	<u>19,922</u>	<u>27,922</u>	<u>8,000</u>
Net change in fund balance*	(123,135)	-	85,255	85,255
Fund balance - beginning	<u>198,843</u>	<u>198,843</u>	<u>165,965</u>	<u>(32,878)</u>
Fund balance - ending	<u>\$ 75,708</u>	<u>\$ 198,843</u>	<u>\$ 251,220</u>	<u>\$ 52,377</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**  
**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, and the transportation impact fee capital projects 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.



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**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 and grant revenues for the construction of public safety, recreational, and transportation related public projects.

**Transportation Impact Fee Fund** - This fund accounts for impact fees collected for the purpose of funding expenditures for the expansion of road capacity.

## 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.

**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 Community Development Block Grant programs. These include housing rehab programs, and an annual entitlement grant.

## 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.

**Recreation 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.



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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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,941,418	\$ 2,800,000	\$ 2,878,973	\$ 78,973
Intergovernmental revenue	146,000	312,087	370,405	58,318
Investment earnings	-	23,000	22,435	(565)
Miscellaneous	-	-	26,957	26,957
Total revenues	<u>3,087,418</u>	<u>3,135,087</u>	<u>3,298,770</u>	<u>163,683</u>
<b>EXPENDITURES</b>				
Capital outlay:				
General government	311,000	22,000	21,811	189
Transportation and physical environment	1,145,000	505,724	504,534	1,190
Culture and recreation	6,455,000	7,037,350	6,773,757	263,593
Total expenditures	<u>7,911,000</u>	<u>7,565,074</u>	<u>7,300,102</u>	<u>264,972</u>
Excess (deficiency) of revenues over (under) expenditures	(4,823,582)	(4,429,987)	(4,001,332)	428,655
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,336,225	838,514	838,514	-
Transfers out	-	(130,000)	(130,000)	-
Total other financing sources (uses)	<u>1,336,225</u>	<u>708,514</u>	<u>708,514</u>	<u>-</u>
Net change in fund balance*	(3,487,357)	(3,721,473)	(3,292,818)	428,655
Fund balance - beginning	<u>4,760,593</u>	<u>4,760,593</u>	<u>5,432,117</u>	<u>671,524</u>
Fund balance - ending	<u>\$ 1,273,236</u>	<u>\$ 1,039,120</u>	<u>\$ 2,139,299</u>	<u>\$ 1,100,179</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  
Transportation Impact Fee Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 1,800,000	\$ 1,947,784	\$ 2,379,630	\$ 431,846
Investment earnings	-	11,600	11,392	(208)
Total revenues	<u>1,800,000</u>	<u>1,959,384</u>	<u>2,391,022</u>	<u>431,638</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	190,000	1,283,087	44,987	1,238,100
Capital outlay:				
Transportation and physical environment	750,000	195,000	177,908	17,092
Total expenditures	<u>940,000</u>	<u>1,478,087</u>	<u>222,895</u>	<u>1,255,192</u>
Excess (deficiency) of revenues over (under) expenditures	860,000	481,297	2,168,127	1,686,830
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(860,000)	(823,514)	(839,597)	(16,083)
Total other financing sources (uses)	<u>(860,000)</u>	<u>(823,514)</u>	<u>(839,597)</u>	<u>(16,083)</u>
Net change in fund balance*	-	(342,217)	1,328,530	1,670,747
Fund balance - beginning	<u>(734,109)</u>	<u>(734,109)</u>	<u>1,405,990</u>	<u>2,140,099</u>
Fund balance - ending	<u>\$ (734,109)</u>	<u>\$ (1,076,326)</u>	<u>\$ 2,734,520</u>	<u>\$ 3,810,846</u>

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

City of Palm Coast, Florida  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 September 30, 2017

	Special Revenue Funds				Capital Projects			Total Nonmajor Governmental Funds
	Police Education Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund		
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 3,108	\$ 41,124	\$ 389,817	\$ 16,733	\$ 662,822	\$ 719,396	\$	1,833,000
Special assessment receivable - net	-	-	4,700,616	-	-	-	-	4,700,616
Due from other governments	-	-	1,280	-	150,000	-	-	151,280
Total assets	\$ 3,108	\$ 41,124	\$ 5,091,713	\$ 16,733	\$ 812,822	\$ 719,396	\$	6,684,896
<b>LIABILITIES</b>								
Accounts payable	-	-	2,755	312	180,045	-	-	183,112
Unearned revenue	-	-	-	16,421	-	-	-	16,421
Advances from other funds	-	-	4,700,616	-	-	-	-	4,700,616
Total liabilities	-	-	4,703,371	16,733	180,045	-	-	4,900,149
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue - special assessments	-	-	4,608,171	-	-	-	-	4,608,171
Total deferred inflows of resources	-	-	4,608,171	-	-	-	-	4,608,171
<b>FUND BALANCES</b>								
Restricted for								
Public safety	3,108	-	-	-	-	719,396	-	722,504
Parks and recreation	-	-	-	-	632,777	-	-	632,777
Grants	-	41,124	-	-	-	-	-	41,124
Unassigned	-	-	(4,219,829)	-	-	-	-	(4,219,829)
Total fund balances (deficits)	3,108	41,124	(4,219,829)	-	632,777	719,396	-	(2,823,424)
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,108	\$ 41,124	\$ 5,091,713	\$ 16,733	\$ 812,822	\$ 719,396	\$	6,684,896

City of Palm Coast, Florida  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2017

	Special Revenue Funds						Capital Projects			Total Nonmajor Governmental Funds
	Police Education Fund	Police Automation Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund			
<b>REVENUES</b>										
Intergovernmental revenue	\$ -	\$ -	24,732	\$ -	445,683	150,000	\$ -	-	\$ -	620,415
Special assessments	-	-	-	333,148	-	-	-	-	-	333,148
Fines and forfeitures	4,734	-	-	-	-	-	-	-	-	4,734
Impact fees	-	-	-	-	-	533,972	-	198,482	-	732,454
Investment earnings	50	-	-	3,170	-	3,841	-	2,585	-	9,646
Total revenues	4,784	-	24,732	336,318	445,683	687,813	-	201,067	-	1,700,397
<b>EXPENDITURES</b>										
Current:										
General government	-	-	15	-	445,683	-	-	-	-	445,698
Transportation and physical environment	-	-	-	18,034	-	-	-	-	-	18,034
Public safety	10,000	-	-	-	-	-	-	-	-	10,000
Capital outlay:										
Culture and recreation	-	-	-	-	-	524,488	-	-	-	524,488
Debt service:										
Interest and other	-	-	-	239,433	-	-	-	-	-	239,433
Total expenditures	10,000	-	15	257,467	445,683	524,488	-	-	-	1,237,653
Excess (deficiency) of revenues over (under) expenditures	(5,216)	-	24,717	78,851	-	163,325	-	201,067	-	462,744
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	-	-	-	106,083	-	130,000	-	-	-	236,083
Transfers out	-	-	-	-	-	(230,000)	-	-	-	(230,000)
Total other financing sources (uses)	-	-	-	106,083	-	(100,000)	-	-	-	6,083
Net change in fund balances	(5,216)	-	24,717	184,934	-	63,325	-	201,067	-	468,827
Fund balances (deficits) - beginning	8,324	-	16,407	(4,404,763)	-	569,452	-	518,329	-	(3,292,251)
Fund balances (deficits) - ending	\$ 3,108	\$ -	\$ 41,124	\$ (4,219,829)	\$ -	\$ 632,777	\$ -	\$ 719,396	\$ -	\$ (2,823,424)



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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 5,000	\$ 4,750	\$ 4,734	\$ (16)
Investment earnings	-	-	50	50
Total revenues	5,000	4,750	4,784	34
<b>EXPENDITURES</b>				
Current:				
Public safety	14,035	10,000	10,000	-
Total expenditures	14,035	10,000	10,000	-
Net change in fund balance*	(9,035)	(5,250)	(5,216)	34
Fund balance - beginning	13,985	13,985	8,324	(5,661)
Fund balance - ending	\$ 4,950	\$ 8,735	\$ 3,108	\$ (5,627)

\*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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 24,732	\$ 24,732	\$ -
Total revenues	-	24,732	24,732	-
<b>EXPENDITURES</b>				
Current:				
General government	16,407	24,732	15	24,717
Total expenditures	16,407	24,732	15	24,717
Net change in fund balance*	(16,407)	-	24,717	24,717
Fund balance - beginning	16,407	16,407	16,407	-
Fund balance - ending	\$ -	\$ 16,407	\$ 41,124	\$ 24,717

\*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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 327,030	\$ 327,030	\$ 333,148	\$ 6,118
Investment earnings	-	3,000	3,170	170
Total revenues	<u>327,030</u>	<u>330,030</u>	<u>336,318</u>	<u>6,288</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	160,000	93,000	18,034	74,966
Debt service:				
Interest and other	327,030	327,030	239,433	87,597
Total expenditures	<u>487,030</u>	<u>420,030</u>	<u>257,467</u>	<u>162,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(160,000)</u>	<u>(90,000)</u>	<u>78,851</u>	<u>168,851</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	160,000	90,000	106,083	16,083
Total other financing sources (uses)	<u>160,000</u>	<u>90,000</u>	<u>106,083</u>	<u>16,083</u>
Net change in fund balance*	-	-	184,934	184,934
Fund balance - beginning	<u>(4,598,147)</u>	<u>(4,598,147)</u>	<u>(4,404,763)</u>	<u>193,384</u>
Fund balance - ending	<u>\$ (4,598,147)</u>	<u>\$ (4,598,147)</u>	<u>\$ (4,219,829)</u>	<u>\$ 378,318</u>

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

City of Palm Coast, Florida  
CDBG Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 979,900	\$ 505,540	\$ 445,683	\$ (59,857)
Total revenues	979,900	505,540	445,683	(59,857)
<b>EXPENDITURES</b>				
Current:				
General government	448,675	505,540	445,683	59,857
Total expenditures	448,675	505,540	445,683	59,857
Excess (deficiency) of revenues over (under) expenditures	531,225	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(531,225)	-	-	-
Total other financing sources (uses)	(531,225)	-	-	-
Net change in fund balance*	-	-	-	-
Fund balance - beginning	39,425	39,425	-	(39,425)
Fund balance - ending	\$ 39,425	\$ 39,425	-	\$ (39,425)

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

City of Palm Coast, Florida  
Recreation Impact Fee  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 150,000	\$ 150,000	\$ 150,000	\$ -
Impact fees	367,700	425,000	533,972	108,972
Investment earnings	-	3,600	3,841	241
Total revenues	<u>517,700</u>	<u>578,600</u>	<u>687,813</u>	<u>109,213</u>
<b>EXPENDITURES</b>				
Capital outlay:				
Culture and recreation	725,000	1,060,000	524,488	535,512
Total expenditures	<u>725,000</u>	<u>1,060,000</u>	<u>524,488</u>	<u>535,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,300)</u>	<u>(481,400)</u>	<u>163,325</u>	<u>644,725</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	130,000	130,000	-
Transfers out	<u>(230,000)</u>	<u>(230,000)</u>	<u>(230,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(230,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance*	(437,300)	(581,400)	63,325	644,725
Fund balance - beginning	<u>417,494</u>	<u>417,494</u>	<u>569,452</u>	<u>151,958</u>
Fund balance - ending	<u>\$ (19,806)</u>	<u>\$ (163,906)</u>	<u>\$ 632,777</u>	<u>\$ 796,683</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, 2017

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact fees	\$ 118,600	\$ 180,000	\$ 198,482	\$ 18,482
Investment earnings	-	2,800	2,585	(215)
Total revenues	<u>118,600</u>	<u>182,800</u>	<u>201,067</u>	<u>18,267</u>
<b>EXPENDITURES</b>				
Public safety	118,600	182,800	-	182,800
Total expenditures	<u>118,600</u>	<u>182,800</u>	<u>-</u>	<u>182,800</u>
Net change in fund balance*	-	-	201,067	201,067
Fund balance - beginning	<u>367,628</u>	<u>367,628</u>	<u>518,329</u>	<u>150,701</u>
Fund balance - ending	<u>\$ 367,628</u>	<u>\$ 367,628</u>	<u>\$ 719,396</u>	<u>\$ 351,768</u>

\*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.

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

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

City of Palm Coast, Florida  
Combining Statement of Net Position  
Nonmajor Proprietary Funds  
September 30, 2017

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Building Permits Fund</b>	<b>Information Technology Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 3,115,023	\$ 1,005,410	\$ 4,120,433
Accounts receivable - net	-	94,130	94,130
Prepaid items	4,639	6,495	11,134
Total current assets	<u>3,119,662</u>	<u>1,106,035</u>	<u>4,225,697</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	-	4,683,788	4,683,788
Equipment	-	1,356,383	1,356,383
Less accumulated depreciation	-	(2,799,957)	(2,799,957)
Total noncurrent assets	<u>-</u>	<u>3,240,214</u>	<u>3,240,214</u>
Total assets	<u>\$ 3,119,662</u>	<u>\$ 4,346,249</u>	<u>\$ 7,465,911</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 8,802	\$ 124,035	\$ 132,837
Due to other governments	11,905	-	11,905
Loans payable	-	17,649	17,649
Compensated absences	59,575	35,961	95,536
Accrued liabilities	18,527	13,402	31,929
Unearned revenue	-	114,489	114,489
Total current liabilities	<u>98,809</u>	<u>305,536</u>	<u>404,345</u>
Noncurrent liabilities:			
Compensated absences	94,095	101,846	195,941
Net OPEB obligation	42,526	28,946	71,472
Loans payable	-	15,897	15,897
Total noncurrent liabilities	<u>136,621</u>	<u>146,689</u>	<u>283,310</u>
Total liabilities	<u>235,430</u>	<u>452,225</u>	<u>687,655</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	3,206,668	3,206,668
Unrestricted	2,884,232	687,356	3,571,588
Total net position	<u>\$ 2,884,232</u>	<u>\$ 3,894,024</u>	<u>\$ 6,778,256</u>

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Nonmajor Proprietary Funds  
For the Year Ended September 30, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Building Permits Fund</u>	<u>Information Technology Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Building permit and inspection charges	\$ 2,291,570	\$ -	\$ 2,291,570
Information technology charges	-	2,352,711	2,352,711
Total operating revenues	<u>2,291,570</u>	<u>2,352,711</u>	<u>4,644,281</u>
<b>OPERATING EXPENSES</b>			
Building permits and inspections	1,662,756	-	1,662,756
Information technology	-	2,008,391	2,008,391
Depreciation	-	395,610	395,610
Total operating expenses	<u>1,662,756</u>	<u>2,404,001</u>	<u>4,066,757</u>
Operating income (loss)	<u>628,814</u>	<u>(51,290)</u>	<u>577,524</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment revenue	11,976	3,152	15,128
Total nonoperating revenues (expenses)	<u>11,976</u>	<u>3,152</u>	<u>15,128</u>
Income (loss) before capital contributions and transfers	<u>640,790</u>	<u>(48,138)</u>	<u>592,652</u>
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers out	(25,234)	(15,335)	(40,569)
Total transfers and contributions	<u>(25,234)</u>	<u>(15,335)</u>	<u>(40,569)</u>
Change in net position	615,556	(63,473)	552,083
<b>NET POSITION</b>			
Net position - beginning	<u>2,268,676</u>	<u>3,957,497</u>	<u>6,226,173</u>
Net position - ending	<u>\$ 2,884,232</u>	<u>\$ 3,894,024</u>	<u>\$ 6,778,256</u>

**City of Palm Coast, Florida  
Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended September 30, 2017**

Business-type Activities-Nonmajor Enterprise Funds

	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,291,570	\$ 543,699	\$ 2,835,269
Cash received from interfund charges	-	1,742,100	1,742,100
Cash paid to suppliers	(787,513)	(1,452,901)	(2,240,414)
Cash paid to employees	(850,442)	(600,300)	(1,450,742)
Net cash provided by (used in) operating activities	653,615	232,598	886,213
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out to other funds	(25,234)	(15,335)	(40,569)
Net cash provided by (used in) noncapital financing activities	(25,234)	(15,335)	(40,569)
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Loan principal payments	-	(16,970)	(16,970)
Acquisition and construction of property, plant and equipment	-	(116,815)	(116,815)
Net cash provided by (used in) capital and related financing activities	-	(133,785)	(133,785)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	11,976	3,152	15,128
Net cash provided by (used in) investing activities	11,976	3,152	15,128
Net increase (decrease) in cash and cash equivalents	640,357	86,630	726,987
Beginning cash and cash equivalents	2,474,666	918,780	3,393,446
Ending cash and cash equivalents	\$ 3,115,023	\$ 1,005,410	\$ 4,120,433

(Continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2017**

Business-type Activities-Nonmajor Enterprise Funds

	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 628,814	\$ (51,290)	\$ 577,524
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	395,610	395,610
Change in assets and liabilities:			
Accounts receivable	-	(52,442)	(52,442)
Prepays	1,024	(33)	991
Accounts payable	(2,849)	(51,459)	(54,308)
Accrued liabilities	3,056	1,724	4,780
Customer deposits	-	(14,470)	(14,470)
Compensated absences	23,570	4,958	28,528
Net cash provided by (used in) operating activities	\$ 653,615	\$ 232,598	\$ 886,213
<b>CASH AND CASH EQUIVALENTS CLASSIFIED AS:</b>			
Equity in pooled cash and investments in current assets	3,115,023	1,005,410	4,120,433
Total cash and cash equivalents	\$ 3,115,023	\$ 1,005,410	\$ 4,120,433



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## **INTERNAL SERVICE FUNDS**

## 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, 2017

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 3,792,113	\$ 8,200,179	\$ 11,992,292
Accounts receivable - net	-	2,249	2,249
Inventories	-	28,078	28,078
Prepaid items	-	22,122	22,122
Due from other governments	-	1,953	1,953
Total current assets	3,792,113	8,254,581	12,046,694
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	17,772,745	17,772,745
Less accumulated depreciation	-	(10,573,428)	(10,573,428)
Total noncurrent assets	-	8,296,461	8,296,461
Total assets	\$ 3,792,113	\$ 16,551,042	\$ 20,343,155
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ -	\$ 123,601	\$ 123,601
Claims payable	374,022	-	374,022
Due to other governments	-	600,000	600,000
Compensated absences	-	17,352	17,352
Accrued liabilities	-	7,942	7,942
Total current liabilities	374,022	748,895	1,122,917
Noncurrent liabilities:			
Compensated absences	-	44,863	44,863
Net OPEB obligation	-	28,994	28,994
Total noncurrent liabilities	-	73,857	73,857
Total liabilities	374,022	822,752	1,196,774
<b>NET POSITION</b>			
Net investment in capital assets	-	8,296,461	8,296,461
Unrestricted	3,418,091	7,431,829	10,849,920
Total net position	\$ 3,418,091	\$ 15,728,290	\$ 19,146,381

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Position  
Internal Service Funds  
For the Year Ended September 30, 2017

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>OPERATING REVENUES</b>			
Charges for services:			
Risk management	\$ 4,673,590	\$ -	\$ 4,673,590
Fleet management	-	4,745,213	4,745,213
Total operating revenues	4,673,590	4,745,213	9,418,803
<b>OPERATING EXPENSES</b>			
Administrative	3,322,796	2,225,435	5,548,231
Depreciation	-	1,607,540	1,607,540
Total operating expenses	3,322,796	3,832,975	7,155,771
Operating income (loss)	1,350,794	912,238	2,263,032
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment revenue	11,842	30,744	42,586
Other	-	237,261	237,261
Total nonoperating revenues (expenses)	11,842	268,005	279,847
Income (loss) before capital contributions and transfers	1,362,636	1,180,243	2,542,879
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers in	-	210,590	210,590
Total transfers and contributions	-	210,590	210,590
Change in net position	1,362,636	1,390,833	2,753,469
<b>NET POSITION</b>			
Net position - beginning	2,055,455	14,337,457	16,392,912
Net position - ending	\$ 3,418,091	\$ 15,728,290	\$ 19,146,381

**City of Palm Coast, Florida**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2017**

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Services Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ -	\$ 23,472	\$ 23,472
Cash received interfund charges	4,673,590	4,723,065	9,396,655
Cash paid to suppliers	(3,207,247)	(2,148,382)	(5,355,629)
Cash paid to employees	-	(343,174)	(343,174)
Net cash provided by (used in) operating activities	1,466,343	2,254,981	3,721,324
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfer in from other funds	-	210,590	210,590
Net cash provided by (used in) noncapital financing activities	-	210,590	210,590
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of property, plant and equipment	-	(1,839,210)	(1,839,210)
Proceeds from the sale of capital assets	-	294,830	294,830
Net cash provided by (used in) capital and related financing activities	-	(1,544,380)	(1,544,380)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Interest on investments	11,842	30,744	42,586
Net cash provided by (used in) investing activities	11,842	30,744	42,586
Net increase (decrease) in cash and cash equivalents	1,478,185	951,935	2,430,120
Beginning cash and cash equivalents	2,313,928	7,248,244	9,562,172
Ending cash and cash equivalents	\$ 3,792,113	\$ 8,200,179	\$ 11,992,292

(continued)

City of Palm Coast, Florida  
Combining Statement of Cash Flows (continued)  
Internal Service Funds  
For the Year Ended September 30, 2017

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 1,350,794	\$ 912,238	\$ 2,263,032
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,607,540	1,607,540
Change in assets and liabilities:			
Accounts receivable	-	1,324	1,324
Inventories	-	(6,473)	(6,473)
Prepays	-	(702)	(702)
Accounts payable	115,549	(267,712)	(152,163)
Accrued liabilities	-	8,744	8,744
Compensated absences	-	22	22
Net cash provided by (used in) operating activities	<u>\$ 1,466,343</u>	<u>\$ 2,254,981</u>	<u>\$ 3,721,324</u>
<b>CASH AND CASH EQUIVALENTS CLASSIFIED AS:</b>			
Equity in pooled cash and investments in current assets	<u>\$ 3,792,113</u>	<u>\$ 8,200,179</u>	<u>\$ 11,992,292</u>
Total cash and cash equivalents	<u>\$ 3,792,113</u>	<u>\$ 8,200,179</u>	<u>\$ 11,992,292</u>

## Statistical Section

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	133
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	142
<b>Revenue Capacity</b> These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	146
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments	147
<b>Operating Information</b> These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information related to the services the City's provides and the activities it performs.	149

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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

	Fiscal Year									
	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017
Governmental activities Invested in capital assets, net of related debt	\$ 267,361,577	\$ 291,330,417	\$ 307,069,337	\$ 306,530,353	\$ 303,986,665	\$ 298,779,350	\$ 298,494,964	\$ 315,591,311	\$ 317,474,371	\$ 330,790,898
Restricted	21,477,931	8,201,392	919,709	1,097,652	840,001	1,184,424	1,130,224	5,649,144	5,537,610	7,954,237
Unrestricted	16,811,638	19,321,526	11,141,460	11,900,257	8,897,658	20,677,222	25,117,904	14,936,982	16,599,453	15,460,677
Total governmental activities net position	\$ 305,651,146	\$ 318,853,335	\$ 319,130,506	\$ 319,528,262	\$ 313,724,324	\$ 320,640,996	\$ 324,743,092	\$ 336,177,437	\$ 339,611,434	\$ 354,205,812
Business-type activities Invested in capital assets, net of related debt	\$ 49,857,685	\$ 60,854,530	\$ 72,856,080	\$ 68,014,427	\$ 68,131,604	\$ 69,651,643	\$ 68,945,922	\$ 67,519,973	\$ 72,761,895	\$ 84,435,596
Restricted	12,965,853	6,051,501	4,024,083	13,716,132	13,833,001	6,755,775	11,786,243	12,845,451	14,009,367	15,456,945
Unrestricted	11,746,111	11,977,264	5,771,497	(1,025,888)	10,224,350	11,992,822	16,839,256	20,147,467	25,308,480	25,844,539
Total business-type activities net position	\$ 74,569,649	\$ 78,883,295	\$ 82,651,660	\$ 80,704,671	\$ 92,188,955	\$ 88,400,240	\$ 97,571,421	\$ 100,512,891	\$ 112,079,742	\$ 125,737,080
Primary government Invested in capital assets, net of related debt	\$ 317,219,262	\$ 352,184,947	\$ 379,925,417	\$ 374,544,780	\$ 372,118,269	\$ 368,430,993	\$ 367,440,886	\$ 383,111,284	\$ 390,236,266	\$ 415,226,494
Restricted	34,443,784	14,252,893	4,943,792	14,813,784	14,673,002	7,940,199	12,916,467	18,494,595	19,546,977	23,411,182
Unrestricted	28,557,749	31,298,790	16,912,957	10,874,369	19,122,008	32,670,044	41,957,160	35,084,449	41,907,933	41,305,216
Total primary government net position	\$ 380,220,795	\$ 397,736,630	\$ 401,782,166	\$ 400,232,933	\$ 405,913,279	\$ 409,041,236	\$ 422,314,513	\$ 436,690,328	\$ 451,691,176	\$ 479,942,892

Note:

(1) The City was required to fund a bond debt service reserve in the utility fund during the year.

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

	Fiscal Year									
	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities:</b>										
General government	\$ 8,222,494	\$ 9,089,652	\$ 7,291,611	\$ 6,910,244	\$ 5,867,359	\$ 6,683,303	\$ 5,898,666	\$ 5,380,359	\$ 3,471,694	\$ 5,435,785
Public safety	8,270,787	9,588,547	11,029,379	10,653,813	10,144,341	10,874,585	11,032,501	10,522,359	11,013,862	11,332,196
Transportation and physical environment	10,580,806	12,035,335	11,552,570	13,325,228	13,333,183	13,932,669	14,212,159	15,752,135	17,579,791	21,427,067
Culture and recreation	2,692,254	2,710,434	2,874,115	2,904,535	3,072,489	3,092,100	3,191,985	5,462,980	6,136,059	6,202,008
Interest on long-term debt	264,240	314,337	545,416	698,126	652,050	519,669	676,742	604,034	578,231	523,790
<b>Total governmental activities expenses</b>	<b>\$ 30,030,581</b>	<b>\$ 33,708,305</b>	<b>\$ 33,293,091</b>	<b>\$ 34,491,946</b>	<b>\$ 33,069,422</b>	<b>\$ 35,102,326</b>	<b>\$ 35,012,053</b>	<b>\$ 37,721,867</b>	<b>\$ 38,779,637</b>	<b>\$ 44,920,846</b>
<b>Business-type activities:</b>										
Utility	27,047,807	32,873,576	32,414,733	31,205,110	30,545,189	33,363,682	30,399,474	30,760,793	31,562,957	33,063,660
Solid Waste	7,436,948	7,492,553	7,557,209	7,631,425	7,533,852	7,154,429	7,290,268	7,239,055	7,349,686	7,680,586
Stormwater	3,419,649	3,654,793	4,339,649	4,216,027	3,904,173	4,206,765	4,646,249	4,842,145	6,473,450	5,554,569
Building Permits & Inspections	-	-	1,787,281	1,463,027	1,286,637	1,225,965	1,275,472	1,284,030	1,516,413	1,592,586
Information Technology	31,989	84,219	157,268	182,643	351,525	490,030	379,495	382,264	985,726	705,729
Golf Course (a)	226,646	242,969	284,483	1,910,096	1,806,088	1,753,323	1,778,396	-	-	-
Tennis Center (a)	-	-	-	353,796	267,918	295,279	309,891	-	-	-
<b>Total business-type activities expenses</b>	<b>38,163,039</b>	<b>44,348,110</b>	<b>48,417,017</b>	<b>46,962,124</b>	<b>45,695,382</b>	<b>48,489,473</b>	<b>46,079,245</b>	<b>44,508,287</b>	<b>47,888,232</b>	<b>48,597,130</b>
<b>Total primary government expenses</b>	<b>68,193,620</b>	<b>78,056,415</b>	<b>81,710,108</b>	<b>81,454,070</b>	<b>78,764,804</b>	<b>83,591,799</b>	<b>81,091,298</b>	<b>82,230,154</b>	<b>86,667,869</b>	<b>93,517,976</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 3,575,723	\$ 2,409,425	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910	\$ 838,828	\$ 820,158	\$ 687,827	\$ 1,013,720
Public safety	468,618	1,028,174	679,557	305,916	386,798	1,215,566	946,722	355,063	232,048	148,114
Transportation and physical environment	123,281	93,136	92,840	133,064	132,838	125,186	130,888	116,916	173,143	146,937
Culture and recreation	239,941	193,571	158,546	398,520	436,185	360,585	234,388	1,640,631	1,683,747	1,635,056
Operating grants and contributions	2,482,829	2,696,553	3,661,398	4,053,082	3,239,141	3,819,858	3,396,912	3,197,045	2,411,183	7,078,147
Capital grants and contributions	23,416,000	11,116,163	4,401,134	2,679,664	4,771,908	8,499,395	6,635,181	8,836,774	7,143,389	18,889,042
<b>Total governmental activities program revenues</b>	<b>30,306,392</b>	<b>17,537,022</b>	<b>10,140,996</b>	<b>8,237,121</b>	<b>9,938,273</b>	<b>14,988,500</b>	<b>12,182,919</b>	<b>14,966,587</b>	<b>12,331,337</b>	<b>\$ 28,911,016</b>
<b>Business-type activities:</b>										
Charges for services:										
Utility	24,401,358	27,690,432	27,771,725	29,190,836	29,518,612	30,730,934	33,943,464	35,038,243	37,357,134	38,085,170
Solid Waste	7,278,358	7,498,306	7,667,964	7,805,956	7,655,877	7,227,081	7,420,478	7,349,016	7,634,486	7,727,089
Stormwater	3,685,785	5,112,097	5,509,260	4,778,331	5,469,298	6,316,447	7,154,416	7,048,000	7,038,305	7,228,213
Building Permits & Inspections	-	-	201,626	225,099	273,784	1,152,945	1,608,821	1,717,303	2,031,003	2,291,570
Information Technology and Communication	-	-	246,094	322,337	659,065	639,557	677,563	669,141	584,703	706,236
Golf Course	109,791	153,925	164,404	1,501,459	1,479,063	1,364,274	1,226,184	-	-	-
Tennis Center	-	-	-	181,598	157,818	190,277	210,348	-	-	-
Operating grants and contributions	-	-	-	-	477,582	-	-	-	-	-
Capital grants and contributions	9,175,206	12,605,884	2,940,853	1,047,855	2,112,690	1,238,990	3,072,563	2,870,187	5,121,164	6,368,010
<b>Total business-type activities program revenues</b>	<b>44,650,498</b>	<b>53,060,644</b>	<b>45,715,260</b>	<b>45,053,471</b>	<b>47,803,789</b>	<b>48,860,505</b>	<b>55,313,837</b>	<b>54,691,890</b>	<b>59,766,795</b>	<b>62,406,288</b>
<b>Total primary government program revenues</b>	<b>\$ 74,956,890</b>	<b>\$ 70,597,666</b>	<b>\$ 55,856,256</b>	<b>\$ 53,290,592</b>	<b>\$ 57,742,062</b>	<b>\$ 63,849,005</b>	<b>\$ 67,496,756</b>	<b>\$ 69,658,477</b>	<b>\$ 72,098,132</b>	<b>\$ 91,317,304</b>



Fiscal Year

	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ 275,811	\$ (16,171,283)	\$ (23,152,095)	\$ (26,254,825)	\$ (23,131,149)	\$ (20,113,826)	\$ (22,829,134)	\$ (22,755,280)	\$ (26,448,300)	\$ (16,009,830)
Business-type activities	6,487,459	8,712,534	(2,701,757)	(1,908,653)	2,108,407	371,032	9,234,592	10,183,603	11,878,563	13,809,158
Total primary government net expense	\$ 6,763,270	\$ (7,458,749)	\$ (25,853,852)	\$ (28,163,478)	\$ (21,022,742)	\$ (19,742,794)	\$ (13,594,542)	\$ (12,571,677)	\$ (14,569,737)	\$ (2,200,672)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 20,620,265	\$ 18,211,813	\$ 18,614,730	\$ 15,968,937	\$ 14,180,455	\$ 15,803,692	\$ 15,911,873	\$ 16,609,668	\$ 17,592,210	\$ 18,380,759
Sales and use taxes	2,458,212	2,422,436	2,495,167	2,579,899	2,730,209	2,403,052	2,392,638	2,587,863	2,749,805	2,878,973
Telecommunication services tax	3,431,800	2,726,666	2,748,010	2,685,140	2,696,547	2,608,306	2,522,865	2,529,845	2,390,508	2,221,345
Franchise taxes	571,591	58,423	744,353	660,354	651,129	661,438	784,758	683,099	731,563	790,697
Other local taxes	-	-	404,685	414,385	378,989	404,686	346,157	448,611	431,683	400,099
Intergovernmental revenue, non-program	3,364,679	3,310,696	3,253,543	3,405,849	3,649,676	3,841,166	4,047,545	4,200,163	4,299,085	4,463,316
Unrestricted investment earnings	2,132,333	1,244,703	888,531	388,707	461,968	287,289	82,174	17,896	245,868	172,268
Rental income	-	102,334	-	-	-	-	-	-	-	-
Miscellaneous	128,620	75,211	21,425	26,779	41,832	77,326	41,105	60,404	70,507	70,126
Gain (Loss) on sale of capital assets	14,653	231,860	81,725	16,241	-	191,139	280,593	208,563	213,336	245,261
Transfers	(3,805,110)	5,756,982	(5,822,903)	506,290	(7,463,594)	752,404	521,522	7,983,567	1,157,742	981,364
Total governmental activities	28,917,043	34,141,124	23,429,266	26,652,581	17,327,211	27,030,498	26,931,230	35,329,679	29,882,297	\$ 30,604,208
Business-type activities:										
Property Taxes	-	833,213	-	-	1,686,100	245,750	275,133	316,403	363,863	418,442
Unrestricted investment earnings	912,152	524,881	647,219	467,954	224,542	6,552	182,978	409,685	460,402	411,102
Other income	-	-	-	-	1,641	-	-	15,346	21,765	-
Transfers	3,805,110	(5,756,982)	5,822,903	(506,290)	7,463,594	(752,404)	(521,522)	(7,983,567)	(1,157,742)	(981,364)
Total business-type activities	4,717,262	(4,398,888)	6,470,122	(89,336)	9,375,877	(600,102)	(63,411)	(7,242,133)	(311,712)	(151,820)
Total primary government	\$ 33,634,305	\$ 29,742,236	\$ 29,899,388	\$ 26,614,245	\$ 26,703,088	\$ 26,530,396	\$ 26,867,819	\$ 28,087,546	\$ 29,570,585	\$ 30,452,388
<b>Change in Net Position</b>										
Governmental activities	\$ 29,192,854	\$ 17,969,841	\$ 277,171	\$ 397,756	\$ (5,803,938)	\$ 6,916,672	\$ 4,102,096	\$ 12,574,399	\$ 3,433,997	\$ 14,594,378
Business-type activities	11,204,721	4,313,646	3,768,365	(1,946,989)	11,484,284	(129,070)	9,171,181	2,941,470	11,566,851	13,657,338
Total primary government	\$ 40,397,575	\$ 22,283,487	\$ 4,045,536	\$ (1,549,233)	\$ 5,680,346	\$ 6,787,602	\$ 13,273,277	\$ 15,515,869	\$ 15,000,848	\$ 28,251,716

**Note:**

- (1) The Building Permits and Information Technology departments were removed from the general fund and established as enterprise funds during the fiscal year.
- (a) The Golf Course and Tennis Center Enterprise Funds were closed in FY 15, and those functions transferred to the General Fund and Governmental Activities.

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

	Fiscal Year									
	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 2,106,699	\$ 7,141,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,023,776	10,033,713	-	-	-	-	-	-	-	-
Nonspendable	-	-	5,975,576	5,979,178	5,982,244	5,986,187	186,156	274,551	233,082	190,280
Restricted	-	-	-	-	55,221	55,221	55,221	55,221	33,918	11,596
Committed	-	-	2,171,614	2,183,984	2,205,117	2,204,711	2,173,669	2,200,605	2,244,922	2,826,717
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	2,393,217	3,049,181	4,485,999	5,900,427	5,505,193	6,191,196	6,398,133	6,784,518
Total general fund	\$ 15,130,475	\$ 17,174,822	\$ 10,540,407	\$ 11,212,343	\$ 12,728,581	\$ 14,146,546	\$ 7,920,239	\$ 8,721,573	\$ 8,910,055	\$ 9,813,111
All Other Governmental Funds										
Reserved	\$ -	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	7,899,230	7,517,095	-	-	-	-	-	-	-	-
Special revenue funds	14,071,339	(2,143,495)	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	919,709	1,097,652	784,780	1,129,203	1,075,003	5,593,923	5,503,692	7,942,641
Committed	-	-	14,908,303	14,879,097	6,370,050	10,249,998	16,640,546	4,760,593	5,432,117	2,139,299
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned, reported in:										
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	(12,561,419)	(13,860,570)	(10,725,088)	(8,157,109)	(6,215,566)	(5,332,256)	(4,404,763)	(4,219,829)
Total all other governmental funds	\$ 21,970,569	\$ 9,873,600	\$ 3,266,593	\$ 2,116,179	\$ (3,570,258)	\$ 3,222,092	\$ 11,499,983	\$ 5,022,260	\$ 6,531,046	\$ 5,862,111

Note:

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 26,759,295	\$ 26,307,061	\$ 27,046,608	\$ 24,340,358	\$ 22,637,658	\$ 23,997,162	\$ 23,996,049	\$ 24,896,379	\$ 25,987,934	\$ 26,835,224
Licenses and permits	2,572,951	1,147,673	391,479	160,742	210,196	229,590	252,150	221,940	211,822	196,332
Intergovernmental revenues	9,512,770	4,843,895	7,939,669	7,191,917	8,749,022	7,895,185	9,772,192	12,247,672	8,391,343	10,153,064
Charges for services	5,295,879	4,197,416	2,552,903	2,836,649	2,740,171	2,572,727	2,712,048	4,088,519	4,872,149	5,417,506
Special assessments	-	38,701	219,391	250,342	129,899	-	248,079	247,559	327,571	333,148
Fines and forfeitures	805,046	1,398,511	1,043,095	656,694	739,411	1,578,139	1,556,456	854,187	574,371	614,849
Impact fees	3,270,897	1,281,486	1,216,661	664,827	746,167	1,254,980	1,817,218	1,689,219	2,790,609	3,112,084
Contributions	12,719	21,295	14,348	6,603	58,949	2,217	4,801	5,739	5,492	-
Rental income	-	102,334	-	-	-	-	-	-	-	-
Investment Earnings	2,075,610	1,203,109	833,589	371,817	421,111	287,289	82,174	12,505	176,120	129,682
Miscellaneous	118,941	75,211	21,425	26,779	38,946	77,326	41,105	60,404	70,507	70,126
Total revenues	50,424,108	40,616,692	41,279,168	36,506,728	36,471,530	37,894,615	40,482,272	44,344,123	43,407,918	46,862,015
<b>Expenditures</b>										
Current:										
General government	12,074,244	11,642,333	9,413,906	9,131,441	8,171,546	8,491,303	7,978,014	7,118,556	8,459,094	9,608,481
Public safety	8,003,618	9,820,736	10,719,389	10,058,067	9,822,084	10,524,093	10,025,107	10,581,386	10,556,903	10,856,575
Transportation and physical environment	6,530,163	7,014,650	6,401,040	5,739,492	5,314,597	5,763,838	6,547,718	7,678,390	7,247,764	10,376,683
Culture and recreation	2,097,824	1,991,501	1,878,028	2,151,306	2,186,053	2,161,053	2,209,307	4,192,350	4,798,642	4,843,405
Capital outlay	28,797,726	27,990,100	25,166,275	9,432,633	6,821,805	4,589,433	16,501,044	20,819,038	10,231,758	10,537,734
Debt Service:										
Principal	34,735	36,150	267,623	225,930	210,000	393,000	605,000	623,000	641,000	660,000
Interest and Other	264,240	314,337	545,416	698,126	662,050	519,669	676,742	604,034	578,231	523,790
Total expenditures	57,802,550	58,809,807	54,391,677	37,436,995	33,178,135	32,442,389	44,542,932	51,616,754	42,513,392	47,406,668
Excess of revenues over (under) expenditures	(7,378,442)	(18,193,115)	(13,112,509)	(930,267)	3,293,395	5,452,226	(4,060,660)	(7,272,631)	894,526	(544,653)
<b>Other Financing Sources (Uses)</b>										
Sale of capital assets	-	2,903,420	1,827,280	11,961	-	-	-	-	-	8,000
Loan and capital lease proceeds	-	-	4,000,000	-	-	2,088,000	5,839,000	-	-	-
Transfers In	1,112,077	5,792,243	5,270,599	1,649,068	5,451,278	2,036,171	9,348,861	4,390,060	2,747,133	3,209,669
Transfers Out	(4,971,669)	(555,170)	(11,226,792)	(1,209,240)	(12,914,872)	(1,366,082)	(9,075,617)	(2,793,818)	(1,944,391)	(2,438,895)
Total other financing sources (uses)	(3,859,592)	8,140,493	(128,913)	451,789	(7,463,594)	2,758,089	6,112,244	1,596,242	802,742	778,774
Net change in fund balances	\$ (11,238,034)	\$ (10,052,622)	\$ (13,241,422)	\$ (478,478)	\$ (4,170,199)	\$ 8,210,315	\$ 2,051,584	\$ (5,676,389)	\$ 1,697,268	\$ 234,121
Debt Service as a percentage of noncapital expenditures	1.03	1.14	2.78	3.30	3.27	3.28	4.57	3.98	3.78	3.21

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

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Institutional Property	Governmental Property	Other Property	Homestead Exemption (1)	Less: Save our Homes (2)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	7,966,142,375	513,581,436	57,316,405	82,932,630	46,282,002	302,740,605	391,307,071	519,386,257	1,135,486,199	695,552,647	7,009,877,421	2.96
2009	7,048,853,617	626,574,296	56,439,734	64,271,265	63,863,079	344,342,373	425,467,243	1,153,749,410	693,792,399	650,304,629	6,131,965,169	2.96
2010	5,810,369,969	640,358,943	57,394,160	81,593,288	79,017,915	363,209,622	413,135,467	1,178,584,144	325,396,383	692,916,836	5,248,182,001	3.50
2011	4,970,838,657	513,132,872	44,840,929	84,260,704	74,519,213	323,857,469	369,655,823	1,176,726,372	111,171,325	626,703,217	4,466,504,753	3.50
2012	4,421,050,448	449,685,207	40,410,099	84,665,638	71,488,036	304,706,672	367,156,410	1,056,115,106	123,622,919	667,830,359	3,891,594,126	3.99
2013	4,208,752,204	505,252,669	35,648,257	73,437,297	71,483,536	299,076,871	365,696,411	1,039,691,458	173,517,550	699,916,216	3,646,122,021	4.30
2014	4,308,692,800	415,174,623	34,777,555	73,143,976	66,178,054	292,896,119	348,777,295	1,038,983,230	125,014,902	685,329,433	3,690,312,857	4.27
2015	4,782,180,122	413,931,035	37,284,247	69,110,414	66,342,493	294,523,422	385,973,822	1,158,401,369	369,766,907	628,818,638	3,892,358,641	4.25
2016	5,195,256,265	417,305,032	37,886,100	75,675,112	78,792,636	286,319,548	393,689,080	1,071,794,657	535,411,197	748,098,804	4,129,619,115	4.25
2017	5,462,006,261	439,539,865	44,370,136	79,533,227	80,798,869	297,964,296	426,433,750	1,110,486,047	589,215,449	806,488,148	4,324,456,760	4.25

Source: Flagler County Property Appraiser, based on final taxable values provided in October of each year.

Note: Property in the city is reassessed each year, and visited at least once every five years. Property is assessed at actual value, therefore the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

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

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

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

Fiscal Year	City Direct Rates (1)			Overlapping Rates (2)					
	General Purposes	Capital Purposes	Total	Flagler County	East Flagler Mosquito Control District	St Johns River Water Management District	Florida Inland Navigation District		
2008	2,2123	0,7500	2,96230	4,33460	0,15500	0,41580	0,03450		
2009	2,6123	0,3500	2,96230	4,54450	0,17300	0,41580	0,03450		
2010	3,1500	0,3500	3,50000	5,24790	0,20380	0,41580	0,03450		
2011	3,5000	-	3,50000	6,05500	0,20380	0,41580	0,03450		
2012	3,5400	0,4500	3,99000	6,78140	0,23900	0,33130	0,03450		
2013	4,1502	0,1456	4,29580	7,66200	0,25400	0,33130	0,03450		
2014	4,1932	0,0773	4,27050	8,57530	0,25330	0,32830	0,03450		
2015	4,1608	0,0842	4,24500	8,53900	0,24230	0,31640	0,03450		
2016	4,0828	0,1622	4,24500	8,46880	0,23760	0,30230	0,03200		
2017	4,1120	0,1330	4,24500	8,63170	0,23950	0,28850	0,03200		

Source: Flagler County Tax Collector

Note:

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

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FLORIDA POWER & LIGHT COMPANY	\$ 77,093,183	1	1.783%	-	-	-
EBSCO INTEGRA WOODS	22,800,000	2	0.527%	-	-	-
KRG PALM COAST LANDING LLC	21,052,209	3	0.487%	-	-	-
BRANCH ISLAND WALK ASSOCIATES	18,217,249	4	0.421%	-	-	-
FLORIDA LANDMARK COMMUNITIES	12,982,854	5	0.300%	-	-	-
PINE LAKES ACQUISITIONS LLC	10,986,800	6	0.254%	-	-	-
PALM COAST MEDICAL SPECIALISTS	10,882,096	7	0.252%	-	-	-
BRIGHTHOUSE NETWORKS	10,651,898	8	0.246%	-	-	-
CELEBRITY RESORTS OF PALM COAST	10,346,400	9	0.239%	-	-	-
BROOKHAVEN DEVELOPMENT LAND	10,289,545	10	0.238%	-	-	-
CENTEX HOMES	-	-	-	\$ 29,790,131	1	0.425%
PALM COAST HOLDINGS INC	-	-	-	27,035,202	2	0.386%
HARBOR CLUB OWNERS ASSOCIATION	-	-	-	13,564,800	3	0.194%
SEAGATE HOMES INC	-	-	-	11,042,277	4	0.158%
THE GRAND CLUB LLC	-	-	-	10,896,445	5	0.155%
MCW-RC-FL-PALM HARBOR LLC	-	-	-	10,754,327	6	0.153%
PALM COAST APARTMENTS LLC	-	-	-	10,427,527	7	0.149%
WAL-MART STORES, INC	-	-	-	9,478,622	8	0.135%
GINN-LA HAMMOCK BEACH LTD LLP	-	-	-	8,905,890	9	0.127%
INTERVEST CONSTRUCTION INC	-	-	-	8,710,496	10	0.124%
	<b>\$ 205,302,234</b>		<b>4.747%</b>	<b>\$ 140,605,717</b>		<b>2.006%</b>

Source: Flagler County Property Appraiser

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
	Fiscal Year	Amount	Amount	Percentage of Levy (1)		Amount	Percentage of Levy
2008	20,765,640	20,101,446	96.80	81,687	20,183,133	97.19	
2009	18,164,720	17,521,094	96.46	117,912	17,639,006	97.11	
2010	18,368,637	17,710,493	96.42	91,121	17,801,614	96.91	
2011	15,632,767	15,090,032	96.53	86,923	15,176,955	97.08	
2012	15,534,998	14,980,925	96.43	99,505	15,080,430	97.07	
2013	15,650,967	15,093,036	96.44	35,983	15,129,019	96.67	
2014	15,759,481	15,190,408	96.39	41,336	15,231,744	96.65	
2015	16,523,062	15,937,197	96.45	37,803	15,975,000	96.68	
2016	17,583,231	16,901,139	96.12	-	16,901,139	96.12	
2017	18,449,374	17,680,005	95.83	-	17,680,005	95.83	

Source: Flagler County Property Appraiser

Note:

- (1) Taxes are levied on November 1 of each year. Taxes are due by March 31 of the following year. Taxes paid prior to March 31 receive discounts of up to 4%. See Note 1 of the financial statements for more details.
- (2) Details relating to collections in subsequent years is unavailable. Subsequent collections have been applied to fiscal years based on an estimate of collections.

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

Fiscal Year	Governmental Activities				Business-type Activities							Personal Income (thousands of dollars)	Estimated Population	Percentage of Personal Income (d)	Per Capita (d)
	CDBG Loan	SRF/Bank Loan (c)	Equipment Loan	Utility Revenue Bonds (a)	Utility SRF Loan (b)	Stormwater SRF/Bank Loan (b)	IT Capital Leases	Total Primary Government	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property					
2008	\$ 99,702	\$ -	\$ -	\$ 140,845,000	\$ 27,939,573	\$ 3,919,270	\$ -	\$ 172,803,545	\$ 7,009,877,421	2.47	\$ 2,805,000	74,590	6.16	2,317	
2009	63,552	-	-	138,890,000	28,386,116	6,695,806	-	174,035,474	6,131,965,169	2.84	2,832,191	73,910	6.14	2,355	
2010	25,929	3,770,000	-	135,920,000	25,700,918	13,854,213	252,015	179,523,075	5,248,182,001	3.42	3,071,000	75,180	5.85	2,388	
2011	-	3,570,000	-	132,860,000	24,466,247	15,291,698	447,645	176,635,590	4,466,504,753	3.95	3,229,939	75,617	5.47	2,336	
2012	-	3,360,000	-	127,632,882	23,199,592	14,340,900	273,157	168,806,531	3,891,594,126	4.34	3,516,641	76,450	4.80	2,208	
2013	-	5,055,000	-	142,624,496	21,899,999	13,346,756	191,770	183,118,021	3,646,122,021	5.02	3,673,655	77,068	4.98	2,376	
2014	-	10,289,000	-	140,782,844	20,566,612	12,327,767	197,171	184,163,394	3,690,312,857	4.99	3,763,284	78,046	4.89	2,360	
2015	-	9,666,000	-	136,396,216	19,198,551	11,282,686	118,941	176,662,394	3,892,358,641	4.54	4,230,393	79,821	4.18	2,213	
2016	-	9,025,000	-	89,473,487	62,815,651	10,212,258	50,517	171,576,913	4,129,619,115	4.15	4,380,834	81,184	3.92	2,113	
2017	-	8,365,000	-	86,078,817	81,854,682	9,115,226	33,546	185,447,271	4,324,456,760	4.29	-	82,760	-	2,241	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population estimates by the Bureau of Economic and Business Research, University of Florida.

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

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

(c) The City obtained a bank loan in the amount of \$4,000,000 during fiscal year 2010 to fund land purchases and improvements in the SR100 CRA. This loan was refinanced during fiscal year 2013, including an additional \$2,088,000 in new loan debt for improvements in the SR100 CRA. During fiscal year 2014, the City refinanced a SR100 CRA interfund loan with a local bank in the amount of \$5,839,000.

(d) Personal income data is for Flagler County. See Demographic and Economic Statistics on page 147 for personal income and population data. Personal income data is not available for 2017.



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

General Bonded Debt Outstanding

Fiscal Year	Local Government Pooled Loan	Total	Taxable Assessed Value of Property		Estimated Population	Per Capita
			Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property		
2008	-	-	7,009,877,421	-	74,590	-
2009	-	-	6,131,965,169	-	73,910	-
2010	-	-	5,248,182,001	-	75,180	-
2011	-	-	4,466,504,753	-	75,617	-
2012	-	-	3,891,594,126	-	76,450	-
2013	-	-	3,646,122,021	-	77,068	-
2014	-	-	3,690,312,857	-	78,046	-
2015	-	-	3,892,358,641	-	79,821	-
2016	-	-	4,129,619,115	-	81,184	-
2017	-	-	4,324,456,760	-	82,760	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population estimates from the Bureau of Economic and Business Research, University of Florida.

Schedule 11  
City of Palm Coast, Florida  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Flagler County General Obligation Bonds, Series 2015	\$ 23,645,000	55.77	\$ 13,187,876
Flagler County Refunding Limited Tax General Obligation Bonds, Series 2016	11,205,000	55.77	6,249,531
Flagler County Limited Tax General Obligation Bonds, Series 2005	-	55.77	-
Flagler County Limited Tax General Obligation Bonds, Series 2009	915,000	55.77	510,337
<b>Other debt</b>			
Flagler County School Board District Certificates of Participation	54,565,000	49.16	26,825,944
Flagler County School Board District State School Bonds	690,000	49.16	339,227
Flagler County School Board District Revenue Bonds	1,670,000	49.16	821,027
Flagler County Tourist Development Revenue Bonds, Series 2017	560,000	55.77	312,337
Flagler County Notes Payable	5,704,959	55.77	3,181,911
Flagler County Refunding Capital Improvement Revenue Bonds, Series 2016	41,010,000	55.77	22,873,115
Subtotal, overlapping debt			74,301,304
<b>City Direct Debt</b>			<u>8,365,000</u>
<b>Total Direct and overlapping debt</b>			<u><u>\$ 82,666,304</u></u>

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

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

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

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

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

Schedule 13  
City of Palm Coast, Florida  
Pledged-Revenue Coverage,  
Last Ten Fiscal Years

Utility Revenue Bonds

Fiscal Year	Utility Service Charges (1)	Less: Operating Expenses (2)	Stabilization Transfers To/(From) (3)	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2008	\$ 24,925,712	\$ 16,496,688	\$ -	\$ 8,429,024	\$ 1,920,000	\$ 4,329,873	1.35
2009	28,044,523	16,743,299	-	11,301,224	1,955,000	6,445,164	1.35
2010	28,132,136	17,170,763	(10,200,000)	21,161,373	2,970,000	6,352,364	2.27
2011	29,245,334	15,614,566	-	13,630,768	3,060,000	6,248,459	1.46
2012	29,586,299	15,064,742	-	14,521,557	3,170,000	6,136,499	1.56
2013	30,735,592	15,218,533	-	15,517,059	3,280,000	6,024,895	1.67
2014	33,943,464	15,431,565	4,000,000	14,511,899	1,245,000	6,128,106	1.97
2015	35,444,145	15,651,053	1,000,000	18,793,092	3,805,000	5,975,906	1.92
2016	37,487,422	16,636,758	-	20,850,664	4,801,000	5,308,376	2.06
2017	38,188,199	18,384,360	-	19,803,839	2,870,000	5,269,070	2.43

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

(1) Gross revenues include operating revenue of the system and interest earnings. Interest earnings from construction funds are excluded.

(2) Operating expenses include operating and administrative expenses of the system.

(3) Transfers to the rate stabilization account decrease net revenues, and transfers from the rate stabilization account increase net revenues, per the bond resolution.

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

Calendar Year	Population	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	School Enrollment	Unemployment Rate
2007	70,376	2,731,000	30,973	12,800	4.40%
2008	74,590	2,878,868	30,746	12,738	4.20%
2009	73,910	2,832,191	30,912	13,082	6.50%
2010	75,180	3,071,000	32,009	12,832	11.80%
2011	75,617	3,229,939	33,170	13,100	15.70%
2012	76,450	3,516,641	35,753	12,768	14.10%
2013	77,068	3,673,655	36,753	12,733	12.10%
2014	78,046	3,763,284	36,748	12,671	7.40%
2015	79,821	4,230,393	40,140	12,788	6.20%
2016	82,760	4,380,834	40,447	12,855	5.50%

Sources: Population estimates by the Bureau of Economic and Business Research, University of Florida. Personal income data per the U.S. Bureau of Economic Analysis. School enrollment data is from the Flagler County School Board. Unemployment rates are from the Bureau of Labor Statistics.

(a) Personal income data is for Flagler County.

Schedule 15  
City of Palm Coast, Florida  
Principal Employers,  
Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,750	1	4.29%	1,800	1	5.64%
Florida Hospital-Flagler	1,057	2	2.59%	645	3	2.02%
Sea Ray Boats	740	3	1.81%	-	-	-
Palm Coast Data	721	4	1.77%	976	2	3.06%
Publix Supermarkets	690	5	1.69%	466	5	1.46%
Hammock Beach Resort	467	6	1.14%	-	-	-
City of Palm Coast	399	7	0.98%	392	6	1.23%
Bloomin' Brands	290	8	0.71%	-	-	-
Flagler County	372	9	0.91%	-	-	-
Flagler County Sheriff's Office	270	10	0.66%	-	-	-
Walmart Stores	-	-	-	575	4	1.80%
Albertson's	-	-	-	125	8	0.39%
Kanthal Palm Coast	-	-	-	105	10	0.33%
Grand Oaks Health & Rehabilitation	-	-	-	200	7	0.63%
FAA - Center for Management Dev.	-	-	-	115	9	0.36%
<b>Total</b>	<b>6,756</b>		<b>16.55%</b>	<b>5,399</b>		<b>16.92%</b>

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

Note:

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

Schedule 16

City of Palm Coast, Florida

Full-time-Equivalent City Government Employees by Function/Program,

Last Ten Fiscal Years

Full-time-Equivalent Employees as of September 30,

Function/Program	2008 (a)	2009	2010	2011 (b)	2012	2013	2014	2015	2016	2017
General Government	22	22	15	15	15	13	15	15	15	15
City Administration	1	1	1	1	1	1	1	1	1	1
City Attorney	-	-	-	1	1	2	2	2	2	2
City Clerk	-	-	-	8	8	8	8	8	8	9
Financial Services	14	9	8	8	8	8	8	8	8	9
Information Tech & Communications	15	15	12	-	-	-	-	-	-	-
Community Development	60	17	16	40	40	41	42	42	40	40
Building and Code Enforcement	-	45	41	-	-	-	-	-	-	-
Fire	58	67	66	62	62	59	59	58	58	58
Law Enforcement	1	1	-	-	-	-	-	-	-	-
Streets and Facilities	43	64	54	59	59	65	65	68	67	70
Engineering	18	17	9	7	7	6	6	4	-	-
Construction Management & Engineering	-	-	-	-	-	-	-	-	-	16
Recreation and Athletics	31	27	19	19	19	20	20	20	21	21
Water and Wastewater Utility (1)	106	116	113	115	115	118	118	121	120	125
Stormwater Management (2)	16	30	37	30	30	30	30	32	27	27
Golf Course	1	-	-	-	-	-	-	-	-	-
Building Permits	-	-	-	15	15	14	15	17	17	17
Information Technology	-	-	-	13	13	11	11	11	11	11
Tennis Center	3	3	3	-	-	-	-	-	-	-
Fleet Management	3	3	3	3	3	4	4	6	6	7
Facilities Management	-	-	-	-	-	-	-	-	4	2
<b>Total</b>	<b>392</b>	<b>437</b>	<b>397</b>	<b>388</b>	<b>388</b>	<b>392</b>	<b>396</b>	<b>405</b>	<b>413</b>	<b>424</b>

Source: City Budget

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

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

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

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

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

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Building Permits Issued										
Residential	203	132	127	96	108	248	340	359	484	880
Commercial	100	17	26	15	12	145	370	531	114	50
Other	4,991	5,609	5,260	5,410	6,743	7,351	6,753	8,239	9,269	13,520
Total	5,294	5,758	5,413	5,521	6,863	7,744	7,463	9,129	9,867	14,450
Building Inspections	18,503	17,488	16,006	16,441	15,989	19,012	25,040	18,258	28,912	37,744
Code Violations										
Total Code Violations	19,789	18,775	23,749	21,261	23,201	22,287	19,123	17,632	16,135	17,079
Code Violations Cleared	14,335	13,028	16,500	19,995	22,907	20,671	18,516	17,321	15,473	16,677
Expenditures per Cleared Violation	\$ 140	\$ 143	\$ 125	\$ 105	\$ 143	\$ 104	\$ 118	\$ 125	\$ 129	\$ 145
Fire and Rescue										
Total Fire Calls (6)	170	222	186	278	213	179	149	185	166	737
Total EMS Calls	4,501	4,860	5,404	5,300	5,365	5,503	5,760	6,192	6,204	6,873
% Responses under 5 Minutes (5)	61%	56%	61%	55%	56%	42%	41%	38%	-	-
% Responses under 7 Minutes (5)	-	-	-	-	-	-	-	-	66%	61%
Public Works										
Refuse Collection (Annual Tons)	34,137	31,580	31,134	30,144	31,316	26,300	27,077	28,481	32,058	32,981
Recycle Collection (Annual Tons)(3)	3,857	3,969	3,982	3,960	4,038	4,840	5,857	11,453	5,188	5,037
Street Rehabilitation (Expenditures per capita)	\$ 49	\$ 55	\$ 52	\$ 70	\$ 66	\$ 68	\$ 70	\$ 68	\$ 69	\$ 72
Potholes Repaired	1,210	350	86	24	36	65	61	39	38	40
Parks and Recreation										
Developed Park Acres/1000 population	3.53	4.41	5.05	4.84	4.60	4.52	6.82	9.48	9.33	9.15
Recreation Program Expenditures/1000 population(4)	\$ 22,002	\$ 13,544	\$ 12,263	\$ 16,397	\$ 17,353	\$ 13,538	\$ 16,989	\$ 40,481	\$ 40,762	\$ 37,762
Total Recreation Revenues/1000 population(4)	\$ 3,504	\$ 3,769	\$ 2,145	\$ 2,271	\$ 2,277	\$ 2,152	\$ 2,153	\$ 20,554	\$ 20,741	\$ 19,061
Engineering and Stormwater (1)										
Freshwater Canal Maintenance - 100% Annual Service Required	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Existing Swale Service - 2% of Existing Swales Regraded Annually	2%	2%	6%	-	-	-	-	5%	4%	4%
Hazardous Drainage Conditions Resolved - 100% Repaired in 24 Hours	-	-	85.70%	100%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	1,603	1,599	481	201	229	114	163	525	618	715
Peak Daily Water Demand (Million gallons per day)	11.33	10.9	10.4	10.1	9.7	11.1	9.4	9.4	10.25	9.22
Wastewater (2)										
Peak Daily Wastewater Treated (Million gallons per day)	6.38	10.62	6.9	11.8	6.83	6.83	6.83	6.83	6.83	7.14

Sources: Various City departments

Notes:

- (1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during fiscal year 2005 creating the Stormwater Management department.
- (2) The City purchased the local water and wastewater utility on October 30, 2003.
- (3) Starting in 2015, yard waste is being recycled and included in these totals.
- (4) Starting in 2015, the golf course and tennis center were merged with the Parks and Recreation Department.
- (5) Starting in 2016 the response time reporting has been changed from 5 minutes to 7 minutes.
- (6) Starting in 2017 the Fire calls include all fire related calls.



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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire and Rescue										
Stations	3	5	5	5	5	5	5	5	5	5
Apparatus	15	15	17	16	20	20	20	20	20	20
Public Works										
Streets (miles)	1,102	1,102	1,138	1,169	1,169	1,169	1,169	1,169	1,169	1,176
Traffic Signals	43	47	47	50	52	52	54	50	53	53
Fleet Size	301	283	246	242	235	235	241	215	220	231
Parks and Recreation										
Acreage	672	746	746	1,278	1,265	1,265	1,275	1,275	1,275	1,275
Playgrounds	6	7	7	7	8	8	8	8	8	8
Athletic Fields	16	22	19	20	20	20	22	25	22	25
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	1,200	1,200	1,200	1,100	1,100	1,100	1,200	1,222	1,222	1,222
Drainage ditches (miles)	150	150	150	154	154	154	154	154	172	172
Canals (miles)	80	80	80	84	84	84	84	84	84	84
Water control structures	19	19	19	31	31	31	31	31	31	31
Water (2)										
Water Mains (miles)	648	679	679	714	714	714	714	716	721	721
Fire Hydrants	3,455	3,717	3,772	3,772	3,784	3,784	3,780	3,805	3,826	3,826
Capacity (millions of gallons per day)	12.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38
Wastewater (2)										
Sewers (miles)	560	613	613	613	620	620	622	623	633	633
Treatment Capacity (millions of gallons per day)	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83

Sources: Various City departments

Notes:

- (1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during fiscal year 2005 creating the Stormwater Management department.
- (2) The City purchased the local water and wastewater utility on October 30, 2003.



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## **OTHER REPORTS**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida as of and for the year ended September 30, 2017, and related notes to the financial statements, which collectively comprise the City of Palm Coast, Florida's basic financial statements and have issued our report thereon dated March 5, 2018.

***Internal Control over Financial Reporting***

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

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

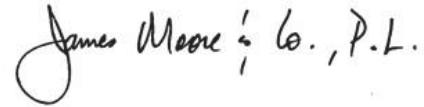
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

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

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

### **Purpose of this Report**

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

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

Daytona Beach, Florida  
March 5, 2018

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal Agency, Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Housing and Urban Development</b>				
Direct:				
Community Development Block Grants (CDBG - Entitlement Grants Cluster)	14.218	B-12-MC-12-0060	331,338	\$ 282,736
<b>U.S. Department of Environmental Protection</b>				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)	66.458	CS12000116-0 / WW180420	30,100,000	<u>21,935,666</u>
<b>U.S. Department of Transportation</b>				
Passed Through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G0064	1,190,000	45,400
Highway Planning and Construction	20.205	G0744	535,428	370,405
Total Department of Transportation (Highway Planning and Construction Cluster)				<u>415,805</u>
<b>U.S. Department of Homeland Security - Federal Emergency Management Agency</b>				
Passed through State of Florida, Division of Emergency Management				
Disaster Grants - Public Assistance Hurricane Matthew Declaration	97.036	17-PA-U5-04-28-01-080	3,109,045	3,750
<b>Total Expenditures of Federal Awards</b>				<u><u>\$ 22,637,957</u></u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes federal awards activity of the City of Palm Coast, Florida. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the fiscal year ended September 30, 2017.

(3) **De Minimis Indirect Cost Rate Election:**

City of Palm Coast, Florida did not elect to use the 10% de minimis indirect cost rate as covered in §200.414, *Indirect (F&A) costs*, of the Uniform Guidance.

(4) **Deferred FEMA Expenditures:**

During the fiscal year ended September 30, 2017, the City incurred substantial costs related to Hurricane Matthew and Hurricane Irma. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2017, only \$3,750 of the City of Palm Coast, Florida's PWs from these storms had been approved by FEMA. \$3,749,938 of expenditures and the related revenues have been recorded for financial statement purposes and will be recognized on the Schedule of Expenditures of Federal Awards in future years once approved by FEMA.



**CITY OF PALM COAST, FLORIDA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

***Financial Statements:***

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

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

***Federal Awards:***

Internal control over major Federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major Federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major Federal programs:

CFDA Number	Program Name
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between type A and type B Federal programs: <span style="float: right;"><u>\$750,000</u></span>	
Auditee qualified as low-risk auditee? <span style="float: right;"><u>  X  </u> yes    _____ no</span>	

**II. Financial Statement Findings:**

No financial statement findings were noted.

**III. Federal Programs Findings and Questioned Costs:**

None.

**IV. Prior Audit Findings:**

None.

**V. Corrective Action Plan:**

No corrective action plan as there were no findings for the year ended September 30, 2017.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
THE UNIFORM GUIDANCE**

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

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

We have audited the City of Palm Coast, Florida's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City of Palm Coast, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Palm Coast, Florida's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Palm Coast, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386-257-4100

133 East Indiana Avenue  
DeLand, FL 32724-4329  
Telephone: 386-738-3300

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850-386-6184

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

In our opinion, the City of Palm Coast, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

### **Report on Internal Control over Compliance**

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

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

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

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

Daytona Beach, Florida  
March 5, 2018

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

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

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

**Report on the Financial Statements**

We have audited the basic financial statements of the City of Palm Coast, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated March 5, 2018.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 5, 2018, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Palm Coast,

Florida was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to the City as of September 30, 2017.

### **Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not City of Palm Coast, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Palm Coast, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Palm Coast, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

### **Annual Financial Report**

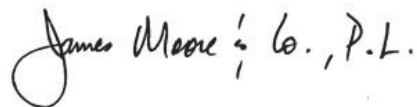
Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Palm Coast, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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



Daytona Beach, Florida  
March 5, 2018

**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

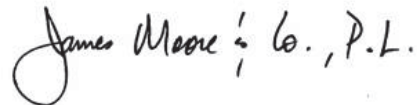
To the Honorable Mayor, City Council, and City Manager,  
City of Palm Coast, Florida:

We have examined City of Palm Coast, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

Daytona Beach, Florida  
March 5, 2018





# city of PALM COAST

160 Lake Avenue  
Palm Coast, FL 32164  
386-986-3700

## AFFIDAVIT OF IMPACT FEE COMPLIANCE

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

Jim Landon, City Manager

Helena Alves, Finance Director

STATE OF FLORIDA  
COUNTY OF FLAGLER

I HEREBY CERTIFY, that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgements, personally appeared Jim Landon, City Manager and Helena Alves, Finance Director, whom I personally know and whom executed the foregoing instrument and acknowledged before me, that he executed the same.

WITNESS, my hand and official seal in the County and State last aforesaid this 6<sup>th</sup> day of March 2018.

Virginia A. Smith  
Notary Public - State of Florida

