



2018

Comprehensive
Annual Financial Report
For the Fiscal Year ending September 30, 2018



city of
PALM COAST
FLORIDA

CITY OF PALM COAST, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2018

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, 2018**

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LETTER OF TRANSMITTAL



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CITY MANAGER'S OFFICE

February 25, 2019

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

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

The City of Palm Coast's financial statements have been audited by James Moore & Co., P.L., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Coast for the fiscal year ended September 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

Profile of the Government

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

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

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

The City of Palm Coast currently has a population of 84,575 residents and covers an area of approximately 89 square miles. For fiscal year 2019, property within the City has a taxable value of \$5,002,780,162. This was an increase of approximately eight percent from 2018. The City's property tax rate for fiscal year 2019 is set at \$4.6989 per \$1,000 of taxable value.

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

In 2018, City Council took action to enhance public safety and services, further our smart city initiatives, increase quality of life opportunities, support entrepreneurs and small business owners, and rectify Downtown as a new innovation hub. This included attracting new investments through an Opportunity Zone designation, launching an Innovation District and kick starting a development incentive program. The City also hired its first Head of Innovation & Economic Growth and established an internal Innovation Team to accelerate innovation within the City.

The City's economy continues to steadily improve. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2018 with the median sales price up 4.7% and with values expected to continue to appreciate in 2019. Single-family permits are up again with 696 permits issued in 2018, the seventh straight year of increased permit activity. 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 2018. Flagler County has 5,514 more people employed than five years ago.

A particular bright spot has been taxable sales within the City. We have seen over a 39% increase in taxable sales since 2011, which represents an increase of \$218 million. This is mainly due to the addition of several shopping centers since 2007 and increases in tourists and related spending. Taxable sales should continue to grow in 2019 with continued commercial growth, especially development along State Road 100 and in our Town Center.

Long-term Financial Planning

The City Council continues to focus on carrying out its Strategic Action Plan and the related goals, projects, and programs. 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 8%. As all major economic indicators are 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 continue to have a positive effect on some revenue sources. However, due to the previous rate structure of our stormwater fee, our stormwater improvement and maintenance program required additional funding. The last stormwater rate increase went into effect in 2013. Due to the rate structure of our stormwater fee, rising costs were not being offset by increases in revenue.

The 2018 budget included funding for a stormwater fee rate study and City Council took action in October 2018 to increase Stormwater rates in order to fund this critical program for fiscal year 2019 and future years. Without additional revenue, or shifting funding from existing projects, programs, or services, the City would be limited in its ability to fund additional projects, programs, or services in the future.

To ensure revenues are sufficient to support the operation, maintenance and expansion of the water and sewer utility the City enlisted the services of Public Resources Management Group (PRMG) to conduct a Water and Wastewater Revenue Sufficiency and Capital Facilities Fees Study this past year. After a lengthy discussion, City Council took action to increase various utility rates including monthly base charges and per gallon charges as well as adjustments to water and sewer capacity fees that are assessed for new construction. These increases will help ensure future funding in order to maintain the infrastructure of the water and sewer system.

Future Projects and Programs

The City has experienced an increase in population year after year and we anticipate this growth to continue. 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.

In 2019, the City will continue efforts to deploy an advance automatic metering system. This system will allow remote readings of our water distribution system while also providing citizens the ability to monitor their own water use.

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. This includes an enhanced stormwater program to rehabilitate the aging system.

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. Each year, Business Assistance Center's clients as a whole invest over \$1.6 million dollars into their business and our community. The Business Assistance Center invests over 1,000 hours each year to local businesses which helps our community thrive. 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.

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.

This past year, the City secured an Opportunity Zone federal designation in Town Center to help incentivize private investment to spur economic growth. The City Council approved the City's first-ever incentive program for residential and commercial developments called the 'Innovation Kick Start Program and announced the first project in the Innovation District and the Innovation Kick Start Program – The Palms at Town Center – which will provide 88 new homes in 2019.

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, 2017. This is the seventeenth 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 2017 Popular Annual Financial Report. This is the fifth 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 2018 budget document. This is the fifteenth 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 2018 performance management process. This is the fifth 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,



Beau Falgout
Interim 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

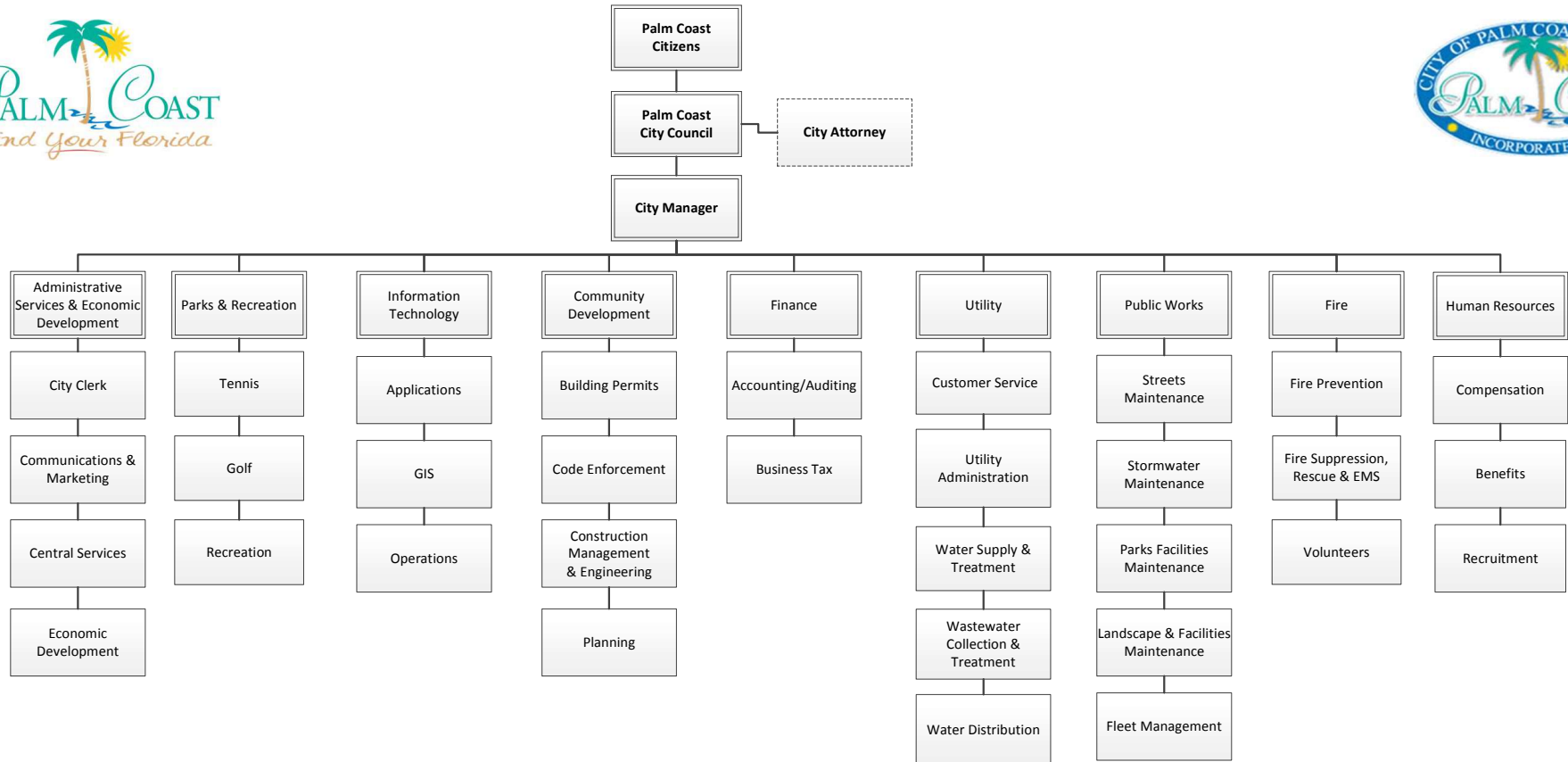
September 30, 2017

Christopher P. Morill

Executive Director/CEO



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LIST OF PRINCIPAL OFFICIALS

September 30, 2018

ELECTED OFFICIALS

Mayor

Honorable Milissa Holland

City Council Members:

Robert Cuff
Nick Klufas
Joseph Lyon
Heidi Shipley

CITY OFFICIALS

Interim City Manager

Beau Falgout

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Helena P. Alves

FINANCIAL SECTION

This section contains the following subsections:

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



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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida (the City), as of and for the year ended September 30, 2018, 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, 2018, 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

Change in Accounting Principle

As discussed in Note 10, 12, and 17 to the financial statements, in 2018 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effects of these standards have also been applied to the financial statements as of and for the year ended September 30, 2017. See Note 17 for the effect of GASB 75 on beginning net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, 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, 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* (Uniform Guidance), 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 February 25, 2019, 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.



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, 2018. 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 2018 by \$490,717,498. Of this amount, \$49,314,052 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$10,113,383. Approximately \$7 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 stormwater revenue collected to be expended in the next year.
- As of the close of fiscal year 2018, the City's governmental funds reported combined ending fund balances of \$20,264,702 an increase of \$4,589,480 over the prior year. The increase in combined ending fund balances was primarily due to increased revenues from development related impact fees combined with departmental budgets expending less for the fiscal year.
- At the end of fiscal year 2018, unassigned fund balance in the general fund was \$7,943,802 or 22.9% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$(6,934,491) during the current fiscal year. This was primarily due to principal payments made during the fiscal year. Withdrawals from the State Revolving Fund Loan WW180420 for the construction of wastewater treatment plant II totaled approximately \$2.6 million, the net effect resulted in the decrease.
- The application of GASB Statement No. 68 in fiscal year 2015 resulted in recording of a Net Pension Liability and Asset, as well as related Deferred Inflow and Outflows. The cumulative net result of these transactions was a decrease in unrestricted net position of \$1,069,049.
- The City implemented GASB Statement No. 75 which resulted in a prior period adjustment of \$661,223. This resulted in a reduction of beginning balance of the OPEB liability.

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

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

The basic governmental fund financial statements can be found on pages 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 37-92 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) liability. Required supplementary information can be found on pages 93-105 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 \$490,717,498 at the close of the most recent fiscal year.

Of the net position, 10.05% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 6.55% 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 83.40% 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>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 49,228,900	\$ 44,046,481	\$ 62,793,335	\$ 58,543,273	\$ 112,022,235	\$ 102,589,754
Capital assets	332,919,671	339,155,898	245,958,441	246,433,725	578,878,112	585,589,623
Total assets	382,148,571	383,202,379	308,751,776	304,976,998	690,900,347	688,179,377
Total deferred outflows of resources	1,286,160	1,574,494	1,102,675	1,209,630	2,388,835	2,784,124
Long-term liabilities	13,257,602	14,645,166	173,301,766	178,848,693	186,559,368	193,493,859
Other liabilities	15,182,835	15,575,060	(87,975)	1,043,395	15,094,860	16,618,455
Total liabilities	28,440,437	30,220,226	173,213,791	179,892,088	201,654,228	210,112,314
Total deferred inflows of resources	398,507	350,835	508,828	557,460	907,335	908,295
Net position:						
Net Investment in capital assets	325,234,671	330,790,898	84,014,277	84,435,596	409,248,948	415,226,494
Restricted	10,380,209	7,954,237	21,774,289	15,456,945	32,154,498	23,411,182
Unrestricted	18,980,907	15,460,677	30,333,145	25,844,539	49,314,052	41,305,216
Total net position	\$ 354,595,787	\$ 354,205,812	\$ 136,121,711	\$ 125,737,080	\$ 490,717,498	\$ 479,942,892

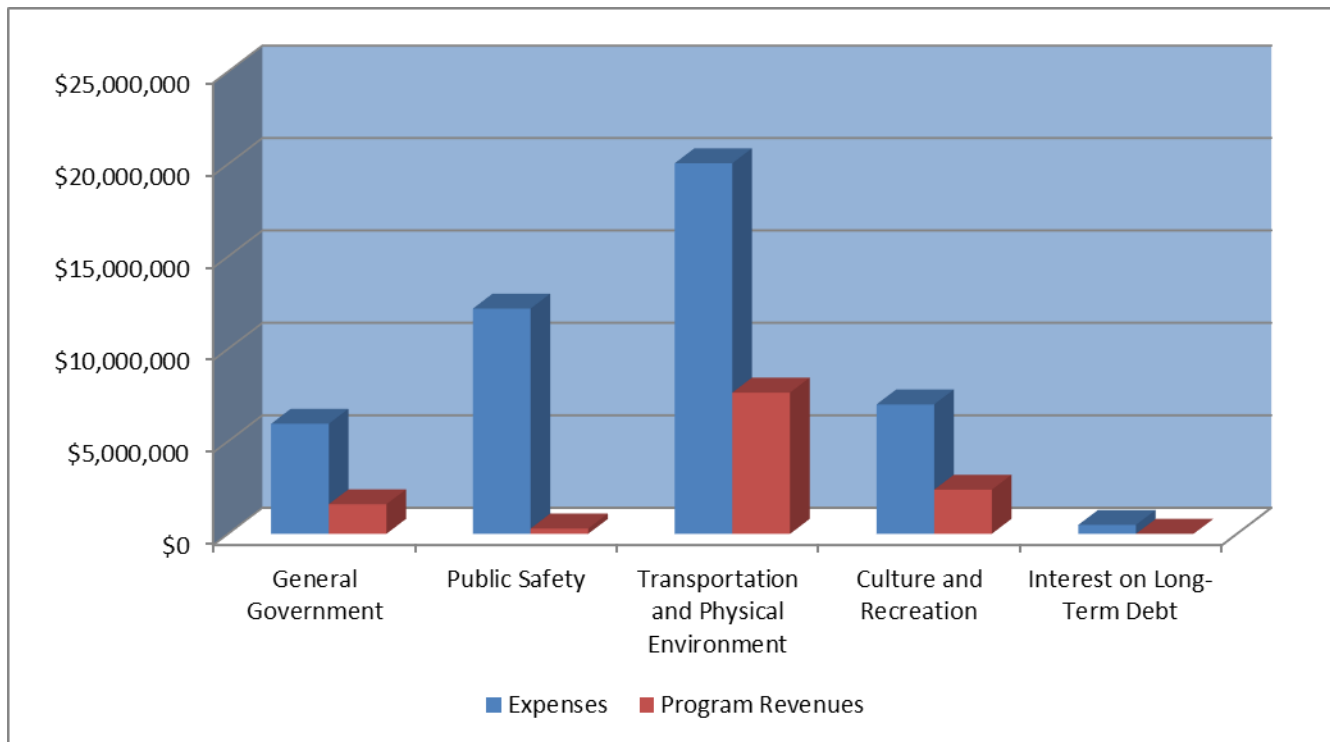
Governmental Activities

Governmental activities decreased the City of Palm Coast's net position by \$6,854 during the current fiscal year. Factors include revenues in excess of expenses in the general fund, accumulation of impact fees due to increased development in the community, planned use of capital projects fund balance offset by sale of land. Long-term liabilities decreased \$676,645 primarily due to principal payments made, net of an increase in the FRS net pension liability for the year. Governmental activities unrestricted net position increased by \$3,520,230. The primary driver for this was decrease in invested in capital assets, due to regular depreciation. Capital grants and contributions decreased \$(14,335,523) primarily due to donated capital asset infrastructure received during the last fiscal year. Operating grants and contributions decreased \$(2,823,203) primarily due to FEMA hurricane reimbursements receivables recorded in the prior year. Property taxes increased \$2,685,322 due to a 6% increase in taxable value throughout the City combined with a millage rate increase of .3487. Changes in public safety expenses are mainly due to an increase in the allocation of funds to Sheriff services. Transportation and physical environment expenses decreased by \$(1,377,458) mainly due to hurricane expenses incurred in the previous fiscal year.

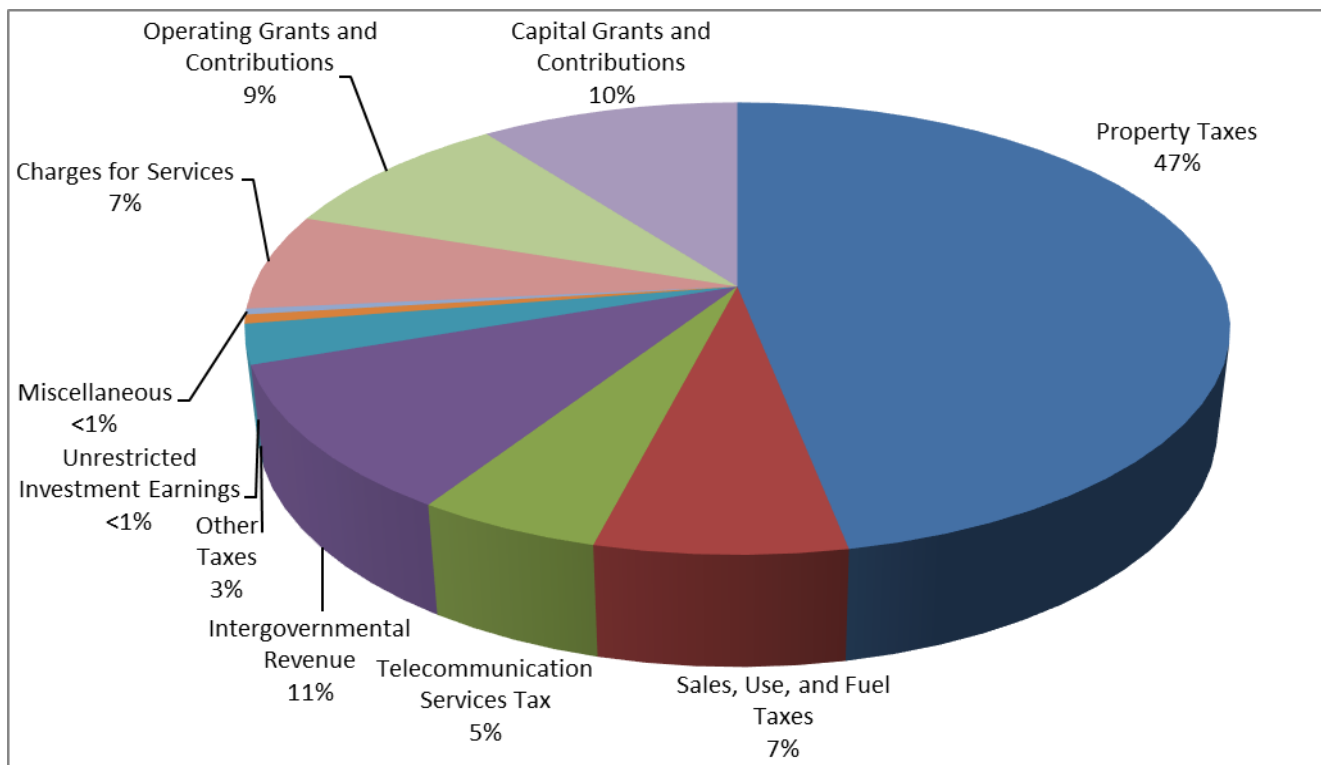
Table II
City of Palm Coast's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,110,201	\$ 2,943,827	\$ 57,121,818	\$ 56,038,278	\$ 60,232,019	\$ 58,982,105
Operating grants and contributions	4,254,944	7,078,147	1,560,284	-	5,815,228	7,078,147
Capital grants and contributions	4,553,519	18,889,042	6,162,184	6,368,010	10,715,703	25,257,052
General revenues:						
Property taxes	21,066,081	18,380,759	502,590	418,442	21,568,671	18,799,201
Other taxes	6,674,624	6,291,114	-	-	6,674,624	6,291,114
Intergovernmental	4,704,629	4,463,316	-	-	4,704,629	4,463,316
Other	474,901	487,655	612,838	411,102	1,087,739	898,757
Total revenues	44,838,899	58,533,860	65,959,714	63,235,832	110,798,613	121,769,692
Expenses:						
General government	5,956,629	5,435,785	-	-	5,956,629	5,435,785
Public safety	12,187,040	11,332,196	-	-	12,187,040	11,332,196
Transportation and physical environment and recreation	20,049,609	21,427,067	-	-	20,049,609	21,427,067
Utility	-	-	37,488,776	33,063,660	37,488,776	33,063,660
Solid waste	-	-	8,433,184	7,680,586	8,433,184	7,680,586
Stormwater	-	-	6,659,088	5,554,569	6,659,088	5,554,569
Building permits	-	-	1,759,634	1,592,586	1,759,634	1,592,586
Information technology	-	-	665,967	705,729	665,967	705,729
Interest on long-term debt	484,548	523,790	-	-	484,548	523,790
Total expenses	45,678,581	44,920,846	55,006,649	48,597,130	100,685,230	93,517,976
Increase (decrease) in net position before transfers	(839,682)	13,613,014	10,953,065	14,638,702	10,113,383	28,251,716
Transfers	832,828	981,364	(832,828)	(981,364)	-	-
Increase (decrease) in net position	(6,854)	14,594,378	10,120,237	13,657,338	10,113,383	28,251,716
Net position - beginning, as previously reported	354,205,812	339,611,434	125,737,080	112,079,742	479,942,892	451,691,176
Restatement, GASB 75	\$ 396,829	\$ -	\$ 264,394	\$ -	\$ 661,223	\$ -
Net position - beginning, as restated	\$ 354,602,641	\$ 339,611,434	\$ 126,001,474	\$ 112,079,742	\$ 480,604,115	\$ 451,691,176
Net position - ending	\$ 354,595,787	\$ 354,205,812	\$ 136,121,711	\$ 125,737,080	\$ 490,717,498	\$ 479,942,892

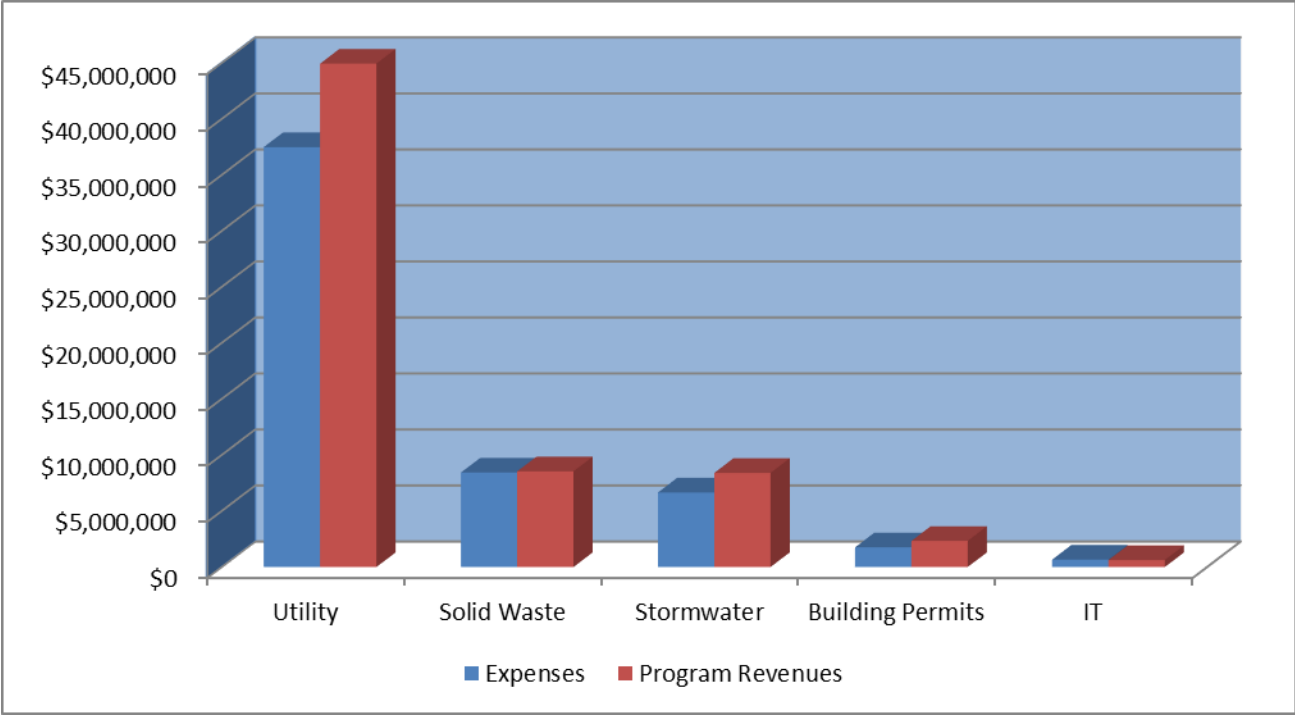
Expenses and Program Revenues – Governmental Activities



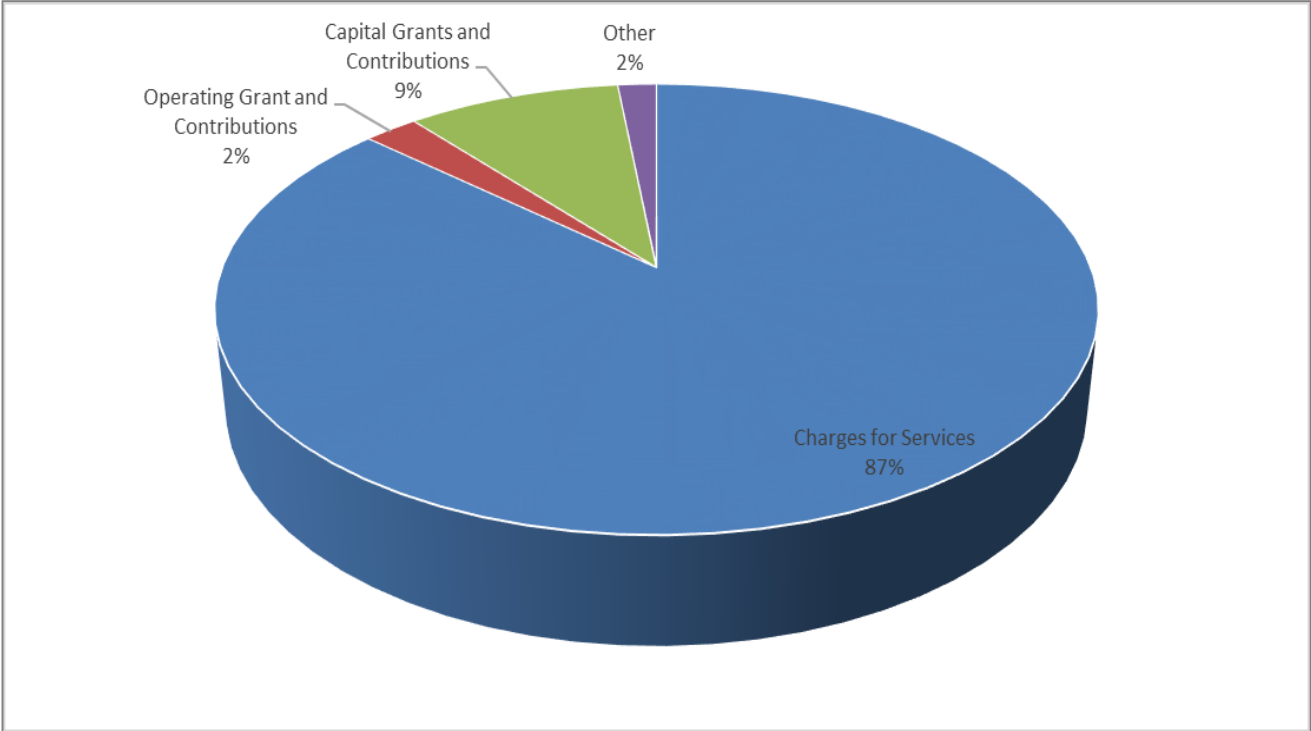
Revenues by Source – Governmental Activities



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 \$10,120,237. The increase in net position was attributable to an approximately \$7 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. Stormwater expenses increased \$1,023,379 for the year due to projects that were carried from the previous year, combined with a Council focus on improving the Stormwater system. The net results of these activities above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$3,552,806 million. The increase of over \$6,207,042 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 \$7,943,802, with an additional \$2,744,058 committed for a disaster reserve. The total fund balance stood at \$10,893,379. 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 23% of total general fund expenditures for fiscal year 2018 and 20% for fiscal year 2017. Total fund balance represents approximately 31% of the total general fund expenditures versus 28% for fiscal year 2017.

The fund balance of the City of Palm Coast's general fund increased by \$1,080,268 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 all coming in under budget for the year.

The capital projects fund has a total fund balance of \$2,992,575, an increase of \$853,276. This increase is primarily due to revenues exceeding expenditures for the year. The transportation impact fee total fund balance was \$4,246,302, an increase of \$1,511,782. 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 \$3,927,720 representing an increase of \$367,224. This increase is primarily due to revenues exceeding expenditures for the year. The SR100 CRA fund balance was \$871,703, an increase of \$620,483 primarily due to the sale of land in the CRA area. The other governmental funds have a total fund balance of \$(2,666,977). This represents an increase of \$156,446 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 \$16,577,697 at the end of the year, with the total fund balance at \$97,982,417. The unrestricted net position increased \$2,856,534 for the year. This was partially due to revenues exceeding expenses for the year, combined with the annual rate increase and increased customer sales from growth.

The unrestricted net position of the solid waste fund was \$1,580,692, which represents an increase of \$119,843. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$2,625,199, which represents an increase of \$158,448. This increase was due to the deferral of certain expenditures until fiscal year 2019.

Unrestricted net position in the building permits fund was \$3,425,965, which represents an increase of \$541,733. This increase is primarily due increased revenues from development within the City.

Unrestricted net position in the information technology fund (IT) was \$872,271, which represents a increase of \$184,915. This increase is primarily due to the decrease in invested in 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 were incurred in fiscal year 2018. The City is currently working with FEMA to maximize disaster reimbursements, 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 91-92 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses totaled an increase of \$2,185,535. The change was due primarily to hurricane Irma related expenditures, which were incurred in fiscal year 2018 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 \$1,229,915. 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, 2018, amounts to \$578,878,112 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, equipment and construction in progress. This investment decreased \$(6,711,511) for the current fiscal year. The overall decrease is due to road expansions, bridge rehabilitation, utility infrastructure, and park expansions during the fiscal year offset regular depreciation expense and sale of land that occurred in the fiscal year.

Table III
City of Palm Coast's Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Land	\$ 91,046,522	\$ 91,294,729	\$ 14,156,347	\$ 13,889,568	\$ 105,202,869	\$ 105,184,297
Buildings and improvements						
other than buildings	54,740,254	46,854,727	90,124,940	61,756,145	144,865,194	108,610,872
Infrastructure	172,064,521	179,789,792	139,871,823	139,133,465	311,936,344	318,923,257
Equipment	9,219,381	9,115,991	380,367	439,484	9,599,748	9,555,475
Construction in progress	5,848,993	12,100,659	1,424,964	31,215,063	7,273,957	43,315,722
Total	\$ 332,919,671	\$ 339,155,898	\$ 245,958,441	\$ 246,433,725	\$ 578,878,112	\$ 585,589,623

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

Long-term debt. The City of Palm Coast owes \$82,564,998 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 \$89,403,019 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$7,685,000 at year end. The remainder of the long-term debt is made up of compensated absences, an unfunded OPEB liability, and a net pension liability. The total long-term debt of the City is \$186,559,368.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2018	2017	2018	2017	2018	2017
Loans from other governments	\$ -	\$ -	\$ 34,192,122	\$ 31,939,908	\$ 34,192,122	\$ 31,939,908
Loans from financial institutions	7,685,000	8,365,000	55,210,897	59,063,546	62,895,897	67,428,546
Revenue bonds, net	-	-	82,564,998	86,078,817	82,564,998	86,078,817
Net pension liability	3,318,028	3,377,862	-	-	3,318,028	3,377,862
OPEB liability	325,395	678,886	255,830	485,366	581,225	1,164,252
Compensated absences	2,254,574	2,223,418	1,333,749	1,281,056	3,588,323	3,504,474
Total	\$ 13,582,997	\$ 14,645,166	\$ 173,557,596	\$ 178,848,693	\$ 187,140,593	\$ 193,493,859

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on pages 59-66 of this report.

Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$7,943,802. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 22.5%.

The City Council approved a millage rate of 4.6989 mills for fiscal year 2019. Of the total millage, .1077 mills will be dedicated to the stormwater fund. The balance of 4.5912 mills is assigned to the general fund. Market values of properties have increased for the sixth consecutive year. The increase in taxable value was approximately 8.46%. New construction added approximately 2.51% to the taxable value, therefore the City had a net 5.95% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2019 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 6% for all customers effective October 1, 2018. Annual C.P.I. adjustments take place annually starting in fiscal year 2020. 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 2019. 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 2019 budget includes over \$47 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



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BASIC FINANCIAL STATEMENTS



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City of Palm Coast, Florida
Statement of Net Position
September 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 35,428,205	\$ 23,951,249	\$ 59,379,454
Accounts receivable - net	5,459,903	7,821,791	13,281,694
Due from other governments	6,739,989	3,024,946	9,764,935
Prepaid items	217,746	95,573	313,319
Inventories	40,137	595,028	635,165
Restricted assets:			
Equity in pooled cash and investments	-	27,304,748	27,304,748
Net pension asset	1,342,920	-	1,342,920
Capital assets not being depreciated			
Land	91,046,522	14,156,347	105,202,869
Construction in progress	5,848,993	1,424,964	7,273,957
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	54,740,254	90,124,940	144,865,194
Infrastructure	172,064,521	139,871,823	311,936,344
Equipment	9,219,381	380,367	9,599,748
Total assets	382,148,571	308,751,776	690,900,347
Deferred outflows of resources:			
Deferred outflows related to pensions	1,278,822	-	1,278,822
Deferred Outflows-OPEB	7,338	5,769	13,107
Deferred loss on refunding	-	1,096,906	1,096,906
Total deferred outflows of resources	1,286,160	1,102,675	2,388,835
LIABILITIES			
Accounts payable and other current liabilities	3,284,153	1,977,551	5,261,704
Due to other governments	1,315,822	50,623	1,366,445
Internal balances	9,859,492	(9,859,492)	-
Customer deposits	314,475	3,859,941	4,174,416
Unearned revenue	96,370	82,249	178,619
Payable from restricted assets:			
Accrued bond interest payable	-	1,818,125	1,818,125
Accrued loan interest payable	-	201,493	201,493
Accounts payable	-	661,168	661,168
Contracts payable	-	874,658	874,658
Noncurrent liabilities:			
Due within one year	861,349	7,108,334	7,969,683
Due in more than one year	9,078,225	166,193,432	175,271,657
OPEB Liability	325,395	255,830	581,225
Net pension liability	3,318,028	-	3,318,028
Total liabilities	28,453,309	173,223,912	201,677,221
Deferred inflows of resources:			
Deferred gain on refunding	-	498,707	498,707
Deferred inflows relating to pensions	372,763	-	372,763
Deferred Inflows-OPEB	12,872	10,121	22,993
Total deferred inflows of resources	385,635	508,828	894,463
NET POSITION			
Net investment in capital assets	325,234,671	84,014,277	409,248,948
Restricted for:			
Construction	-	3,947,731	3,947,731
Debt service	-	5,039,316	5,039,316
Renewal and replacements	-	12,787,242	12,787,242
Public safety	919,053	-	919,053
Parks and recreation	367,472	-	367,472
Transportation construction and maintenance	8,174,022	-	8,174,022
Redevelopment	871,703	-	871,703
Grants	47,959	-	47,959
Unrestricted	18,980,907	30,333,145	49,314,052
Total net position	\$ 354,595,787	\$ 136,121,711	\$ 490,717,498

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, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Primary Government	Business-type Activities	Total
Primary government:							
General government	\$ 5,956,629	\$ 1,201,790	\$ 389,951	\$ 8,400	\$ (4,356,488)	\$ -	\$ (4,356,488)
Public safety	12,187,040	80,103	-	207,279	(11,899,658)	-	(11,899,658)
Transportation and physical environment	20,049,609	162,769	3,844,513	3,635,868	(12,406,459)	-	(12,406,459)
Culture and recreation	7,000,755	1,665,539	20,480	701,972	(4,612,764)	-	(4,612,764)
Interest on long-term debt	484,548	-	-	-	(484,548)	-	(484,548)
Total governmental activities	45,678,581	3,110,201	4,254,944	4,553,519	(33,759,917)	-	(33,759,917)
Business-type activities							
Utility	37,488,776	38,381,854	994,922	5,563,695	-	7,451,695	7,451,695
Solid waste	8,433,184	8,363,015	182,478	-	-	112,309	112,309
Stormwater	6,659,088	7,422,747	382,884	598,489	-	1,745,032	1,745,032
Building permits	1,759,634	2,330,705	-	-	-	571,071	571,071
Information technology	665,967	623,497	-	-	-	(42,470)	(42,470)
Total business-type activities	55,006,649	57,121,818	1,560,284	6,162,184	-	9,837,637	9,837,637
Total primary government	\$ 100,685,230	\$ 60,232,019	\$ 5,815,228	\$ 10,715,703	(33,759,917)	9,837,637	(23,922,280)
General revenues:							
Property taxes					21,066,081	502,590	21,568,671
Sales and use taxes					3,111,226	-	3,111,226
Telecommunication services tax					2,297,782	-	2,297,782
Franchise taxes					839,511	-	839,511
Other local taxes					426,105	-	426,105
Intergovernmental revenue, non-program					4,704,629	-	4,704,629
Unrestricted investment earnings					287,570	612,838	900,408
Miscellaneous					187,331	-	187,331
Transfers					832,828	(832,828)	-
Total general revenues and transfers					33,753,063	282,600	34,035,663
Change in net position					(6,854)	10,120,237	10,113,383
Net position - beginning of year, as previously reported					354,205,812	125,737,080	479,942,892
Restatement, GASB 75					396,829	264,394	661,223
Net position - beginning of year, as restated					354,602,641	126,001,474	480,604,115
Net position - end of year					\$ 354,595,787	\$ 136,121,711	\$ 490,717,498

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

City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 7,653,303	\$ 3,074,276	\$ 4,444,422	\$ 3,629,732	\$ 873,489	\$ 1,988,121	\$ 21,663,343
Accounts receivable - net	849,700	-	-	-	-	-	849,700
Special assessment receivable - net	-	-	-	-	-	4,608,171	4,608,171
Prepaid items	193,824	-	-	-	-	-	193,824
Due from other governments	5,288,441	542,888	-	905,157	-	1,412	6,737,898
Total assets	<u>\$ 13,985,268</u>	<u>\$ 3,617,164</u>	<u>\$ 4,444,422</u>	<u>\$ 4,534,889</u>	<u>\$ 873,489</u>	<u>\$ 6,597,704</u>	<u>\$ 34,052,936</u>
LIABILITIES							
Accounts payable	\$ 433,013	\$ 624,589	\$ 198,120	\$ 607,169	\$ 1,786	\$ 49,035	\$ 1,913,712
Accrued liabilities	863,521	-	-	-	-	-	863,521
Due to other governments	707,822	-	-	-	-	-	707,822
Unearned revenue	-	-	-	-	-	96,370	96,370
Customer deposits	314,475	-	-	-	-	-	314,475
Advances from other funds	-	-	-	-	-	4,608,171	4,608,171
Total liabilities	<u>2,318,831</u>	<u>624,589</u>	<u>198,120</u>	<u>607,169</u>	<u>1,786</u>	<u>4,753,576</u>	<u>8,504,071</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - special assessments	-	-	-	-	-	4,511,105	4,511,105
Unavailable revenue - taxes	5,538	-	-	-	-	-	5,538
Unavailable revenue - charges for services	7,248	-	-	-	-	-	7,248
Unavailable revenue - fines & forfeitures	<u>760,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>760,272</u>
Total deferred inflows of resources	<u>773,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,511,105</u>	<u>5,284,163</u>
FUND BALANCES							
Nonspendable							
Prepaid items	193,824	-	-	-	-	-	193,824
Restricted for							
Public safety	-	-	-	-	-	919,053	919,053
Parks and recreation	-	-	-	-	-	367,472	367,472
Transportation construction and maintenance	-	-	4,246,302	3,927,720	-	-	8,174,022
Grants	-	-	-	-	-	36,264	36,264
Redevelopment	-	-	-	-	871,703	-	871,703
Business assistance	11,695	-	-	-	-	-	11,695
Committed for							
Disaster reserve	2,744,058	-	-	-	-	-	2,744,058
Construction	-	2,992,575	-	-	-	-	2,992,575
Unassigned	<u>7,943,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,989,766)</u>	<u>3,954,036</u>
Total fund balances (deficits)	<u>10,893,379</u>	<u>2,992,575</u>	<u>4,246,302</u>	<u>3,927,720</u>	<u>871,703</u>	<u>(2,666,977)</u>	<u>20,264,702</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,985,268</u>	<u>\$ 3,617,164</u>	<u>\$ 4,444,422</u>	<u>\$ 4,534,889</u>	<u>\$ 873,489</u>	<u>\$ 6,597,704</u>	<u>\$ 34,052,936</u>

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, 2018

Fund balances - total governmental funds	\$ 20,264,702
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	324,419,727
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.	
Volunteer Firefighter Pension Fund (VFFP)	1,278,023
Florida Retirement System (FRS)	(2,347,072)
Other Post Employment Benefits (OPEB) liability and related deferred outflows and inflows in accordance with GASB Statement No. 75 that are not due and payable in the current period and therefore are not reported in the funds	(314,765)
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.	5,284,163
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.	15,876,744
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(9,865,735)
Net position of governmental activities	\$ 354,595,787

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, 2018

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 23,152,774	\$ 3,711,226	\$ -	\$ 2,006,834	\$ 1,139,796	\$ -	\$ 30,010,630
Licenses and permits	179,458	-	-	-	-	-	179,458
Intergovernmental revenue	5,626,344	8,400	-	1,704,133	-	389,951	7,728,828
Charges for services	6,160,086	-	-	-	-	-	6,160,086
Special assessments	-	-	-	-	-	333,494	333,494
Fines and forfeitures	582,254	-	-	968	-	6,219	589,441
Impact fees	-	-	2,410,451	-	-	893,090	3,303,541
Investment earnings	90,152	16,703	27,351	27,621	11,135	16,853	189,815
Miscellaneous	187,331	-	-	-	-	-	187,331
Total revenues	35,978,399	3,736,329	2,437,802	3,739,556	1,150,931	1,639,607	48,682,624
EXPENDITURES							
Current:							
General government	10,152,998	-	-	-	-	158,852	10,311,850
Transportation and physical environment	7,536,397	-	58,534	1,732,070	129,534	19,134	9,475,669
Public safety	11,825,751	-	-	-	-	7,000	11,832,751
Culture and recreation	5,186,516	-	-	-	-	-	5,186,516
Capital outlay:							
General government	-	19,764	-	-	-	-	19,764
Public safety	46,822	-	-	-	-	-	46,822
Transportation and physical environment	-	-	721,758	1,660,173	202,102	-	2,584,033
Culture and recreation	-	4,129,337	-	-	-	522,912	4,652,249
Debt service:							
Principal	-	-	-	-	680,000	-	680,000
Interest and other	-	-	-	-	249,517	235,031	484,548
Total expenditures	34,748,484	4,149,101	780,292	3,392,243	1,261,153	942,929	45,274,202
Excess (deficiency) of revenues over (under) expenditures	1,229,915	(412,772)	1,657,510	347,313	(110,222)	696,678	3,408,422
OTHER FINANCING SOURCES (USES)							
Transfers in	883,744	1,285,959	-	19,911	645,075	145,728	2,980,417
Transfers out	(1,033,391)	(19,911)	(145,728)	-	(600,000)	(685,959)	(2,484,989)
Sale of capital assets	-	-	-	-	685,630	-	685,630
Total other financing sources (uses)	(149,647)	1,266,048	(145,728)	19,911	730,705	(540,231)	1,181,058
Net change in fund balances	1,080,268	853,276	1,511,782	367,224	620,483	156,447	4,589,480
Fund balances (deficits) - beginning	9,813,111	2,139,299	2,734,520	3,560,496	251,220	(2,823,424)	15,675,222
Fund balances (deficits) - ending	\$ 10,893,379	\$ 2,992,575	\$ 4,246,302	\$ 3,927,720	\$ 871,703	\$ (2,666,977)	\$ 20,264,702

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, 2018

Net change in fund balances - total governmental funds	\$	4,589,480
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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	7,302,868	
Less current year depreciation	<u>(12,842,597)</u>	(5,539,729)

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

Change in revenue collections expected after 60 days	(38,533)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, exchanges and adjustments) is to increase net assets	(899,981)
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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.	680,000
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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)	111,307
Florida Retirement System (FRS)	(181,716)

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	(19,532)
Change in OPEB liability and deferred inflows/outflows related to OPEB	(47,434)

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.

	<u>1,339,284</u>
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Change in net position of governmental activities.	\$	<u>(6,854)</u>
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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, 2018

Business-type Activities-Enterprise Funds						
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 16,753,603	\$ 887,470	\$ 1,562,678	\$ 4,747,498	\$ 23,951,249	\$ 13,764,862
Accounts receivable - net	4,857,780	1,147,069	1,684,018	132,924	7,821,791	2,032
Inventories	595,028	-	-	-	595,028	40,137
Prepaid items	54,620	-	27,461	13,492	95,573	23,922
Restricted current assets:						
Cash with fiscal agent	4,978,125	-	-	-	4,978,125	-
Due from other governments	2,052,413	182,478	790,055	-	3,024,946	2,091
Total current assets	29,291,569	2,217,017	4,064,212	4,893,914	40,466,712	13,833,044
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	1,805,421	-	275,388	-	2,080,809	-
Impact fees	4,747,406	-	-	-	4,747,406	-
Renewal and replacements	13,205,052	-	-	-	13,205,052	-
Bond proceeds	2,293,356	-	-	-	2,293,356	-
Advances to other funds	4,608,171	-	-	-	4,608,171	-
Land	13,194,704	-	961,643	-	14,156,347	-
Building and improvements other than buildings	138,141,307	-	-	-	138,141,307	1,097,144
Infrastructure	176,123,608	-	43,580,761	4,903,655	224,608,024	-
Equipment	971,800	-	382,471	1,471,020	2,825,291	18,917,656
Less accumulated depreciation	(114,561,071)	-	(17,252,197)	(3,384,224)	(135,197,492)	(11,514,856)
Construction in progress	753,266	-	671,698	-	1,424,964	-
Total noncurrent assets	241,283,020	-	28,619,764	2,990,451	272,893,235	8,499,944
Deferred outflows of resources						
Deferred loss on refunding	1,096,906	-	-	-	1,096,906	-
Deferred Outflows-OPEB	4,276	-	521	972	5,769	358
Total deferred outflows of resources	1,101,182	-	521	972	1,102,675	358
Total assets and deferred outflows	\$ 271,675,771	\$ 2,217,017	\$ 32,684,497	\$ 7,885,337	\$ 314,462,622	\$ 22,333,346

City of Palm Coast, Florida
Statement of Net Position (continued)
Proprietary Funds
September 30, 2018

Business-type Activities-Enterprise Funds							Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds		
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 514,200	\$ 636,325	\$ 498,583	\$ 121,184	\$ 1,770,292	\$	116,495
Claims payable	-	-	-	-	-		380,292
Due to other governments	36,369	-	-	14,254	50,623		608,000
Loans payable	2,994,293	-	378,055	15,897	3,388,245		-
Compensated absences	412,372	-	54,645	93,072	560,089		24,898
Accrued liabilities	146,004	-	23,880	37,375	207,259		10,133
Customer deposits	3,859,941	-	-	-	3,859,941		-
Unearned revenue	-	-	-	82,249	82,249		-
Current liabilities payable from rstrd assets:							
Current maturities of bonds payable	3,160,000	-	-	-	3,160,000		-
Accrued bond interest payable	1,818,125	-	-	-	1,818,125		-
Accrued loan interest payable	192,286	-	9,207	-	201,493		-
Accounts payable	661,168	-	-	-	661,168		-
Contract payable	874,658	-	-	-	874,658		-
Total current liabilities	14,669,416	636,325	964,370	364,031	16,634,142		1,139,818
Noncurrent liabilities:							
Compensated absences	521,606	-	48,361	203,693	773,660		48,941
Net OPEB liability	189,617	-	23,096	43,117	255,830		15,893
Bonds payable	79,404,998	-	-	-	79,404,998		-
Loans payable	78,401,509	-	7,613,265	-	86,014,774		-
Total noncurrent liabilities	158,517,730	-	7,684,722	246,810	166,449,262		64,834
Deferred inflows of resources							
Deferred gain on refunding	498,707	-	-	-	498,707		-
Deferred Inflows-OPEB	7,501	-	914	1,706	10,121		629
Total deferred inflows of resources	506,208	-	914	1,706	508,828		629
Total liabilities and deferred inflows	173,693,354	636,325	8,650,006	612,547	183,592,232		1,205,281
NET POSITION							
Net investment in capital assets	59,896,612	-	21,143,111	2,974,554	84,014,277		8,499,944
Restricted for construction	3,947,731	-	-	-	3,947,731		-
Restricted for renewal & replacements	12,787,242	-	-	-	12,787,242		-
Restricted for debt service	4,773,135	-	266,181	-	5,039,316		-
Unrestricted	16,577,697	1,580,692	2,625,199	4,298,236	25,081,824		12,628,121
Total net position	\$ 97,982,417	\$ 1,580,692	\$ 24,034,491	\$ 7,272,790	130,870,390	\$	21,128,065
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					5,251,321		
					\$136,121,711		

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, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 22,101,651	\$ -	\$ -	\$ -	\$ 22,101,651	\$ -
Sewer charges	15,127,651	-	-	-	15,127,651	-
Garbage charges	-	8,363,015	-	-	8,363,015	-
Stormwater charges	-	-	7,422,747	-	7,422,747	-
Building permit and inspection charges	-	-	-	2,330,705	2,330,705	-
Information technology charges	-	-	-	2,725,670	2,725,670	-
Miscellaneous	1,152,552	-	-	5,421	1,157,973	-
Risk management	-	-	-	-	-	4,334,862
Fleet management	-	-	-	-	-	5,112,981
Total operating revenues	38,381,854	8,363,015	7,422,747	5,061,796	59,229,412	9,447,843
OPERATING EXPENSES						
Administrative	5,992,354	-	-	-	5,992,354	6,338,525
Water system	8,597,038	-	-	-	8,597,038	-
Sewer system	7,508,177	-	-	-	7,508,177	-
Solid waste system	-	8,433,184	-	-	8,433,184	-
Stormwater system	-	-	4,606,393	-	4,606,393	-
Building permits and inspections	-	-	-	1,794,554	1,794,554	-
Information technology	-	-	-	2,407,609	2,407,609	-
Depreciation	11,042,932	-	1,976,090	391,596	13,410,618	1,771,361
Total operating expenses	33,140,501	8,433,184	6,582,483	4,593,759	52,749,927	8,109,886
Operating income (loss)	5,241,353	(70,169)	840,264	468,037	6,479,485	1,337,957
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	542,669	7,534	27,815	34,820	612,838	97,756
Interest/amortization expense	(4,743,275)	-	(248,174)	-	(4,991,449)	-
Intergovernmental	994,922	182,478	382,884	-	1,560,284	-
Property taxes	-	-	502,590	-	502,590	-
Other	-	-	-	-	-	193,304
Total nonoperating revenues (expenses)	(3,205,684)	190,012	665,115	34,820	(2,315,737)	291,060
Income (loss) before capital contributions and transfers	2,035,669	119,843	1,505,379	502,857	4,163,748	1,629,017
TRANSFERS AND CONTRIBUTIONS						
Capital grants and contributions	5,563,695	-	598,489	-	6,162,184	-
Transfers in	-	-	200,000	-	200,000	337,400
Transfers out	(885,424)	-	(104,851)	(42,553)	(1,032,828)	-
Total transfers and contributions	4,678,271	-	693,638	(42,553)	5,329,356	337,400
Change in net position	6,713,940	119,843	2,199,017	460,304	9,493,104	1,966,417
Net position - beginning as previously reported	91,178,742	1,460,849	21,695,045	6,778,256		19,146,381
Restatement, GASB 75	89,735	-	140,429	34,230		15,267
Net position - beginning of year, as restated	91,268,477	1,460,849	21,835,474	6,812,486		19,161,648
Net position - ending	\$ 97,982,417	\$ 1,580,692	\$ 24,034,491	\$ 7,272,790		\$ 21,128,065
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					627,133	
					<u>\$10,120,237</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, 2018

Business-type Activities - Enterprise Funds						
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 38,534,714	\$ 8,414,764	\$ 7,416,313	\$ 2,883,168	\$ 57,248,959	\$ 21,485
Cash from interfund charges	-	-	-	2,107,594	2,107,594	9,426,437
Cash paid to suppliers	(15,641,541)	(8,421,179)	(3,567,573)	(2,538,882)	(30,169,175)	(5,909,230)
Cash paid to employees	(6,304,375)	-	(694,379)	(1,657,600)	(8,656,354)	(419,738)
Net cash provided by (used in) operating activities	16,588,798	(6,415)	3,154,361	794,280	20,531,024	3,118,954
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	-	200,000	-	200,000	337,400
Transfers out to other funds	(885,424)	-	(104,851)	(42,553)	(1,032,828)	-
Advances from other funds	92,445	-	-	-	92,445	-
Net cash provided by (used in) noncapital financing activities	(792,979)	-	95,149	(42,553)	(740,383)	337,400
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of long-term debt	9,294,229	-	-	-	9,294,229	-
Loan principal payments	(6,089,000)	-	(1,123,906)	(17,649)	(7,230,555)	-
Interest paid	(5,095,708)	-	(249,107)	-	(5,344,815)	-
Acquisition and construction of property, plant and equipment	(11,492,810)	-	(2,237,010)	(141,833)	(13,871,653)	(1,999,755)
Proceeds from the sale of capital assets	-	-	-	-	-	218,215
Property tax proceeds	-	-	502,590	-	502,590	-
Impact fees and contributions	5,830,554	-	191,316	-	6,021,870	-
Net cash provided by (used in) capital and related financing activities	(7,552,735)	-	(2,916,117)	(159,482)	(10,628,334)	(1,781,540)
CASH FLOW FROM INVESTING ACTIVITIES						
Interest on investments	542,669	7,534	27,815	34,820	612,838	97,756
Net cash provided by (used in) investing activities	542,669	7,534	27,815	34,820	612,838	97,756
Net increase (decrease) in cash and cash equivalents	8,785,753	1,119	361,208	627,065	9,775,145	1,772,570
Beginning cash and cash equivalents	34,997,210	886,351	1,476,858	4,120,433	41,480,852	11,992,292
Ending cash and cash equivalents	\$ 43,782,963	\$ 887,470	\$ 1,838,066	\$ 4,747,498	\$ 51,255,997	\$ 13,764,862

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Fund	Total Enterprise Fund		
RECONCILIATION OF OPERATING INCOME							
(LOSS) TO NET CASH PROVIDED BY (USED IN)							
OPERATING ACTIVITIES							
Operating income (loss)	\$ 5,241,353	\$ (70,169)	\$ 840,264	\$ 468,037	\$ 6,479,485	\$	1,337,957
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	11,042,932	-	1,976,090	391,596	13,410,618		1,771,361
Change in assets and liabilities:							
Accounts receivable	(26,617)	51,749	(6,434)	(38,794)	(20,096)		79
Inventories	203,002	-	-	-	203,002		(12,059)
Prepays	(8,375)	-	(1,891)	(2,358)	(12,624)		(1,800)
Accounts payable	(137,346)	12,005	329,962	(9,304)	195,317		7,164
Due to other governments	36,369	-	-	-	36,369		-
Accrued liabilities	56,866	-	6,471	12,055	75,392		4,628
Customer deposits	143,108	-	-	(32,240)	110,868		-
Compensated absences	37,506	-	9,899	5,288	52,693		11,624
Net cash provided by (used in) operating activities	\$ 16,588,798	\$ (6,415)	\$ 3,154,361	\$ 794,280	\$ 20,531,024	\$	3,118,954
CASH AND CASH EQUIVALENTS							
CLASSIFIED AS:							
Equity in pooled cash and investments in current assets	\$ 16,753,603	\$ 887,470	\$ 1,562,678	\$ 4,747,498	\$ 23,951,249	\$	13,764,862
Restricted equity in pooled cash and investments							
Cash with fiscal agent	4,978,125	-	-	-	4,978,125		-
Debt service	1,805,421	-	275,388	-	2,080,809		-
Impact Fees	4,747,406	-	-	-	4,747,406		-
Renewal and replacements	13,205,052	-	-	-	13,205,052		-
Bond proceeds	2,293,356	-	-	-	2,293,356		-
Total restricted equity in pooled cash and investments	27,029,360	-	275,388	-	27,304,748		-
Total cash and cash equivalents	\$ 43,782,963	\$ 887,470	\$ 1,838,066	\$ 4,747,498	\$ 51,255,997	\$	13,764,862
NONCASH CAPITAL AND RELATED							
FINANCING ACTIVITIES:							
Developer contributions of capital assets	\$ 288,402	\$ -	\$ -	\$ -	\$ 288,402	\$	-

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, 2018

	<u>Volunteer Firefighter Pension Fund</u>
ASSETS	
Pension Investments	
External investment pools	\$ 4,386,055
Due from other governments	<u>8,000</u>
Total assets	<u>4,394,055</u>
 NET POSITION	
Net position restricted for pensions	<u><u>4,394,055</u></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, 2018

	<u>Volunteer Firefighter Pension Fund</u>
ADDITIONS	
Contributions:	
State contributions	\$ 263,091
Total contributions	<u>263,091</u>
Investment earnings:	
Interest	298,220
Less investment expense	<u>(8,161)</u>
Total investment earnings	<u>290,059</u>
Total additions	<u>553,150</u>
DEDUCTIONS	
Administrative expenses	29,021
Benefit distributions	<u>170,389</u>
Total deductions	<u>199,410</u>
Change in net position	<u>353,740</u>
Net position - beginning	<u>4,040,315</u>
Net position - ending	<u><u>\$ 4,394,055</u></u>

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2018

City of Palm Coast, Florida
Notes to Financial Statements
September 30, 2018

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, 2018

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, 2018

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, 2018

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 and the Florida Education Investment Trust Fund. 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, 2018

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, 2018

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.

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 - 50
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 and Other Post Employment Benefits, 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, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources (Continued)

The City has four 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 items related to pensions and Other Post Employment Benefits 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, 2018

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, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes (Continued)

Valuation Date January 1, 2017

Property Appraiser prepares the assessment roll with values as of January 1, 2017, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2017

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2017

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). September 2017

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2017 through March 2018, with the following applicable discounts: November 1, 2017

Month Paid	Discount (%)	November 1, 2017
November	4	through
December	3	March 31, 2018
January	2	
February	1	
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2018

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2018

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2018

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, 2018

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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:

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

1. 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 83 are effective for periods beginning after June 15, 2018.
2. 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.
3. GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.
4. GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.
5. GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in June 2018. GASB 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The provisions in GASB 89 are effective for periods beginning after December 15, 2019.
6. GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2018.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 \$324,419,727 difference are as follows:

Land	\$ 91,046,522
Construction in progress	5,848,993
Buildings and other improvements	70,341,600
Less: Accumulated depreciation	(16,343,747)
Infrastructure	266,472,768
Less: Accumulated depreciation	(94,408,247)
Equipment	6,411,704
Less: Accumulated depreciation	(4,949,866)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 324,419,727</u></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 \$15,876,744 difference are as follows:

Net position of the internal service funds	\$ 21,128,065
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(4,624,188)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(627,133)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 15,876,744</u></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 \$9,865,735 difference are as follows:

Loans payable	\$ 7,685,000
Compensated absences	2,180,735
<i>Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 9,865,735</u></u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 \$680,000 difference are as follows:

Principal payments:

SR100 CRA Revenue Note	\$ 680,000
<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><u>\$ 680,000</u></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 \$3,989,766. This fund incurred construction expenditures in excess of current revenues and transfers.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$8,010,303 and the bank balance was \$10,006,113. 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 \$7,790 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
- Intergovernmental Investment Pools
- 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, 2018, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 14,806,397	20.09	72 Days
Intergovernmental Investment Pool - FEITF	8,158,862	11.07	37 Days
Intergovernmental Investment Pool - FEITF Term	4,000,000	5.43	102 Days
U.S. Government Agencies	11,567,989	15.70	1-5 Years
U.S. Treasuries	12,517,547	16.99	1-3 Years
Corporate Issues	17,091,452	23.19	1-5 Years
Municipal Bonds	502,552	0.68	1 Year
Supranational Bonds	5,050,975	6.85	1-3 Years
	<u>\$ 73,695,774</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, 2018:

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 4 – Deposits and Investments (Continued)

- *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.

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, 2018:

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	\$ 11,567,989	\$ -	\$ 11,567,989	\$ -	\$ 11,567,989
U.S. Treasuries	12,517,547	-	12,517,547	-	12,517,547
Corporate Issues	17,091,452	-	17,091,452	-	17,091,452
Municipal Bonds	502,552	-	502,552	-	502,552
Supranational Bonds	5,050,975	-	5,050,975	-	5,050,975
Total investments by fair value level	\$ 46,730,515	\$ -	\$ 46,730,515	\$ -	\$ 46,730,515

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

External Investment Pool:

SBA Florida Prime	\$ 14,806,397
FEITF	12,158,862
Total investments measured at NAV	26,965,259
Total investments measured at fair value	\$ 73,695,774

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, 2018, 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, 2018

Note 4 – Deposits and Investments (Continued)

The Florida Education Investment Trust Fund ("FEITF" or the "Fund") was established December 3, 2009, pursuant to an Agreement and Declaration of Trust by and among the Florida School Board Association, Inc. ("FSBA"), the Florida Association of District School Superintendents, Inc. ("FADSS") and the School Boards which had agreed to become Signatory Public Agencies of the Fund. The Fund is a common law trust organized under the laws of the State of Florida (the "State"). The Fund is an investment opportunity for State school districts, political subdivisions of the State or instrumentalities of political subdivisions of the State.

The Fund currently consists of the FEITF Portfolio and the FEITF Term Series. The FEITF Portfolio commenced operations on October 22, 2010. Multiple FEITF Term Series are issued with staggered maturity dates. The financial statements of each FEITF Term Series are prepared on an interim date if the life of the series is in excess of an annual period and following the termination date of each individual FEITF Term Series.

The following is a description of the valuation techniques used for assets measured at fair value:

US treasury notes, GNMA, and Municipal obligations - Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate Bonds - Valued based on face value of the instruments adjusted for inflation and interest maturities.

Corporate Equities and Mutual Funds - Valued at fair value based on quoted market prices at year end.

Money Market Funds - Valued at the underlying fund balance.

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 any two Nationally Recognized Statistical Ratings Organizations (NRSROs). Commercial paper is required to have a rating of A-1 by Standard and Poor's and Prime-1 by Moody'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, 2018, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1, corporate and municipal bonds rated between BBB+ 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, 2018, the City's largest agency investment is in the Federal Home Loan Mortgage Corporation (FHLMC).

Cash with fiscal agent as of September 30, 2018 totaled \$4,978,125. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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	\$ 849,700	\$ -	\$ -	\$ 849,700
Nonmajor Governmental Funds	-	4,608,171	-	4,608,171
Utility Fund	5,319,070	-	(461,290)	4,857,780
Solid Waste Fund	1,263,464	-	(116,395)	1,147,069
Stormwater Fund	2,064,638	-	(380,620)	1,684,018
Nonmajor Enterprise Funds	136,425	-	(3,501)	132,924
Fleet Management Fund	2,032	-	-	2,032
Totals	<u>\$ 9,635,329</u>	<u>\$ 4,608,171</u>	<u>\$ (961,806)</u>	<u>\$ 13,281,694</u>

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, 2018 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, 2018

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance 9/30/2017	Increases	Decreases	Balance 9/30/2018
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 91,294,729	\$ 806,125	\$ (1,054,332)	\$ 91,046,522
Construction in progress	12,100,659	1,388,565	(7,640,231)	5,848,993
Total capital assets, not being depreciated	103,395,388	2,194,690	(8,694,563)	96,895,515
Capital assets, being depreciated:				
Buildings and improvements other than buildings	61,484,721	10,306,605	(352,582)	71,438,744
Infrastructure	263,964,550	2,508,218	-	266,472,768
Equipment	24,332,124	2,215,442	(1,218,207)	25,329,359
Total capital assets, being depreciated	349,781,395	15,030,265	(1,570,789)	363,240,871
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(14,629,994)	(2,421,078)	352,582	(16,698,490)
Infrastructure	(84,174,758)	(10,233,489)	-	(94,408,247)
Equipment	(15,216,133)	(2,112,052)	1,218,207	(16,109,978)
Total accumulated depreciation	(114,020,885)	(14,766,619)	1,570,789	(127,216,715)
Total capital assets, being depreciated, net	235,760,510	263,646	-	236,024,156
Governmental activities capital assets, net	\$ 339,155,898	\$ 2,458,336	\$ (8,694,563)	\$ 332,919,671
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 13,889,568	\$ 266,779	\$ -	\$ 14,156,347
Construction in progress	31,215,063	1,348,111	(31,138,210)	1,424,964
Total capital assets, not being depreciated	45,104,631	1,614,890	(31,138,210)	15,581,311
Capital assets, being depreciated:				
Buildings and improvements other than buildings	105,254,944	32,886,363	-	138,141,307
Infrastructure	214,968,517	9,639,507	-	224,608,024
Equipment	2,785,575	125,452	(85,736)	2,825,291
Total capital assets, being depreciated	323,009,036	42,651,322	(85,736)	365,574,622
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(43,498,799)	(4,517,569)	-	(48,016,368)
Infrastructure	(75,835,046)	(8,901,152)	-	(84,736,198)
Equipment	(2,346,097)	(184,565)	85,736	(2,444,926)
Total accumulated depreciation	(121,679,942)	(13,603,286)	85,736	(135,197,492)
Total capital assets, being depreciated, net	201,329,094	29,048,036	-	230,377,130
Business-type activities capital assets, net	\$ 246,433,725	\$ 30,662,926	\$ (31,138,210)	\$ 245,958,441

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 6 – Capital Assets (Continued)

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

Governmental activities:

General government	\$ 236,482
Public safety	262,016
Transportation and physical environment	10,536,460
Culture and recreation	1,807,639
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,924,022</u>

Total depreciation expense - governmental activities	<u><u>\$ 14,766,619</u></u>
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Business activities:

Utility	\$ 11,042,932
Stormwater	1,976,090
Building	321
Information Technology (IT)	<u>391,275</u>

Total depreciation expense - business activities	<u><u>\$ 13,410,618</u></u>
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Depreciation expense differs from accumulated depreciation for Business activities for the fiscal year in the amount of \$192,668. The difference is due to capital asset transfer adjustment made in the fiscal year.

Note 7 - Accrued liabilities

Accrued liabilities totaling \$863,521 reported by the general fund as of September 30, 2018 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	\$ 4,608,171
			<u>\$ 4,608,171</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, 2018

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

Interfund transfers:

Transfer out:	Transfer In:							
	General Fund	Capital Projects Fund	Streets Improvement Fund	SR 100 CRA Fund	Fleet Fund	Stormwater Fund	Nonmajor Governmental	Total
General Fund	\$ -	\$ -	\$ -	\$ 645,075	\$ 188,316	\$ 200,000	\$ -	\$ 1,033,391
Utility Fund	762,762	-	-	-	122,662	-	-	885,424
Transportation Impact Fee Fund	-	-	-	-	-	-	145,728	145,728
Capital Projects Fund	-	-	19,911	-	-	-	-	19,911
SR100 CRA Fund	-	600,000	-	-	-	-	-	600,000
Stormwater Fund	104,851	-	-	-	-	-	-	104,851
Nonmajor Governmental	-	685,959	-	-	-	-	-	685,959
Nonmajor Proprietary	16,131	-	-	-	26,422	-	-	42,553
Total transfers out	\$ 883,744	\$ 1,285,959	\$ 19,911	\$ 645,075	\$ 337,400	\$ 200,000	\$ 145,728	\$ 3,517,817

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 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.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 2018, the total cost was \$3,338,578.

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 2018, the total amount of lease payments was \$305,010.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 66,639
2020	461,000	56,082
2021	468,000	45,365
2022	476,000	34,465
2023	490,000	23,243
2024	1,015,000	11,748
	<u>\$ 2,910,000</u>	<u>\$ 237,542</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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 164,738
2020	240,000	156,458
2021	254,000	147,695
2022	268,000	138,448
2023	277,000	128,892
2024-2028	2,898,000	367,252
2029	838,000	28,911
	<u>\$ 4,775,000</u>	<u>\$ 1,132,394</u>

The 2019 principal payment was made on both loans during the year ended September 30, 2018, leaving a principal balance of \$2,910,000 and \$4,775,000 payable respectively at the end of the fiscal year.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018

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
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	3,850,000	2,762,500
2024-2028	22,310,000	8,927,250
2029-2033	28,150,000	5,849,013
2034-2038	10,305,000	792,894
	\$ 78,240,000	\$ 31,215,157

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, 2018

Note 10 – Long-Term Debt (Continued)

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 898,306
2020	1,620,000	858,130
2021	1,663,000	816,887
2022	1,705,000	774,603
2023	1,745,000	731,327
2024-2028	9,392,000	2,969,254
2029-2033	10,619,000	1,714,697
2034-2036	9,478,000	359,625
	<u>\$ 36,222,000</u>	<u>\$ 9,122,829</u>

The 2019 principal payment was made during the year ended September 30, 2018, leaving a principal balance of \$36,222,000 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 2028.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,534,000	\$ 341,502
2020	1,570,000	305,265
2021	1,607,000	268,147
2022	1,646,000	230,136
2023	1,684,000	191,243
2024-2028	6,875,000	380,254
	<u>\$ 14,916,000</u>	<u>\$ 1,716,547</u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 \$9,294,229 with \$1,057,491 pending as of year end.

Description	Interest Rate	Disburseable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Wastewater Treatment Plant #2	0.67%	\$ 30,100,000	\$ 29,042,509	10/15/2018	\$ 828,515	20

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

Year Ending September 30,	Principal	Interest
2019	\$ 1,460,293	\$ 196,737
2020	1,466,539	190,491
2021	1,476,381	180,649
2022	1,486,290	170,740
2023	1,496,264	160,766
2024-2028	7,633,303	651,847
2029-2033	7,892,909	392,241
2034-2038	7,345,822	123,807
	<u>\$ 30,257,801</u>	<u>\$ 2,067,278</u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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.

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

Year Ending September 30,	Principal	Interest
2019	\$ 249,418	\$ 53,752
2020	255,779	47,391
2021	262,303	40,867
2022	268,993	34,177
2023	275,853	27,317
2024-2026	870,495	39,014
	\$ 2,182,841	\$ 242,518

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
2019	\$ 128,637	\$ 53,995
2020	132,708	49,924
2021	136,908	45,724
2022	141,241	41,391
2023	145,710	36,921
2024-2028	800,709	112,450
2029-2030	265,566	8,382
	\$ 1,751,479	\$ 348,787

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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%. In April of 2018 the Bank exercised the right to increase the fixed rate to 2.85% due to the change in corporate tax rate, the loan 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>
2019	\$ -	\$ 115,874
2020	774,000	93,767
2021	792,000	71,147
2022	811,000	47,983
2023	830,000	24,277
2024	850,000	-
	<u>\$ 4,057,000</u>	<u>\$ 353,048</u>

The 2019 principal payment of \$756,000 was made during the year ended September 30, 2018, leaving a principal balance of \$4,057,000 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 9). The City agreed to apply fifty percent of the tower lease payments towards repayment of the cost of the tower in the amount of \$164,773 with principal only payable annually according to the schedule below.

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 15,897	\$ -
	<u>\$ 15,897</u>	<u>\$ -</u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 10 – Long-Term Debt (Continued)

Changes in long-term debt

During the year ended September 30, 2018, the following changes in long-term debt occurred:

	Beginning Balance	Restatement	Beginning Balance as Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
SR100 CRA Loans	\$ 8,365,000	\$ -	\$ 8,365,000	\$ -	\$ (680,000)	\$ 7,685,000	\$ -
OPEB Liability	678,886	(386,523)	292,363	33,032	-	325,395	-
Net Pension Liability	3,377,862	999	3,378,861		(60,833)	3,318,028	-
Compensated Absences	2,223,418	-	2,223,418	1,305,025	(1,273,869)	2,254,574	861,349
Long-term debt	<u>\$ 14,645,166</u>	<u>\$ (385,524)</u>	<u>\$ 14,259,642</u>	<u>\$ 1,338,057</u>	<u>\$ (2,014,702)</u>	<u>\$ 13,582,997</u>	<u>\$ 861,349</u>
Business Type Activities:							
Utility Revenue Bonds	\$ 81,250,000	\$ -	\$ 81,250,000	\$ -	\$ (3,010,000)	\$ 78,240,000	\$ 3,160,000
Premiums	4,828,817	-	4,828,817	-	(503,819)	4,324,998	-
Total Revenue Bonds	<u>86,078,817</u>	<u>-</u>	<u>86,078,817</u>	<u>-</u>	<u>(3,513,819)</u>	<u>82,564,998</u>	<u>3,160,000</u>
State Revolving Fund							
Loans	31,939,908	-	31,939,908	2,620,120	(367,906)	34,192,122	1,838,348
Bank and Other Loans	59,063,546	-	59,063,546	-	(3,852,649)	55,210,897	1,549,897
OPEB Liability	485,366	(255,506)	229,860	25,970	-	255,830	-
Compensated Absences	1,281,056	-	1,281,056	839,634	(786,941)	1,333,749	560,089
Long-term debt	<u>\$ 178,848,693</u>	<u>\$ (255,506)</u>	<u>\$ 178,593,187</u>	<u>\$ 3,485,724</u>	<u>\$ (8,521,315)</u>	<u>\$ 173,557,596</u>	<u>\$ 7,108,334</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, \$73,839 of internal service fund compensated absences and \$15,893 of OPEB liability are included in the above amounts. For governmental activities, compensated absences, net pension liability and postemployment benefit (OPEB) are generally liquidated by the general fund.

The OPEB beginning balance has been restated due to the implementation of GASB 75.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, the City changed administrators from Great West Retirement Services to Prudential on September 28, 2018. 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, 2018, 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, 2018, contributions to this plan totaled \$2,258,196, 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, 2018, 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 \$370,129.

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, 2018

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, 2018

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, 2018, the following volunteers were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	23
Inactive plan members entitled to but not receiving benefits	3
Active plan members	39
	<u>65</u>

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, 2018 was \$263,091. There were no required City contributions.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of September 30, 2018, 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, 2018 were as follows:

Total Pension Liability	\$ 3,053,773
Plan Fiduciary Net Position	(4,396,693)
Net Pension Liability (Asset)	<u>\$ (1,342,920)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	143.98%

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2017 updated to September 30, 2018 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 RP2000 Generational, 100% Combined Healthy White Collar, Scale BB for females and RP2000 Generational, 10% Combined Healthy White Collar /90% Combined Healthy 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 2018 the inflation rate assumption of the investment advisor was 2.8%. 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, 2018 (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%	5.30%
U.S. Small Cap Equity	11%	5.70%
International Equity	15%	5.70%
Core Real Estate	10%	4.50%
Core Bonds	15%	1.50%
Core Plus	15%	1.70%
Total	100%	

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2017	\$ 2,883,753	\$ 4,040,315	\$ (1,156,562)
Changes for the year:			
Service Cost	135,458	-	135,458
Interest	184,393	-	184,393
Share Plan Allocation	63,091	-	63,091
Differences between expected and actual experience	(45,171)	-	(45,171)
Changes of assumptions	-	-	-
Contributions - State	-	263,091	(263,091)
Net investment income (loss)	-	290,058	(290,058)
Benefit payments	(167,751)	(167,751)	-
Administrative expenses	-	(29,020)	29,020
Net Changes	170,020	356,378	(186,358)
Balances at September 30, 2018	\$ 3,053,773	\$ 4,396,693	\$ (1,342,920)

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)	\$(1,149,102)	\$(1,342,920)	\$(1,502,639)

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018, the City recognized pension expense (benefit) of \$151,784. On September 30, 2018, 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	\$ 14,319	\$ 80,972
Changes of assumptions	74,258	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	72,502
Total	<u>\$ 88,577</u>	<u>\$ 153,474</u>

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:	
2019	\$ 24,966
2020	(32,711)
2021	(47,135)
2022	(10,017)
2023	-
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, 2018:

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018 was \$4,386,055. 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 funds.

Fixed Income Fund	Effective Duration (Years)	Weighted Average Maturity (Years)
FMLvT Broad Market High Quality Bond	5.00	6.10
FMLvT Core Plus Fixed Income	2.13	7.40

Credit 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, 2018, the annual money-weighted rate of return on Plan investments, net of investment expense, was 7.30 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, 2018

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, 2018:

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	\$ 635,978	-	\$ 635,978	\$ -	\$ 635,978
Core Plus Fixed Income	754,402	-	-	754,402	754,402
Diversified Large Cap	1,434,240	-	1,434,240	-	1,434,240
Diversified Small to Mid Cap	526,327	-	526,327	-	526,327
International Equity	622,820	-	622,820	-	622,820
Core Real Estate	394,745	-	-	394,745	394,745
Total investments by fair value level	\$ 4,368,511	\$ -	\$ 3,219,365	\$ 1,149,147	\$ 4,368,511
Uninvested Cash	17,544				
Total investments at fair value	<u>\$ 4,386,055</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 and further revised per Ordinance 2017-21. The reserve was established at 20% of the September 30, 2013 Excess State Monies Reserve of \$1,505,738, plus any future premium tax revenues in excess of \$200,000. 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.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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.

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, 2018

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, 2018

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, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular—7.92% and 8.26%; Special Risk Administrative Support—32.95% and 34.98%; Special Risk—22.07% and 24.50%; Senior Management Service—21.43% and 24.06%; Elected Officers'—42.47% and 48.70%; and DROP participants—12.88% and 14.30%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018.

The City's contributions, including employee contributions, to the Pension Plan totaled \$345,629 for the fiscal year ended September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$2,856,847 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .009484721 percent, which was an increase of 3.66 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$169,383. 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, 2018

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	\$ 242,018	\$ 8,784
Change of assumptions	933,479	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	87,798	158,952
City Pension Plan contributions subsequent to measurement date	76,884	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	220,726
Total	<u>\$ 1,340,179</u>	<u>\$ 388,462</u>

The deferred outflows of resources related to the Pension Plan, totaling \$76,884 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, 2019. 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:	
2019	\$ 316,436
2020	237,804
2021	44,680
2022	163,416
2023	99,965
Thereafter	12,531

Actuarial Assumptions

The total pension liability in the June 30, 2018 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	7.0 percent, net of pension plan expense, including inflation

Mortality rates were based on the Generational RP2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018, 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, 2018

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%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Real Estate (property)	11.0%	6.6%	6.0%	11.3%
Total	100%			

Assumed Inflation - Mean	2.60%	1.9%
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(1) As outlined in the Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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 (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0)%	Current Discount Rate (7.0)%	1% Increase (8.0)%
City's net pension liability	\$ 5,213,866	\$ 2,856,847	\$ 899,204

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018, 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, 2018, the HIS contribution for the period October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 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 \$23,434 for the fiscal year ended September 30, 2018.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018, the City reported a liability of \$461,181 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .004357290 percent, which is basically unchanged from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$12,333. 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	\$ 7,060	\$ 784
Change of assumptions	51,289	48,760
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	5,749	2,009
City Pension Plan contributions subsequent to measurement date	6,416	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	278	-
Total	<u>\$ 70,792</u>	<u>\$ 51,553</u>

The deferred outflows of resources related to the Pension Plan, totaling \$6,416 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, 2019. 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:	
2019	\$ 7,800
2020	7,777
2021	5,022
2022	1,456
2023	(6,336)
Thereafter	(2,895)

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 11 – Retirement Plans (Continued)

HIS Plan (Continued)

Actuarial Assumptions

The total pension liability in the July 1, 2018 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 RP2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018, 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 3.87%. 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 3.87%, 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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87)%	Current Discount Rate (3.87)%	1% Increase (4.87)%
City's net pension liability	\$ 525,258	\$ 461,181	\$ 407,769

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, 2018

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	\$ 1,342,920	\$ 88,577	\$ 153,474	\$ -
Florida Retirement System (FRS)	-	1,119,453	167,736	2,856,847
FRS HIS Plan	-	70,792	51,553	461,181
Totals	<u>\$ 1,342,920</u>	<u>\$ 1,278,822</u>	<u>\$ 372,763</u>	<u>\$ 3,318,028</u>

Pension expenditures reported for the fiscal year were \$169,383 and \$12,333 for the Florida Retirement System and the Florida Retirement System HIS plan, respectively. The Volunteer Firefighter's Pension Plan reported revenue of \$111,307. Total expenditures reported for the fiscal year were \$70,409.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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. The plan does not issue a separate publicly available financial report.

At September 30, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members, Dependent Spouses, or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>386</u>
Total Members	387

Transition Year

The City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for fiscal year ending September 30, 2018, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

Funding Policy

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

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

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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

Total OPEB Liability

The measurement date is September 30, 2017.

The measurement period for the OPEB expense is October 1, 2016 to September 30, 2017.

The reporting period is October 1, 2017 to September 30, 2018.

The Sponsor's Total OPEB Liability was measured as of September 30, 2017.

Note - The Sponsor's Total OPEB Liability for the City's ledger adjustment was measured as of September 30, 2016 using a discount rate of 3.06%. The Total OPEB Liability was "rolled-back" from September 30, 2017 at 3.06%, thus producing no experience gain or loss for the period from September 30, 2016 to September 30, 2017.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	4.00%
Discount Rate	3.64%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

Mortality rates were based on the RP-2000 mortality tables, projected to the valuation date with Improvement Scale AA.

Discount Rate:

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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

Changes in Total OPEB Liability

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2017	\$ 522,223
Changes for the Year:	
Service Cost	78,295
Interest	18,191
Changes of Assumptions	(25,291)
Benefit Payments	(12,193)
	<hr/> 59,002
Net Changes	
Reporting Period Ending September 30, 2018	<hr/> \$ 581,225 <hr/>

Changes in assumptions reflect a change in the discount rate from 3.06% for the reporting period ended September 30, 2017, to 3.64% for the reporting period ended September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.64%	Current Discount 3.64%	1% Increase 4.64%
Total OPEB Liability (asset)	\$ 625,304	\$ 581,225	\$ 539,575

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates:

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease 3.00% - 7.5%	Healthcare Cost Trend Rates 4.00% - 8.5%	1% Increase 5.00% - 9.50%
Total OPEB Liability (asset)	\$ 516,292	\$ 581,225	\$ 657,831

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$102,187. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 22,992
Employer Contributions Subsequent to the Measurement Date	13,108	-
Total	<u>\$ 13,108</u>	<u>\$ 22,992</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

Year ended September 30:

2019	\$ (2,299)
2020	(2,299)
2021	(2,299)
2022	(2,299)
2023	(2,299)
Thereafter	(11,497)

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, 2018, the amount of prepaid impact fees is estimated to be \$19,055,208.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 as of September 30, 2018. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2018. 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 \$380,292 is reported in the fund at September 30, 2018.

Changes in the fund's claims liability amount for fiscal years 2017 and 2018 were:

<u>Changes in Claims Liability</u>	2017	2018
Beginning fiscal year liability	\$ 206,624	\$ 374,022
Current year claims and changes in estimates	2,563,816	2,941,189
Claim payments	(2,396,418)	(2,934,919)
Balance at fiscal year end	<u>\$ 374,022</u>	<u>\$ 380,292</u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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 \$4,608,171 as of September 30, 2018.

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, 2018, the fund received \$1,139,796 in property tax revenue, a \$645,075 transfer from the general fund, and \$11,135 in miscellaneous income. The transfer included the City portion of the tax increment. Expenditures for the fiscal year were \$129,534 in administrative costs and \$929,517 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 \$600,000, proceeds from sale of fixed assets in the amount of \$685,630, and land acquisition in the amount of \$202,102.

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

Note 17 – Restatement of Net Position:

Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; was issued June 2015 and was implemented for the City, beginning with its year ending September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement replaces the requirements of GASB Statement No. 45, *Accounting for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan, for OPEB*, as they relate to OPEB liabilities being recorded in the statements of net position.

The City's implementation of this Statement has required the restatement of certain liabilities as deferred outflows or deferred inflows of resources in the Statement of Net Position. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Recognition of these liabilities requires a restatement to the prior year's net position in both governmental activities and business-type activities.

The impact of the restatement on the governmental activities and business-type activities beginning net position at September 30, 2018, are as follows:

(a) Governmental Activities:

Net Position - September 30, 2017, as originally reported	\$ 354,205,812
Recording of beginning OPEB liability	397,828
Recording of beginning OPEB liability for FRS	<u>(999)</u>
Net Position - September 30, 2017, as restated	<u>\$ 354,602,641</u>

(b) Business-type Activities:

	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Business-type Activities
Net position - September 30, 2017, originally reported	\$ 91,178,742	\$ 1,460,849	\$ 21,695,045	\$ 6,778,256	\$ 121,112,892
Recording of beginning OPEB liability	<u>89,735</u>	<u>-</u>	<u>140,429</u>	<u>34,230</u>	<u>264,394</u>
Net position - September 30, 2017, as restated	<u>\$ 91,268,477</u>	<u>\$ 1,460,849</u>	<u>\$ 21,835,474</u>	<u>\$ 6,812,486</u>	<u>\$ 121,377,286</u>

City of Palm Coast, Florida
Notes to Financial Statements – Continued
September 30, 2018

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, 2018

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.

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 Six Fiscal Years

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total pension liability						
Service cost	\$ 135,458	\$ 132,449	\$ 97,464	\$ 104,091	\$ 113,712	\$ 105,631
Interest	184,393	170,580	169,505	94,316	103,447	95,623
Change in excess State money	-	-	-	-	237,659	-
Share plan allocation	63,091	32,597	129,180	180,335	-	-
Differences between expected and actual experience	(45,171)	23,865	(57,517)	(65,491)	-	-
Changes of assumptions	-	-	185,644	-	-	-
Benefit payments, including refunds of employee contributions	(167,751)	(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Net change in total pension liability	170,020	196,897	10,573	(229,749)	344,008	97,966
Total pension liability - beginning	2,883,753	2,686,856	2,676,283	2,906,032	2,562,024	2,464,058
Total pension liability - ending (a)	\$ 3,053,773	\$ 2,883,753	\$ 2,686,856	\$ 2,676,283	\$ 2,906,032	\$ 2,562,024
Plan fiduciary net position						
Contributions - State	\$ 263,091	\$ 232,597	\$ 273,487	\$ 324,642	\$ 381,967	\$ 364,571
Net investment income	290,058	458,612	262,259	(6,801)	270,512	324,552
Benefit payments, including refunds of employee contributions	(167,751)	(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Administrative expenses	(29,020)	(25,393)	(29,092)	(41,443)	(60,987)	(25,630)
Net change in fiduciary net position	356,378	503,222	(7,049)	(266,602)	480,682	560,205
Plan fiduciary net position - beginning	4,040,315	3,537,093	3,544,142	3,810,744	3,330,062	2,769,857
Plan fiduciary net position - ending (b)	\$ 4,396,693	\$ 4,040,315	\$ 3,537,093	\$ 3,544,142	\$ 3,810,744	\$ 3,330,062
Net pension liability (asset) - ending (a) - (b)	\$ (1,342,920)	\$ (1,156,562)	\$ (850,237)	\$ (867,859)	\$ (904,712)	\$ (768,038)
Plan fiduciary net position as a percentage of total Pension liability	143.98%	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 Six Fiscal Years

	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 146,847	\$ 109,250	\$ 117,326	\$ 127,816	\$ 130,671	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	200,000	200,000	144,307	127,816	130,671	120,718
Contribution Deficiency (Excess)	\$ (53,153)	\$ (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: 10/01/2016

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:

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.

Interest Rate:

7.00% 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:

Healthy Lives: Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 10% Annuitant White Collar/90% Annuitant Blue Collar, Scale BB.
 Disabled Lives: Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale. Male 60% RP2000 Disabled Male setback four years/40% Annuitant White Collar with no setback, no projection scale.

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

	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	7.30%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.0094847%	0.0098446%	0.00998670%	0.008813455%	0.091567910%
City's proportionate share of the net pension liability (asset)	\$ 2,856,847	\$ 2,911,962	\$ 2,521,655	\$ 1,138,376	\$ 558,699
City's covered payroll	\$ 1,423,164	\$ 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 payroll	200.74%	209.66%	186.46%	86.87%	43.30%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 345,629	\$ 336,187	\$ 306,073	\$ 272,830	\$ 257,211
Contributions in relation to the contractually required contribution	(345,629)	(336,187)	(306,073)	(272,830)	(257,211)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,411,714	\$ 1,405,980	\$ 1,408,009	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered payroll	24.48%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.004357290%	0.0043572760%	0.0043808610%	0.00431920200%	0.004327487%
City's proportionate share of the net pension liability (asset)	\$ 461,181	\$ 465,900	\$ 510,571	\$ 440,491	\$ 404,631
City's covered payroll	\$ 1,423,164	\$ 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 payroll	32.41%	33.55%	37.75%	33.62%	31.36%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	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 Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,434	\$ 23,339	\$ 23,373	\$ 18,141	\$ 15,792
Contributions in relation to the contractually required contribution	(23,434)	(23,339)	(23,373)	(18,141)	(15,792)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,411,714	\$ 1,405,980	\$ 1,408,009	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered payroll	1.66%	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, 2018

Reporting Period Ending Measurement Date	9/30/2018 9/30/2017
Total OPEB Liability	
Service Cost	\$ 78,295
Interest	18,191
Differences between Expected and Actual Experience	-
Changes of Assumptions	(25,291)
Benefit payments - implicit rate subsidy	(12,193)
Other Changes	-
Net change in total OPEB liability	59,002
Total OPEB liability - beginning	522,223
Total OPEB liability - ending	\$ 581,225
 Covered Employee Payroll	 \$ 19,155,104
 Total OPEB liability as a percentage of covered employee payroll	 3.03%

Notes to Schedule:

Valuation Date: 10/01/2017

Changes of assumptions: Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year Ended September 30, 2017	3.06%
Fiscal Year Ended September 30, 2016	3.64%

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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 23,233,007	\$ 23,184,916	\$ 23,152,774	\$ (32,142)
Licenses and permits	235,500	225,500	179,458	(46,042)
Intergovernmental revenue	4,105,947	5,774,388	5,626,344	(148,044)
Charges for services	6,196,785	6,039,450	6,160,086	120,636
Fines and forfeitures	381,000	456,000	582,254	126,254
Investment earnings	85,000	80,000	90,152	10,152
Miscellaneous	55,000	100,441	187,331	86,890
Total revenues	34,292,239	35,860,695	35,978,399	117,704
EXPENDITURES				
Current:				
General government:				
Mayor and council	218,815	118,958	110,779	8,179
City administration	2,346,872	2,489,097	2,416,668	72,429
City attorney	470,391	520,086	445,118	74,968
Financial services	938,231	934,212	844,846	89,366
Community development	5,876,435	6,021,532	5,838,458	183,074
Nondepartmental	669,060	532,614	497,129	35,485
Total general government	10,519,804	10,616,499	10,152,998	463,501
Public safety:				
Fire	8,595,477	8,695,802	8,487,173	208,629
Law enforcement	3,338,578	3,338,578	3,338,578	-
Total public safety	11,934,055	12,034,380	11,825,751	208,629
Transportation and physical environment:				
Streets and drainage	6,262,754	8,259,110	7,536,397	722,713
Total transportation and physical environment	6,262,754	8,259,110	7,536,397	722,713
Culture and recreation	5,629,639	5,622,703	5,186,516	436,187
Capital outlay:				
Public Safety	53,000	52,095	46,822	5,273
Total expenditures	34,399,252	36,584,787	34,748,484	1,836,303
Excess (deficiency) of revenues over (under) expenditures	(107,013)	(724,092)	1,229,915	1,954,007
OTHER FINANCING SOURCES (USES)				
Transfers in	883,744	883,744	883,744	-
Transfers out	(788,231)	(1,033,391)	(1,033,391)	-
Total other financing sources (uses)	95,513	(149,647)	(149,647)	-
Net change in fund balance*	(11,500)	(873,739)	1,080,268	1,954,007
Fund balance - beginning	9,813,111	9,813,111	9,813,111	-
Fund balance - ending	\$ 9,801,611	\$ 8,939,372	\$ 10,893,379	\$ 1,954,007

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,907,552	\$ 1,907,552	\$ 2,006,834	\$ 99,282
Intergovernmental revenue	2,369,157	1,574,386	1,704,133	129,747
Fines and forfeitures	-	-	968	968
Investment earnings	-	-	27,621	27,621
Total revenues	4,276,709	3,481,938	3,739,556	257,618
EXPENDITURES				
Current:				
Transportation and physical environment	2,060,000	1,989,107	1,732,070	257,037
Capital outlay:				
Transportation and physical environment	3,830,000	1,735,737	1,660,173	75,564
Total expenditures	5,890,000	3,724,844	3,392,243	332,601
Excess (deficiency) of revenues over (under) expenditures	(1,613,291)	(242,906)	347,313	590,219
OTHER FINANCING SOURCES (USES)				
Transfers in	320,000	28,000	19,911	(8,089)
Total other financing sources (uses)	320,000	28,000	19,911	(8,089)
Net change in fund balance*	(1,293,291)	(214,906)	367,224	582,130
Fund balance - beginning	3,560,496	3,560,496	3,560,496	-
Fund balance - ending	\$ 2,267,205	\$ 3,345,590	\$ 3,927,720	\$ 582,130

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,109,819	\$ 1,139,796	\$ 1,139,796	\$ -
Investment earnings	-	-	11,135	11,135
Total revenues	1,109,819	1,139,796	1,150,931	11,135
EXPENDITURES				
Current:				
Transportation and physical environment	134,237	738,747	129,534	609,213
Culture and recreation	200,000	-	-	-
Capital Outlay				
Transportation and physical environment	-	202,103	202,102	1
Debt service:				
Principal	680,000	680,000	680,000	-
Interest and other	249,651	249,651	249,517	134
Total expenditures	1,263,888	1,870,501	1,261,153	609,348
Excess (deficiency) of revenues over (under) expenditures	(154,069)	(730,705)	(110,222)	620,483
OTHER FINANCING SOURCES (USES)				
Transfers in	580,431	645,075	645,075	-
Transfers out	(600,000)	(600,000)	(600,000)	-
Sale of capital assets	-	685,630	685,630	-
Total other financing sources (uses)	(19,569)	730,705	730,705	-
Net change in fund balance*	(173,638)	-	620,483	620,483
Fund balance - beginning	251,220	251,220	251,220	-
Fund balance - ending	\$ 77,582	\$ 251,220	\$ 871,703	\$ 620,483

*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.

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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 3,650,000	\$ 3,650,000	\$ 3,711,226	\$ 61,226
Intergovernmental revenue	274,316	-	8,400	8,400
Investment earnings	-	-	16,703	16,703
Total revenues	3,924,316	3,650,000	3,736,329	86,329
EXPENDITURES				
Capital outlay:				
General government	485,000	90,000	19,764	70,236
Culture and recreation	6,185,000	4,982,000	4,129,337	852,663
Total expenditures	6,670,000	5,072,000	4,149,101	922,899
Excess (deficiency) of revenues over (under) expenditures	(2,745,684)	(1,422,000)	(412,772)	1,009,228
OTHER FINANCING SOURCES (USES)				
Transfers in	1,441,212	1,450,000	1,285,959	(164,041)
Transfers out	(320,000)	(28,000)	(19,911)	8,089
Total other financing sources (uses)	1,121,212	1,422,000	1,266,048	(155,952)
Net change in fund balance*	(1,624,472)	-	853,276	853,276
Fund balance - beginning	2,139,299	2,139,299	2,139,299	-
Fund balance - ending	\$ 514,827	\$ 2,139,299	\$ 2,992,575	\$ 853,276

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 145,800	\$ -	\$ -	\$ -
Impact fees	1,945,000	2,313,134	2,410,451	97,317
Investment earnings	-	-	27,351	27,351
Total revenues	2,090,800	2,313,134	2,437,802	124,668
EXPENDITURES				
Current:				
Transportation and physical environment	280,836	1,408,707	58,534	1,350,173
Capital outlay:				
Transportation and physical environment	2,985,000	829,544	721,758	107,786
Total expenditures	3,265,836	2,238,251	780,292	1,457,959
Excess (deficiency) of revenues over (under) expenditures	(1,175,036)	74,883	1,657,510	1,582,627
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	(145,728)	(45,728)
Total other financing sources (uses)	(100,000)	(100,000)	(145,728)	(45,728)
Net change in fund balance*	(1,275,036)	(25,117)	1,511,782	1,536,899
Fund balance - beginning	2,734,520	2,734,520	2,734,520	-
Fund balance - ending	\$ 1,459,484	\$ 2,709,403	\$ 4,246,302	\$ 1,536,899

*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, 2018

	Special Revenue Funds				Capital Projects				
	Police Education Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Total Nonmajor Governmental Funds		
ASSETS									
Equity in pooled cash and investments	\$ 2,369	\$ 36,264	\$ 522,681	\$ 140,930	\$ 369,193	\$ 916,684	\$ 1,988,121		
Special assessment receivable - net	-	-	4,608,171	-	-	-	4,608,171		
Due from other governments	-	-	1,412	-	-	-	1,412		
Total assets	<u>\$ 2,369</u>	<u>\$ 36,264</u>	<u>\$ 5,132,264</u>	<u>\$ 140,930</u>	<u>\$ 369,193</u>	<u>\$ 916,684</u>	<u>\$ 6,597,704</u>		
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 2,754	\$ 44,560	\$ 1,721	\$ -	\$ 49,035		
Unearned revenue	-	-	-	96,370	-	-	96,370		
Advances from other funds	-	-	4,608,171	-	-	-	4,608,171		
Total liabilities	-	-	4,610,925	140,930	1,721	-	4,753,576		
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - special assessments	-	-	4,511,105	-	-	-	4,511,105		
Total deferred inflows of resources	-	-	4,511,105	-	-	-	4,511,105		
FUND BALANCES									
Restricted for									
Public safety	2,369	-	-	-	-	916,684	919,053		
Parks and recreation	-	-	-	-	367,472	-	367,472		
Grants	-	36,264	-	-	-	-	36,264		
Unassigned	-	-	(3,989,766)	-	-	-	(3,989,766)		
Total fund balances (deficits)	2,369	36,264	(3,989,766)	-	367,472	916,684	(2,666,977)		
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,369</u>	<u>\$ 36,264</u>	<u>\$ 5,132,264</u>	<u>\$ 140,930</u>	<u>\$ 369,193</u>	<u>\$ 916,684</u>	<u>\$ 6,597,704</u>		

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2018

	Special Revenue Funds				Capital Projects			
	Police Education Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Total Nonmajor Governmental Funds	
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 389,951	\$ -	\$ -	\$ 389,951	
Special assessments	-	-	333,494	-	-	-	333,494	
Fines and forfeitures	6,219	-	-	-	-	-	6,219	
Impact fees	-	-	-	-	701,972	191,118	893,090	
Investment earnings	42	-	5,006	-	5,635	6,170	16,853	
Total revenues	6,261	-	338,500	389,951	707,607	197,288	1,639,607	
EXPENDITURES								
Current:								
General government	-	4,860	-	153,992	-	-	158,852	
Transportation and physical environment	-	-	19,134	-	-	-	19,134	
Public safety	7,000	-	-	-	-	-	7,000	
Capital outlay:								
Culture and recreation	-	-	-	-	522,912	-	522,912	
Debt service:								
Interest and other	-	-	235,031	-	-	-	235,031	
Total expenditures	7,000	4,860	254,165	153,992	522,912	-	942,929	
Excess (deficiency) of revenues over (under) expenditures	(739)	(4,860)	84,335	235,959	184,695	197,288	696,678	
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	145,728	-	-	-	145,728	
Transfers out	-	-	-	(235,959)	(450,000)	-	(685,959)	
Total other financing sources (uses)	-	-	145,728	(235,959)	(450,000)	-	(540,231)	
Net change in fund balances	(739)	(4,860)	230,063	-	(265,305)	197,288	156,447	
Fund balances (deficits) - beginning	3,108	41,124	(4,219,829)	-	632,777	719,396	(2,823,424)	
Fund balances (deficits) - ending	\$ 2,369	\$ 36,264	\$ (3,989,766)	\$ -	\$ 367,472	\$ 916,684	\$ (2,666,977)	

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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 4,750	\$ 5,000	\$ 6,219	\$ 1,219
Investment earnings	-	-	42	42
Total revenues	4,750	5,000	6,261	1,261
EXPENDITURES				
Current:				
Public safety	7,750	8,000	7,000	1,000
Total expenditures	7,750	8,000	7,000	1,000
Net change in fund balance*	(3,000)	(3,000)	(739)	2,261
Fund balance - beginning	3,108	3,108	3,108	-
Fund balance - ending	\$ 108	\$ 108	\$ 2,369	\$ 2,261

*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, 2018

	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
EXPENDITURES			
Current:			
General government	\$ 41,124	\$ 4,860	\$ 36,264
Total expenditures	41,124	4,860	36,264
Net change in fund balance*	(41,124)	(4,860)	36,264
Fund balance - beginning	41,124	41,124	-
Fund balance - ending	\$ -	\$ 36,264	\$ 36,264

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ 327,030	\$ 327,030	\$ 333,494	\$ 6,464
Investment earnings	-	-	5,006	5,006
Total revenues	327,030	327,030	338,500	11,470
EXPENDITURES				
Current:				
Transportation and physical environment	100,000	100,000	19,134	80,866
Debt service:				
Interest and other	327,030	327,030	235,031	91,999
Total expenditures	427,030	427,030	254,165	172,865
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(100,000)	84,335	184,335
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	145,728	45,728
Total other financing sources (uses)	100,000	100,000	145,728	45,728
Net change in fund balance*	-	-	230,063	230,063
Fund balance - beginning	(4,219,829)	(4,219,829)	(4,219,829)	-
Fund balance - ending	\$ (4,219,829)	\$ (4,219,829)	\$ (3,989,766)	\$ 230,063

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 1,062,981	\$ 1,217,298	\$ 389,951	\$ (827,347)
Total revenues	1,062,981	1,217,298	389,951	(827,347)
EXPENDITURES				
Current:				
General government	456,769	817,298	153,992	663,306
Total expenditures	456,769	817,298	153,992	663,306
Excess (deficiency) of revenues over (under) expenditures	606,212	400,000	235,959	(164,041)
OTHER FINANCING SOURCES (USES)				
Transfers out	(606,212)	(400,000)	(235,959)	164,041
Total other financing sources (uses)	(606,212)	(400,000)	(235,959)	164,041
Net change in fund balance*	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 425,000	\$ 620,000	\$ 701,972	\$ 81,972
Investment earnings	-	-	5,635	5,635
Total revenues	425,000	620,000	707,607	87,607
EXPENDITURES				
Capital outlay:				
Culture and recreation	190,000	534,454	522,912	11,542
Total expenditures	190,000	534,454	522,912	11,542
Excess (deficiency) of revenues over (under) expenditures	235,000	85,546	184,695	99,149
OTHER FINANCING SOURCES (USES)				
Transfers out	(235,000)	(450,000)	(450,000)	-
Total other financing sources (uses)	(235,000)	(450,000)	(450,000)	-
Net change in fund balance*	-	(364,454)	(265,305)	99,149
Fund balance - beginning	632,777	632,777	632,777	-
Fund balance - ending	\$ 632,777	\$ 268,323	\$ 367,472	\$ 99,149

*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, 2018

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 180,000	\$ 205,200	\$ 191,118	\$ (14,082)
Investment earnings	-	-	6,170	6,170
Total revenues	180,000	205,200	197,288	(7,912)
EXPENDITURES				
Public safety	180,000	205,200	-	205,200
Total expenditures	180,000	205,200	-	205,200
Net change in fund balance*	-	-	197,288	197,288
Fund balance - beginning	719,396	719,396	719,396	-
Fund balance - ending	<u>\$ 719,396</u>	<u>\$ 719,396</u>	<u>\$ 916,684</u>	<u>\$ 197,288</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, 2018

	Business-type Activities-Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Equity in pooled cash and investments	\$ 3,691,555	\$ 1,055,943	\$ 4,747,498
Accounts receivable - net	400	132,524	132,924
Prepaid items	6,130	7,362	13,492
Total current assets	3,698,085	1,195,829	4,893,914
Noncurrent assets:			
Capital assets:			
Infrastructure	-	4,903,655	4,903,655
Equipment	11,543	1,459,477	1,471,020
Less accumulated depreciation	(321)	(3,383,903)	(3,384,224)
Total noncurrent assets	11,222	2,979,229	2,990,451
Deferred Outflows-OPEB	675	297	972
Total assets	\$ 3,709,982	\$ 4,175,355	\$ 7,885,337
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 28,573	\$ 92,611	\$ 121,184
Due to other governments	14,254	-	14,254
Loans payable	-	15,897	15,897
Compensated absences	64,987	28,085	93,072
Accrued liabilities	21,838	15,537	37,375
Unearned revenue	-	82,249	82,249
Total current liabilities	129,652	234,379	364,031
Noncurrent liabilities:			
Compensated absences	112,010	91,683	203,693
OPEB liability	29,948	13,169	43,117
Total noncurrent liabilities	141,958	104,852	246,810
Deferred Inflows-OPEB	1,185	521	1,706
Total liabilities	272,795	339,752	612,547
NET POSITION			
Net investment in capital assets	11,222	2,963,332	2,974,554
Unrestricted	3,425,965	872,271	4,298,236
Total net position	\$ 3,437,187	\$ 3,835,603	\$ 7,272,790

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services:			
Building permit and inspection charges	\$ 2,330,705	\$ -	\$ 2,330,705
Information technology charges	-	2,725,670	2,725,670
Miscellaneous	-	5,421	5,421
Total operating revenues	2,330,705	2,731,091	5,061,796
OPERATING EXPENSES			
Building permits and inspections	1,794,554	-	1,794,554
Information technology	-	2,407,609	2,407,609
Depreciation	321	391,275	391,596
Total operating expenses	1,794,875	2,798,884	4,593,759
Operating income (loss)	535,830	(67,793)	468,037
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	26,888	7,932	34,820
Total nonoperating revenues (expenses)	26,888	7,932	34,820
Income (loss) before capital contributions and transfers	562,718	(59,861)	502,857
TRANSFERS AND CONTRIBUTIONS			
Transfers out	(26,422)	(16,131)	(42,553)
Total transfers and contributions	(26,422)	(16,131)	(42,553)
Change in net position	536,296	(75,992)	460,304
NET POSITION			
Net position - beginning as previously reported	2,884,232	3,894,024	6,778,256
Restatement, GASB 75	16,659	17,571	34,230
Net position - beginning of year, as restated	2,900,891	3,911,595	6,812,486
Net position - ending	\$ 3,437,187	\$ 3,835,603	\$ 7,272,790

City of Palm Coast, Florida
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2018

	Business-type Activities-Nonmajor Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,330,305	\$ 552,863	\$ 2,883,168
Cash received from interfund charges		2,107,594	2,107,594
Cash paid to suppliers	(808,915)	(1,729,967)	(2,538,882)
Cash paid to employees	(933,781)	(723,819)	(1,657,600)
Net cash provided by (used in) operating activities	587,609	206,671	794,280
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out to other funds	(26,422)	(16,131)	(42,553)
Net cash provided by (used in) noncapital financing activities	(26,422)	(16,131)	(42,553)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Loan principal payments	-	(17,649)	(17,649)
Acquisition and construction of property, plant and equipment	(11,543)	(130,290)	(141,833)
Net cash provided by (used in) capital and related financing activities	(11,543)	(147,939)	(159,482)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	26,888	7,932	34,820
Net cash provided by (used in) investing activities	26,888	7,932	34,820
Net increase (decrease) in cash and cash equivalents	576,532	50,533	627,065
Beginning cash and cash equivalents	3,115,023	1,005,410	4,120,433
Ending cash and cash equivalents	\$ 3,691,555	\$ 1,055,943	\$ 4,747,498

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds
For the Year Ended September 30, 2018

	<u>Business-type Activities-Nonmajor Enterprise Funds</u>		
	<u>Building Permits Fund</u>	<u>Information Technology Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 535,830	\$ (67,793)	\$ 468,037
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	321	391,275	391,596
Change in assets and liabilities:			
Accounts receivable	(400)	(38,394)	(38,794)
Prepays	(1,491)	(867)	(2,358)
Accounts payable	22,120	(31,424)	(9,304)
Accrued liabilities	7,902	4,153	12,055
Customer deposits	-	(32,240)	(32,240)
Compensated absences	23,327	(18,039)	5,288
Net cash provided by (used in) operating activities	<u>\$ 587,609</u>	<u>\$ 206,671</u>	<u>\$ 794,280</u>
CASH AND CASH EQUIVALENTS CLASSIFIED AS:			
Equity in pooled cash and investments in current assets	<u>3,691,555</u>	<u>1,055,943</u>	<u>4,747,498</u>
Total cash and cash equivalents	<u>\$ 3,691,555</u>	<u>\$ 1,055,943</u>	<u>\$ 4,747,498</u>



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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, 2018

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
ASSETS			
Current assets:			
Equity in pooled cash and investments	\$ 4,386,221	\$ 9,378,641	\$ 13,764,862
Accounts receivable - net	-	2,032	2,032
Inventories	-	40,137	40,137
Prepaid items	-	23,922	23,922
Due from other governments	-	2,091	2,091
Total current assets	4,386,221	9,446,823	13,833,044
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	18,917,656	18,917,656
Less accumulated depreciation	-	(11,514,856)	(11,514,856)
Total noncurrent assets	-	8,499,944	8,499,944
Deferred Outflows-OPEB	-	358	358
Total assets	\$ 4,386,221	\$ 17,947,125	\$ 22,333,346
LIABILITIES			
Current liabilities:			
Accounts payable	\$ -	\$ 116,495	\$ 116,495
Claims payable	380,292	-	380,292
Due to other governments	8,000	600,000	608,000
Compensated absences	-	24,898	24,898
Accrued liabilities	-	10,133	10,133
Total current liabilities	388,292	751,526	1,139,818
Noncurrent liabilities:			
Compensated absences	-	48,941	48,941
OPEB liability	-	15,893	15,893
Total noncurrent liabilities	-	64,834	64,834
Deferred Inflows-OPEB	-	629	629
Total liabilities	388,292	816,989	1,205,281
NET POSITION			
Net investment in capital assets	-	8,499,944	8,499,944
Unrestricted	3,997,929	8,630,192	12,628,121
Total net position	\$ 3,997,929	\$ 17,130,136	\$ 21,128,065

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2018

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
OPERATING REVENUES			
Charges for services:			
Risk management	\$ 4,334,862	\$ -	\$ 4,334,862
Fleet management	-	5,112,981	5,112,981
Total operating revenues	4,334,862	5,112,981	9,447,843
OPERATING EXPENSES			
Administrative	3,786,233	2,552,292	6,338,525
Depreciation	-	1,771,361	1,771,361
Total operating expenses	3,786,233	4,323,653	8,109,886
Operating income (loss)	548,629	789,328	1,337,957
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	31,209	66,547	97,756
Other	-	193,304	193,304
Total nonoperating revenues (expenses)	31,209	259,851	291,060
Income (loss) before capital contributions and transfers	579,838	1,049,179	1,629,017
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	337,400	337,400
Total transfers and contributions	-	337,400	337,400
Change in net position	579,838	1,386,579	1,966,417
NET POSITION			
Net position - beginning as previously reported	3,418,091	15,728,290	19,146,381
Restatement, GASB 75	-	15,267	15,267
Net position - beginning of year, as restated	3,418,091	15,743,557	19,161,648
Net position - ending	\$ 3,997,929	\$ 17,130,136	\$ 21,128,065

City of Palm Coast, Florida
Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2018

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Services Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 21,485	\$ 21,485
Cash received interfund charges	4,334,862	5,091,575	9,426,437
Cash paid to suppliers	(3,771,963)	(2,137,267)	(5,909,230)
Cash paid to employees	-	(419,738)	(419,738)
Net cash provided by (used in) operating activities	562,899	2,556,055	3,118,954
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer in from other funds	-	337,400	337,400
Net cash provided by (used in) noncapital financing activities	-	337,400	337,400
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of property, plant and equipment	-	(1,999,755)	(1,999,755)
Proceeds from the sale of capital assets	-	218,215	218,215
Net cash provided by (used in) capital and related financing activities	-	(1,781,540)	(1,781,540)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest on investments	31,209	66,547	97,756
Net cash provided by (used in) investing activities	31,209	66,547	97,756
Net increase (decrease) in cash and cash equivalents	594,108	1,178,462	1,772,570
Beginning cash and cash equivalents	3,792,113	8,200,179	11,992,292
Ending cash and cash equivalents	\$ 4,386,221	\$ 9,378,641	\$ 13,764,862

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended September 30, 2018

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 548,629	\$ 789,328	\$ 1,337,957
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,771,361	1,771,361
Change in assets and liabilities:			
Accounts receivable	-	79	79
Inventories	-	(12,059)	(12,059)
Prepays	-	(1,800)	(1,800)
Accounts payable	14,270	(7,106)	7,164
Accrued liabilities	-	4,628	4,628
Compensated absences	-	11,624	11,624
Net cash provided by (used in) operating activities	562,899	2,556,055	3,118,954
CASH AND CASH EQUIVALENTS CLASSIFIED AS:			
Equity in pooled cash and investments in current assets	\$ 4,386,221	\$ 9,378,641	\$ 13,764,862
Total cash and cash equivalents	\$ 4,386,221	\$ 9,378,641	\$ 13,764,862

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.

Contents	Page
Financial Trends	137
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Debt Capacity	146
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.	
Revenue Capacity	150
These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	
Demographic and Economic Information	151
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	
Operating Information	153
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.	

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									
	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 325,234,671
Restricted	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	10,380,209
Unrestricted	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	18,980,907
Total governmental activities net position	\$ 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	\$ 354,595,787
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 84,014,277
Restricted	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	21,774,289
Unrestricted	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	30,333,145
Total business-type activities net position	\$ 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	\$ 136,121,711
Primary government										
Invested in capital assets, net of related debt	\$ 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	\$ 409,248,948
Restricted	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	32,154,498
Unrestricted	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	49,314,052
Total primary government net position	\$ 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	\$ 490,717,498

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									
	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
General government	\$ 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	\$ 5,956,629
Public safety	9,558,547	11,029,379	10,653,813	10,144,341	10,874,585	11,032,501	10,522,359	11,013,862	11,332,196	12,187,040
Transportation and physical environment	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	20,049,609
Culture and recreation	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	7,000,755
Interest on long-term debt	314,337	545,416	698,126	652,050	519,669	676,742	604,034	578,231	523,790	484,548
Total governmental activities expenses	\$ 33,708,305	\$ 33,293,091	\$ 34,491,946	\$ 33,069,422	\$ 35,102,326	\$ 35,012,053	\$ 37,721,867	\$ 38,779,637	\$ 44,920,846	\$ 45,678,581
Business-type activities:										
Utility	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	37,488,776
Solid Waste	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	8,433,184
Stormwater	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	6,659,088
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	1,759,634
Information Technology	-	157,268	182,643	351,525	490,030	379,495	382,264	985,726	705,729	665,967
Golf Course (a)	84,219	1,876,394	1,910,096	1,806,088	1,753,323	1,778,396	-	-	-	-
Tennis Center (a)	242,969	284,483	353,796	267,918	295,279	309,891	-	-	-	-
Total business-type activities expenses	44,348,110	48,417,017	46,962,124	45,695,382	48,489,473	46,079,245	44,508,287	47,888,232	48,597,130	55,006,649
Total primary government expenses	\$ 78,056,415	\$ 81,710,108	\$ 81,454,070	\$ 78,764,804	\$ 83,591,799	\$ 81,091,298	\$ 82,230,154	\$ 86,667,869	\$ 93,517,976	\$ 100,685,230
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,409,425	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910	\$ 838,828	\$ 820,158	\$ 687,827	\$ 1,013,720	\$ 1,201,790
Public safety	1,028,174	679,557	305,916	386,798	1,215,566	946,722	355,063	232,048	148,114	80,103
Transportation and physical environment	93,136	92,840	133,064	132,838	125,186	130,888	116,916	173,143	146,937	162,769
Culture and recreation	193,571	158,546	398,520	436,185	360,585	234,388	1,640,631	1,683,747	1,635,056	1,665,539
Operating grants and contributions	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	4,254,944
Capital grants and contributions	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	4,553,519
Total governmental activities program revenues	\$ 17,537,022	\$ 10,140,996	\$ 8,237,121	\$ 9,938,273	\$ 14,988,500	\$ 12,182,919	\$ 14,966,587	\$ 12,331,337	\$ 28,911,016	\$ 11,918,664
Business-type activities:										
Charges for services:										
Utility	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	38,381,854
Solid Waste	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	8,363,015
Stormwater	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	7,422,747
Building Permits & Inspections	-	201,626	225,099	273,784	1,152,945	1,608,821	1,717,303	2,031,003	2,291,570	2,330,705
Information Technology and Communication	-	246,094	322,337	659,065	639,557	677,563	669,141	584,703	706,236	623,497
Golf Course	-	1,213,334	1,501,459	1,479,063	1,364,274	1,226,184	-	-	-	-
Tennis Center	153,925	164,404	181,598	157,818	190,277	210,348	-	-	-	-
Operating grants and contributions	-	-	-	477,582	-	-	-	-	-	1,560,284
Capital grants and contributions	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	6,162,184
Total business-type activities program revenues	53,060,644	45,715,260	45,053,471	47,803,789	48,860,505	55,313,837	54,691,890	59,766,795	62,406,288	64,844,286
Total primary government program revenues	\$ 70,597,666	\$ 55,856,256	\$ 53,290,592	\$ 57,742,062	\$ 63,849,005	\$ 67,496,756	\$ 69,658,477	\$ 72,098,132	\$ 91,317,304	\$ 76,762,950

	Fiscal Year									
	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$(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)	\$(33,759,917)
Business-type activities	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	9,837,637
Total primary government net expense	\$(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)	\$(23,922,280)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 21,066,081
Sales and use taxes	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	3,111,226
Telecommunication services tax	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	2,297,782
Franchise taxes	58,423	744,353	660,354	651,129	661,438	784,758	683,099	731,563	790,697	839,511
Other local taxes	-	404,685	414,385	378,989	404,686	346,157	448,611	431,683	400,099	426,105
Intergovernmental revenue, non-program	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	4,704,629
Unrestricted investment earnings	1,244,703	888,531	388,707	461,968	287,289	82,174	17,896	245,858	172,268	287,570
Rental income	102,334	-	-	-	-	-	-	-	-	-
Miscellaneous	75,211	21,425	26,779	41,832	77,326	41,105	60,404	70,507	70,126	187,331
Gain on sale of capital assets	231,860	81,725	16,241	-	191,139	280,593	208,563	213,336	245,261	-
Transfers	5,756,982	(5,822,903)	506,290	(7,463,594)	752,404	521,522	7,983,567	1,157,742	981,364	832,828
Total governmental activities	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	33,753,063
Business-type activities:										
Property Taxes	-	-	-	1,686,100	245,750	275,133	316,403	363,863	418,442	502,590
Unrestricted investment earnings	833,213	647,219	467,954	224,542	6,552	182,978	409,685	460,402	411,102	612,838
Other income	524,881	-	-	1,641	-	-	15,346	21,765	-	-
Transfers	(5,756,982)	5,822,903	(506,290)	7,463,594	(752,404)	(521,522)	(7,983,567)	(1,157,742)	(981,364)	(832,828)
Total business-type activities	(4,398,888)	6,470,122	(38,336)	9,375,877	(500,102)	(63,411)	(7,242,133)	(311,712)	(151,820)	282,600
Total primary government	\$ 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	\$ 34,035,663
Change in Net Position										
Governmental activities	\$ 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	\$(6,854)
Business-type activities	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	10,120,237
Total primary government	\$ 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	\$ 10,113,383

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									
	2009	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 7,141,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,033,713	-	-	-	-	-	-	-	-	-
Nonspendable	-	5,975,576	5,979,178	5,982,244	5,986,187	186,156	274,551	233,082	190,280	193,824
Restricted	-	-	-	55,221	55,221	55,221	55,221	33,918	11,596	11,695
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	2,744,058
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	7,943,802
Total general fund	\$ 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	\$ 10,893,379
All Other Governmental Funds										
Reserved	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	7,517,095	-	-	-	-	-	-	-	-	-
Special revenue funds	(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	10,368,514
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	2,992,575
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)	(3,989,766)
Total all other governmental funds	\$ 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	\$ 9,371,323

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 30,010,630
Licenses and permits	1,147,673	391,479	160,742	210,196	229,590	252,150	221,940	211,822	196,332	179,458
Intergovernmental revenues	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	7,728,828
Charges for services	4,197,416	2,552,903	2,836,649	2,740,171	2,572,727	2,712,048	4,098,519	4,872,149	5,417,506	6,160,086
Special assessments	38,701	219,391	250,342	129,899	-	248,079	247,559	327,571	333,148	333,494
Fines and forfeitures	1,398,511	1,043,095	656,694	739,411	1,578,139	1,556,456	854,187	574,371	614,849	589,441
Impact fees	1,281,486	1,216,661	664,827	746,167	1,254,980	1,817,218	1,699,219	2,790,609	3,112,084	3,303,542
Contributions	21,295	14,348	6,603	58,949	2,217	4,801	5,739	5,492	-	-
Rental income	102,334	-	-	-	-	-	-	-	-	-
Investment Earnings	1,203,109	833,589	371,817	421,111	287,289	82,174	12,505	176,120	129,682	189,814
Miscellaneous	75,211	21,425	26,779	38,946	77,326	41,105	60,404	70,507	70,126	187,331
Total revenues	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	48,682,624
Expenditures										
Current:										
General government	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	10,311,850
Public safety	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	11,832,751
Transportation and physical environment	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	9,475,669
Culture and recreation	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	5,186,516
Capital outlay	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	7,302,868
Debt Service:										
Principal	36,150	267,623	225,930	210,000	393,000	605,000	623,000	641,000	660,000	680,000
Interest and Other	314,337	545,416	698,126	652,050	519,669	676,742	604,034	578,231	523,790	484,548
Total expenditures	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	45,274,202
Excess of revenues over (under) expenditures	(18,193,115)	(13,112,509)	(930,267)	3,293,395	5,452,226	(4,060,660)	(7,272,631)	894,526	(544,653)	3,408,422
Other Financing Sources (Uses)										
Sale of capital assets	2,903,420	1,827,280	11,961	-	-	-	-	-	8,000	685,630
Loan and capital lease proceeds	-	4,000,000	-	-	2,088,000	5,839,000	-	-	-	-
Transfers In	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	2,980,417
Transfers Out	(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)	(2,484,989)
Total other financing sources (uses)	8,140,493	(128,913)	451,789	(7,463,594)	2,758,089	6,112,244	1,596,242	802,742	778,774	1,181,058
Net change in fund balances	\$(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	\$ 4,589,480
Debt Service as a percentage of noncapital expenditures	1.14	2.78	3.30	3.27	3.28	4.57	3.98	3.78	3.21	3.07

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	Less: Homestead Exemption (1)	Less: Save our Homes (2)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2009	\$ 7,048,853,617	\$ 626,574,296	\$ 56,439,734	\$ 64,271,265	\$ 63,863,079	\$ 344,342,373	\$ 425,467,243	\$ 1,153,749,410	\$ 693,792,399	\$ 650,304,629	\$ 6,131,965,169	2.96
2010	5,810,369,969	640,358,943	57,394,160	81,593,288	79,017,915	363,209,622	413,135,467	1,178,584,144	325,396,383	692,916,836	5,248,182,001	3.50
2011	4,970,838,657	513,132,872	44,840,929	84,260,704	74,519,213	323,857,469	369,655,823	1,176,726,372	111,171,325	626,703,217	4,466,504,753	3.50
2012	4,421,050,448	449,685,207	40,410,099	84,665,638	71,488,036	304,706,672	367,156,410	1,056,115,106	123,622,919	667,830,359	3,891,594,126	3.99
2013	4,208,752,204	505,252,669	35,648,257	73,437,297	71,483,536	299,076,871	365,596,411	1,039,691,458	173,517,550	699,916,216	3,646,122,021	4.30
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
2018	5,900,533,631	502,507,533	30,216,206	73,127,073	78,454,660	302,274,225	410,550,306	1,143,964,957	738,528,052	802,592,939	4,612,577,686	4.59

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	School District	Flagler County	East Flagler Mosquito Control District	St Johns River Water Management District	Florida Inland Navigation District
2009	2.6123	0.3500	2.96230	7.31000	4.54450	0.17300	0.41580	0.03450
2010	3.1500	0.3500	3.50000	7.76800	5.24790	0.20380	0.41580	0.03450
2011	3.5000	-	3.50000	8.01300	6.05500	0.20380	0.41580	0.03450
2012	3.5400	0.4500	3.99000	8.03100	6.78140	0.23900	0.33130	0.03450
2013	4.1502	0.1456	4.29580	7.94300	7.66200	0.25400	0.33130	0.03450
2014	4.1932	0.0773	4.27050	7.44200	8.57530	0.25330	0.32830	0.03450
2015	4.1608	0.0842	4.24500	7.44600	8.53900	0.24230	0.31640	0.03450
2016	4.0828	0.1622	4.24500	7.25500	8.46680	0.23760	0.30230	0.03200
2017	4.1120	0.1330	4.24500	6.95200	8.63170	0.23950	0.28850	0.03200
2018	4.3461	0.2476	4.59370	6.63900	8.61170	0.24030	0.27240	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	2018			2009		
	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	\$ 85,947,051	1	1.863%	-	-	-
EBSCO INTEGRA WOODS	24,400,000	2	0.529%	-	-	-
KRG PALM COAST LANDING LLC	22,505,717	3	0.488%	-	-	-
BRANCH ISLAND WALK ASSOCIATES	19,183,000	4	0.416%	-	-	-
PINE LAKES ACQUISITIONS LLC	14,200,000	5	0.308%	-	-	-
PALM COAST MEDICAL SPECIALISTS	11,896,203	6	0.258%	-	-	-
FLORIDA LANDMARK COMMUNITIES	10,717,226	7	0.232%	-	-	-
BRIGHTHOUSE NETWORKS	10,540,835	8	0.229%	-	-	-
WAL-MART STORES EAST LP	10,348,455	9	0.224%	-	-	-
LVC TIMESHARE DEVELOPER	10,346,400	10	0.224%	-	-	-
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%
	<u>\$ 220,084,887</u>		<u>4.771%</u>	<u>\$ 140,605,717</u>		<u>2.006%</u>

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	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
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
2018	21,197,632	20,428,875	96.37	19,925	20,448,800	96.47

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				Total Primary Government	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Personal Income (thousands of dollars)	Estimated Population	Percentage of Personal Income (d)	Per Capita (d)
	CDBG Loan	SRF/Bank Loan (c)	Equipment Loan	Utility Revenue Bonds (a)	Utility SRF Loan (b)	Stormwater SRF/Bank Loan (b)	IT Capital Leases							
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
2018	-	7,685,000	-	82,564,998	81,395,802	7,991,320	15,897	179,653,017	4,612,577,686	3.89	4,800,969	84,575	3.74	2,124

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 151 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			Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Estimated Population	Per Capita
Fiscal Year	Local Government Pooled Loan	Total				
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	-
2018	-	-	4,612,577,686	-	84,575	-

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, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Flagler County General Obligation Bonds, Series 2015	\$ 22,690,000	58.53	\$ 13,280,209
Flagler County Refunding Limited Tax General Obligation Bonds, Series 2016	10,780,000	58.53	6,309,416
Flagler County Limited Tax General Obligation Bonds, Series 2005	-	58.53	-
Flagler County Limited Tax General Obligation Bonds, Series 2009	470,000	58.53	275,086
Other debt			
Flagler County School Board District Certificates of Participation	51,340,000	58.53	30,048,742
Flagler County School Board District State School Bonds	386,000	58.53	225,922
Flagler County School Board District Revenue Bonds	1,565,000	58.53	915,977
Flagler County Tourist Development Revenue Bonds, Series 2017	6,536,000	58.53	3,825,449
Flagler County Notes Payable	6,820,000	58.53	3,991,672
Flagler County Refunding Capital Improvement Revenue Bonds, Series 2016	39,800,000	58.53	23,294,506
Subtotal, overlapping debt			82,166,979
City Direct Debt			<u>7,685,000</u>
Total Direct and overlapping debt			<u><u>\$ 89,851,979</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)	Rate Stabilization Transfers To/(From) (3)	Net Available Revenue	Debt Service		Coverage	
					Principal	Interest		
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	4,414,000	4,762,556	2.16	
2018	38,572,424	22,097,569	-	16,474,855	4,591,000	4,573,764	1.80	

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
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%
2017	84,575		4,800,969		43,444	12,814	4.70%

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	2018			2009		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,750	1	3.90%			
Florida Hospital-Flagler	1,115	2	2.48%	1,800	1	5.64%
Palm Coast Data	750	3	1.67%	645	3	2.02%
Hammock Beach Resort	505	4	1.13%	-	-	-
Publix Supermarkets	491	5	1.09%	976	2	3.06%
City of Palm Coast	452	6	1.01%	466	5	1.46%
Insurance Services Office, inc.	326	7	0.73%			
Walmart	300	8	0.67%	575	4	1.80%
Florida Healthcare	300	9	0.67%	392	6	1.23%
Flagler County Sheriffs Office	295	10	0.66%	-	-	-
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%
Total	6,284		14.00%	5,399		16.92%

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 79% 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	2009	2010	2011 (b)	2012	2013	2014	2015	2016	2017	2018
General Government										
City Administration	22	15	15	15	13	15	15	15	15	17
City Attorney	1	1	1	1	1	1	1	1	1	1
City Clerk	-	-	1	1	2	2	2	2	2	2
Financial Services	9	8	8	8	8	8	8	8	9	9
Information Tech & Communications	15	12	-	-	-	-	-	-	-	-
Community Development	17	16	40	40	41	42	42	40	40	41
Building and Code Enforcement	45	41	-	-	-	-	-	-	-	-
Fire	67	66	62	62	59	59	58	58	58	58
Law Enforcement	1	-	-	-	-	-	-	-	-	-
Streets and Facilities	64	54	59	59	65	65	68	67	70	75
Engineering	17	9	7	7	6	6	4	-	-	-
Construction Management & Engineering	-	-	-	-	-	-	-	16	19	20
Recreation and Athletics	27	19	19	19	20	20	20	21	21	21
Water and Wastewater Utility (1)	116	113	115	115	118	118	121	120	125	128
Stormwater Management (2)	30	37	30	30	30	30	32	27	27	27
Golf Course	-	-	-	-	-	-	-	-	-	10
Building Permits	-	-	15	15	14	15	17	17	17	18
Information Technology	-	-	13	13	11	11	11	11	11	13
Tennis Center	3	3	-	-	-	-	-	-	-	4
Fleet Management	3	3	3	3	4	4	6	6	7	7
Facilities Management	-	-	-	-	-	-	-	4	2	2
Total	437	397	388	388	392	396	405	413	424	450

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Building Permits Issued										
Residential	132	127	96	108	248	340	359	484	633	777
Commercial	17	26	15	12	145	370	531	114	84	66
Other	5,609	5,260	5,410	6,743	7,351	6,753	8,239	9,269	12,432	13,447
Total	5,758	5,413	5,521	6,863	7,744	7,463	9,129	9,867	13,149	14,290
Building Inspections	17,488	16,006	16,441	15,989	19,012	25,040	18,258	28,912	37,611	43,502
Code Violations										
Total Code Violations	18,775	23,749	21,261	23,201	22,287	19,123	17,632	16,135	17,079	17,769
Code Violations Cleared	13,028	16,500	19,995	22,907	20,671	18,516	17,321	15,473	16,677	17,372
Expenditures per Cleared Violation	\$ 143	\$ 125	\$ 105	\$ 143	\$ 104	\$ 118	\$ 125	\$ 129	\$ 145	\$ 143
Fire and Rescue										
Total Fire Calls (6)	222	186	278	213	179	149	185	166	737	772
Total EMS Calls	4,860	5,404	5,300	5,365	5,503	5,760	6,192	6,204	6,873	6,808
% Responses under 5 Minutes (5)	56%	61%	55%	56%	42%	41%	38%	-	-	-
% Responses under 7 Minutes (5)	-	-	-	-	-	-	-	66%	61%	61%
Public Works										
Refuse Collection (Annual Tons)	31,580	31,134	30,144	31,316	26,300	27,077	28,481	32,058	32,981	35,732
Recycle Collection (Annual Tons)(3)	3,969	3,982	3,960	4,038	4,840	5,857	11,453	5,188	5,037	4,735
Street Rehabilitation (Expenditures per capita)	\$ 55	\$ 52	\$ 70	\$ 66	\$ 68	\$ 70	\$ 68	\$ 69	\$ 72	\$ 40
Potholes Repaired	350	86	24	36	65	61	39	38	40	174
Parks and Recreation										
Developed Park Acres/1000 population	4.41	5.05	4.84	4.60	4.52	6.82	9.48	9.33	9.15	8.95
Recreation Program Expenditures/1000 population(4)	\$ 13,544	\$ 12,263	\$ 16,397	\$ 17,353	\$ 13,538	\$ 16,989	\$ 40,481	\$ 40,762	\$ 37,762	\$ 37,682
Total Recreation Revenues/1000 population(4)	\$ 3,769	\$ 2,145	\$ 2,271	\$ 2,277	\$ 2,152	\$ 2,153	\$ 20,554	\$ 20,741	\$ 19,061	\$ 19,082
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%	6%	-	-	-	-	5%	4%	4%	4%
Hazardous Drainage Conditions Resolved -										
100% Repaired in 24 Hours	-	85.70%	100%	100%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	1,599	481	201	229	114	163	525	618	715	932
Peak Daily Water Demand (Million gallons per day)	10.9	10.4	10.1	9.7	11.1	9.4	9.4	10.25	9.22	9.71
Wastewater (2)										
Peak Daily Wastewater Treated	10.62	6.9	11.8	6.83	6.83	6.83	6.83	6.83	7.14	13.5
(Million gallons per day)										

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and Rescue										
Stations	5	5	5	5	5	5	5	5	5	5
Apparatus	15	17	16	20	20	20	20	20	20	20
Public Works										
Streets (miles)	1,102	1,138	1,169	1,169	1,169	1,169	1,169	1,169	1,176	1,176
Traffic Signals	47	47	50	52	52	54	50	53	53	53
Fleet Size	283	246	242	235	235	241	215	220	231	235
Parks and Recreation										
Acreage	746	746	1,278	1,265	1,265	1,275	1,275	1,275	1,275	1,302
Playgrounds	7	7	7	8	8	8	8	8	8	8
Athletic Fields	22	19	20	20	20	22	25	22	25	25
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	1,200	1,200	1,100	1,100	1,100	1,200	1,222	1,222	1,222	1,222
Drainage ditches (miles)	150	150	154	154	154	154	154	172	172	177
Canals (miles)	80	80	84	84	84	84	84	84	84	84
Water control structures	19	19	31	31	31	31	31	31	31	31
Water (2)										
Water Mains (miles)	679	679	714	714	714	714	716	721	721	734
Fire Hydrants	3,717	3,772	3,772	3,784	3,784	3,780	3,805	3,826	3,826	3,860
Capacity (millions of gallons per day)	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	16.58
Wastewater (2)										
Sewers (miles)	613	613	613	620	620	622	623	633	633	635
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	8.83

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, 2018, 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 February 25, 2019.

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.

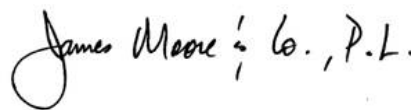
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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, looped initial 'J'.

Daytona Beach, Florida
February 25, 2019

CITY OF PALM COAST, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Agency, Pass-Through Entity	CFDA Number	Contract / Grant Number	Program Expenditures
FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants			
Total Entitlement Grants Cluster and U.S. Department of Housing and Urban Development	14.218	B-12-MC-12-0060	\$ 389,951
U.S. Department of Environmental Protection			
Passed Through Florida Department of Environmental Protection:			
Capitalization Grants for Clean Water State Revolving Funds			
Total Clean Water State Revolving Fund Cluster and U.S. Department of Environmental Protection	66.458	CS12000116-0 / WW180420	2,527,234
U.S. Department of Transportation			
Passed Through Florida Department of Transportation:			
Highway Planning and Construction	20.205	G0064	514,666
Highway Planning and Construction	20.205	G0U39	302,544
Total Highway Planning and Construction Cluster and U.S. Department of Transportation			817,210
U.S. Department of Homeland Security - Federal Emergency Management Agency			
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	1,396,601
Disaster Grants - Public Assistance Hurricane Irma Declaration	97.036	17-PA-U5-04-28-01-346	860,121
Total Disaster Grants - Public Assistance			2,256,722
Hazard Mitigation Grant	97.039	4283-24-R	8,400
Total U.S. Department of Homeland Security			2,265,122
Total Expenditures of Federal Awards			<u><u>\$ 5,999,517</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, 2018

(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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(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, 2018.

(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, 2018, only \$2,260,472 of the City of Palm Coast, Florida's PWs from these storms had been approved by FEMA. \$2,256,722 is recognized on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2018 and \$3,750 was recognized on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2017. \$4,083,665 of additional 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 the PWs are approved by FEMA.

CITY OF PALM COAST, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 Uniform Guidance? _____ yes X no

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Program Name</u>
20.205	Highway Planning and Construction Cluster
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B Federal programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

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, 2018.

**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 (the City) compliance with the types of compliance requirements described in the *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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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.

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Opinion on Each Major Federal Program

In our opinion, the City of Palm Coast, Florida complied, in all material respects, with the 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, 2018.

Report on Internal Control over Compliance

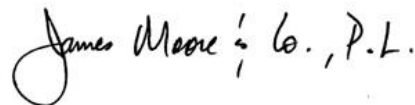
Management of the City of Palm Coast, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Palm Coast, Florida's internal 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
February 25, 2019

A handwritten signature in black ink, reading "James Moore, Jr., P.L.", is written over a horizontal line.

**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, 2018, and have issued our report thereon dated February 25, 2019.

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 February 25, 2019, 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. No findings and recommendations existed 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 discretely presented component units related to the City as of September 30, 2018.

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.

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.

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

Daytona Beach, Florida
February 25, 2019

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

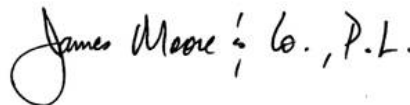
To the Honorable Mayor, City Council, and City Manager,
City of Palm Coast, Florida:

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, 2018. 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, 2018, 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, 2018.

Daytona Beach, Florida
February 25, 2019



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city of
PALM COAST

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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.

Beau Falgout, Interim 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 Beau Falgout, Interim 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 4th day of March 2019.



Virginia A. Smith
Notary Public - State of Florida



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