



2019

# Comprehensive Annual Financial Report

For the Fiscal Year Ending September 30, 2019



city of  
**PALM COAST**

**CITY OF PALM COAST, FLORIDA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For The Year Ended September 30, 2019**

**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, 2019**

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## **LETTER OF TRANSMITTAL**



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## CITY MANAGER'S OFFICE

February 26, 2020

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, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

### **Profile of the Government**

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

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

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

The City of Palm Coast currently has a population of 86,768 residents and covers an area of approximately 89 square miles. For fiscal year 2020, property within the City has a taxable value of \$5,452,170,314. This was an increase of approximately nine percent from 2019. The City's property tax rate for fiscal year 2020 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 2019, during the annual evaluation of the Strategic Action Plan and through a series of workshops, the City Council adopted seven priority focus areas and associated key initiatives to enhance communication infrastructure, enhance community engagement, develop a business friendly initiative, develop the innovation district, improve streetlights and safety, invest in the street maintenance program and focus on service delivery and efficiency.

The City's economy continues to steadily improve. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2019 with the median sales price up 3.7% and with values expected to continue to appreciate in 2020. Single-family permits are up again with 809 permits issued in 2019, the eighth straight year of increased permit activity. Unemployment remains low and was reported at 4% at the end of 2019.

A particular bright spot has been taxable sales within the City. We have seen over a 39% increase in taxable sales since 2012, which represents an increase of \$224 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 2020 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 9%. 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.

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 in fiscal year 2019 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 2020, 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 adoption of a key area focused on the development of a business friendly initiative to ensure enhanced customer service and communication, simplify and streamline regulatory processes.

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.

In fiscal year 2018, 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 provides 88 new homes in 2020. In fiscal year 2019 the City received its second project in the Innovation District which will provide additional 233 new homes in fiscal year 2020.

## 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, 2018. 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 2018 Popular Annual Financial Report. This is the sixth year that Palm Coast has received this award.

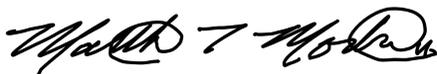
The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2019 budget document. This is the sixteenth consecutive year that Palm Coast has received this award.

The City of Palm Coast also received the ICMA Certificate of Distinction for its Fiscal Year 2019 performance management process. This is the sixth 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 Financial Services 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 unflinching support for maintaining the highest standards of professionalism in the management of the City of Palm Coast's finances.

Respectfully submitted,



Matthew Morton  
City Manager



Helena Alves  
Financial Services 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

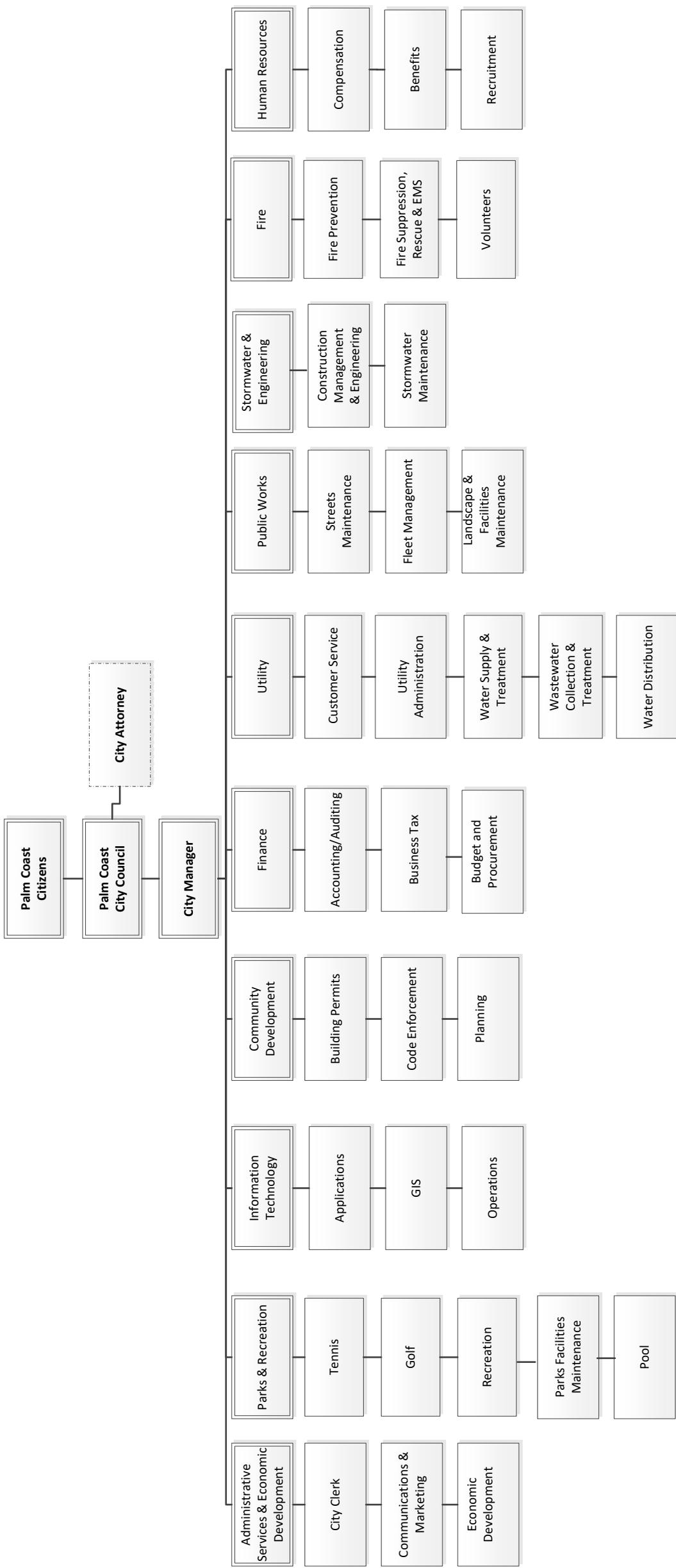
**September 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



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**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2019**

**ELECTED OFFICIALS**

Mayor

Honorable Milissa Holland

City Council Members:

Robert Cuff  
Nick Klufas  
Jack Howell  
Eddie Branquinho

**CITY OFFICIALS**

City Manager

Matthew Morton

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

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

### ***Other Information***

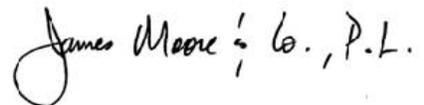
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Coast, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, 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 26, 2020, 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 solely 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palm Coast, Florida's internal control over financial reporting and compliance.



Daytona Beach, Florida  
February 26, 2020

## **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, 2019. 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 2019 by \$510,647,998. Of this amount, \$59,582,373 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$19,930,500. Approximately \$8 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. There was a \$5.5 million increase in the capital projects fund for revenues collected to be used in future projects. The balance of the increase was primarily due to stormwater revenue collected to be expended in the next year, and impact fees collected for future projects.
- As of the close of fiscal year 2019, the City's governmental funds reported combined ending fund balances of \$33,318,307 an increase of \$13,053,605 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 and capital projects revenues collected for future projects.
- At the end of fiscal year 2019, unassigned fund balance in the general fund was \$10,338,267 or 30.6% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$10,054,574 during the current fiscal year. This was primarily due to principal payments made during the fiscal year.
- The application of GASB Statement No. 68 resulted in recording of a Net Pension Liability and Asset, as well as related Deferred Inflow and Outflows. The net result of these transactions was a decrease in unrestricted net position of \$1,222,565.

### 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 fiber and cell tower activities. 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, information technology (IT) operations, 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 37-88 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 89-100 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 \$510,647,998 at the close of the most recent fiscal year.

Of the net position, 11% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 8% 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 80% 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					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 61,609,061	\$ 49,228,900	\$ 66,974,602	\$ 62,793,335	\$ 128,583,663	\$ 112,022,235
Capital assets	327,277,833	332,919,671	243,727,442	245,958,441	571,005,275	578,878,112
Total assets	388,886,894	382,148,571	310,702,044	308,751,776	699,588,938	690,900,347
Total deferred outflows of resources	1,097,717	1,286,160	995,877	1,102,675	2,093,594	2,388,835
Long-term liabilities	12,326,805	13,257,602	164,117,280	173,301,766	176,444,085	186,559,368
Other liabilities	14,561,384	15,182,835	352,094	(87,975)	14,913,478	15,094,860
Total liabilities	26,888,189	28,440,437	164,469,374	173,213,791	191,357,563	201,654,228
Total deferred inflows of resources	797,542	398,507	460,821	508,828	1,258,363	907,335
Net position:						
Net investment in capital assets	320,293,833	325,234,671	87,229,370	84,014,277	407,523,203	409,248,948
Restricted	20,215,344	10,380,209	24,459,578	21,774,289	44,674,922	32,154,498
Unrestricted	23,371,095	18,980,907	35,078,778	30,333,145	58,449,873	49,314,052
Total net position	\$ 363,880,272	\$ 354,595,787	\$ 146,767,226	\$ 136,121,711	\$ 510,647,998	\$ 490,717,498

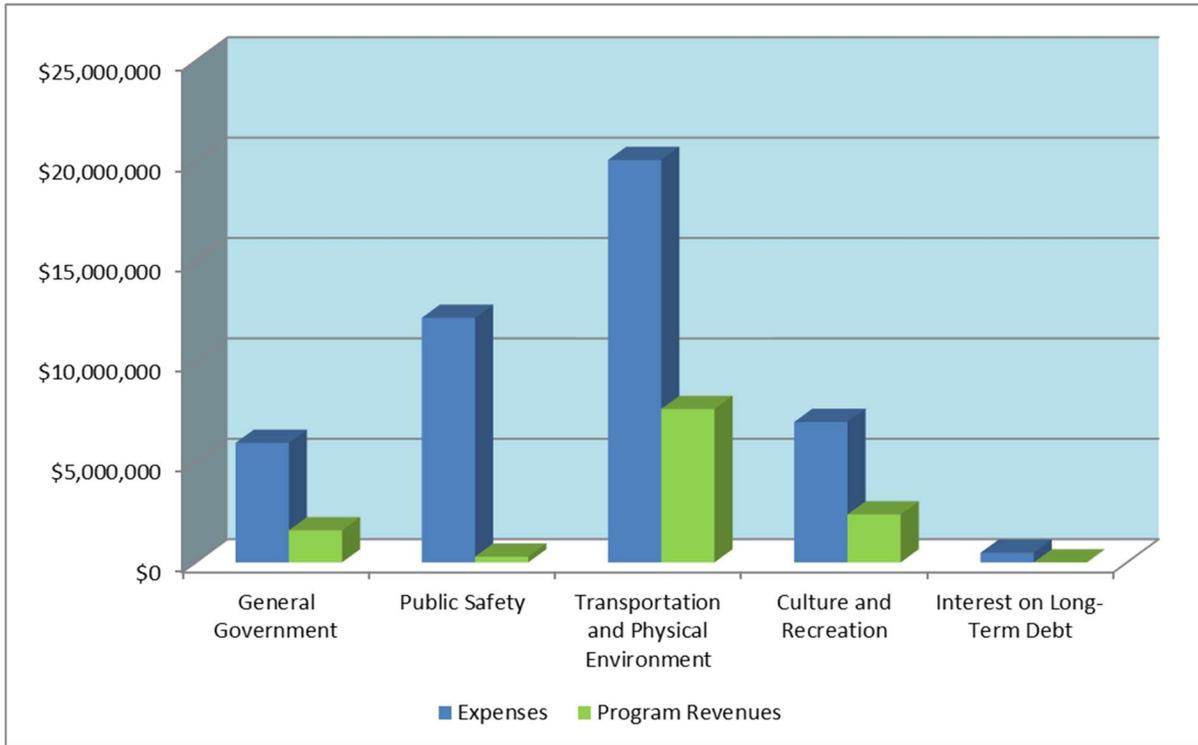
## Governmental Activities

Governmental activities increased the City of Palm Coast's net position by \$9,284,485 during the current fiscal year. Factors include revenues in excess of expenditures in the general fund, accumulation of impact fees due to increased development in the community, and accumulation of revenues planned in the capital projects fund for future projects. Long-term liabilities decreased \$882,265 primarily due to principal payments made and a decrease in the FRS net pension liability for the year. Governmental activities unrestricted net position increased by \$4,390,188. The primary driver for this increase was revenues in excess of expenditures in the general fund. Capital grants and contributions increased \$1,279,978 primarily due to donated land received during the last fiscal year. Operating grants and contributions decreased \$1,100,346 primarily due to FEMA hurricane reimbursements receivables recorded in the prior years. Property taxes increased \$2,326,296 due to a 9% increase in taxable value throughout the City. Other revenue increased \$1,172,671 mainly due to the increase in interest revenue and increase in fair market value of investments. Transportation and physical environment expenditures decreased by \$2,820,374 mainly due to hurricane expenditures incurred in the previous fiscal year combined with streets projects to be carried into next fiscal year.

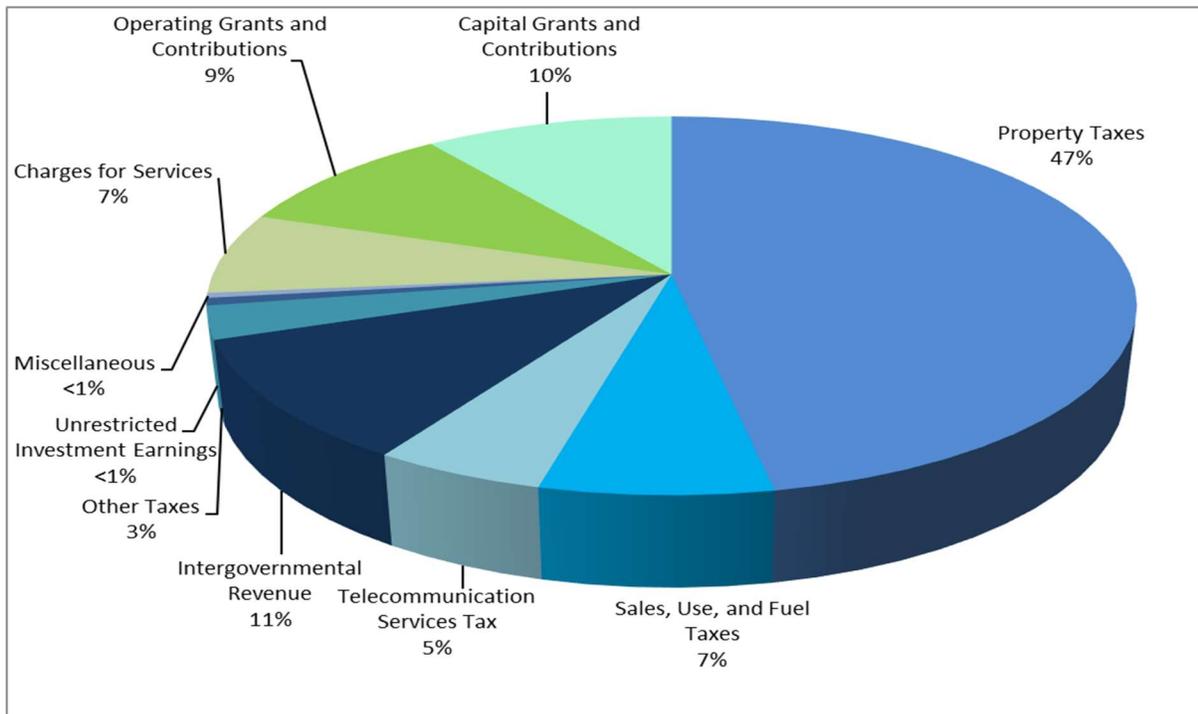
**Table II**  
**City of Palm Coast's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,389,445	\$ 3,110,201	\$ 63,459,249	\$ 57,121,818	\$ 66,848,694	\$ 60,232,019
Operating grants and contributions	3,154,598	4,254,944	92,023	1,560,284	3,246,621	5,815,228
Capital grants and contributions	5,833,497	4,553,519	7,498,356	6,162,184	13,331,853	10,715,703
General revenues:					-	
Property taxes	23,392,377	21,066,081	520,000	502,590	23,912,377	21,568,671
Other taxes	6,929,072	6,674,624	-	-	6,929,072	6,674,624
Intergovernmental	4,799,363	4,704,629	-	-	4,799,363	4,704,629
Other	1,647,572	474,901	1,880,936	612,838	3,528,508	1,087,739
Total revenues	49,145,924	44,838,899	73,450,564	65,959,714	122,596,488	110,798,613
Expenses:						
General government	6,642,183	5,956,629	-	-	6,642,183	5,956,629
Public safety	12,636,325	12,187,040	-	-	12,636,325	12,187,040
Transportation and physical environment	17,229,235	20,049,609	-	-	17,229,235	20,049,609
Culture and recreation	7,503,004	7,000,755	-	-	7,503,004	7,000,755
Utility	-	-	39,575,224	37,488,776	39,575,224	37,488,776
Solid waste	-	-	8,559,838	8,433,184	8,559,838	8,433,184
Stormwater	-	-	7,684,611	6,659,088	7,684,611	6,659,088
Building permits	-	-	1,845,080	1,759,634	1,845,080	1,759,634
Information technology	-	-	528,999	665,967	528,999	665,967
Interest on long-term debt	461,489	484,548	-	-	461,489	484,548
Total expenses	44,472,236	45,678,581	58,193,752	55,006,649	102,665,988	100,685,230
Increase (decrease) in net position before transfers	4,673,688	(839,682)	15,256,812	10,953,065	19,930,500	10,113,383
Transfers	4,610,797	832,828	(4,610,797)	(832,828)	-	-
Increase (decrease) in net position	9,284,485	(6,854)	10,646,015	10,120,237	19,930,500	10,113,383
Net position - beginning	354,595,787	354,602,641	136,121,711	126,001,474	490,717,498	480,604,115
Net position - ending	\$ 363,880,272	\$ 354,595,787	\$ 146,767,726	\$ 136,121,711	\$ 510,647,998	\$ 490,717,498

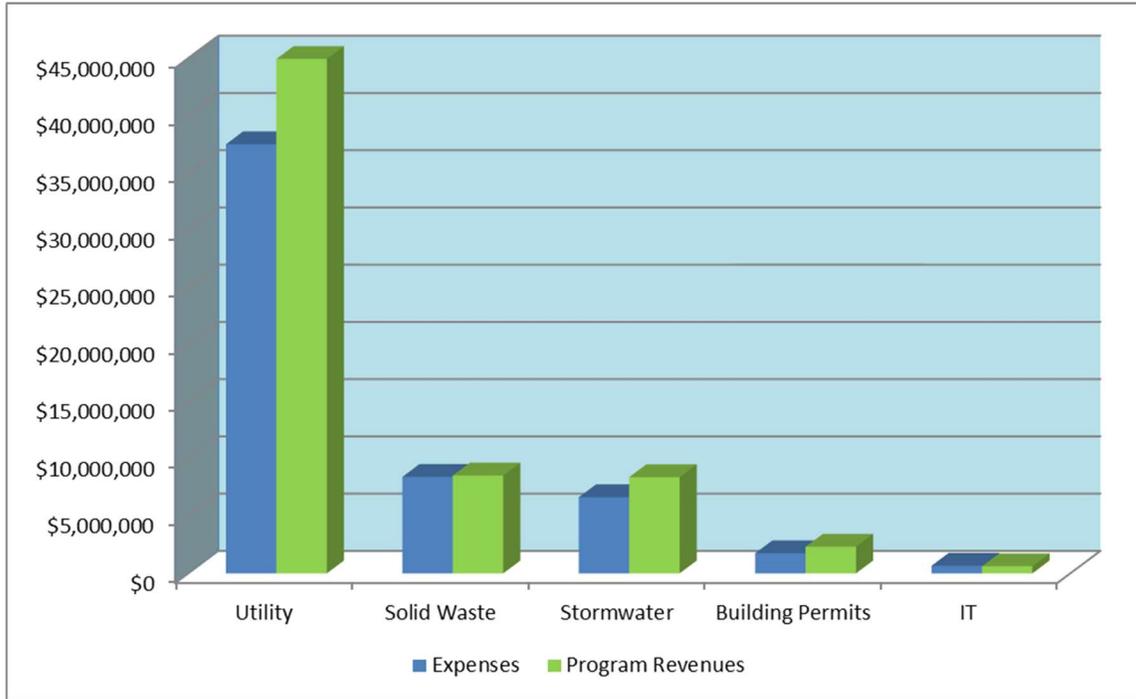
### Expenses and Program Revenues – Governmental Activities



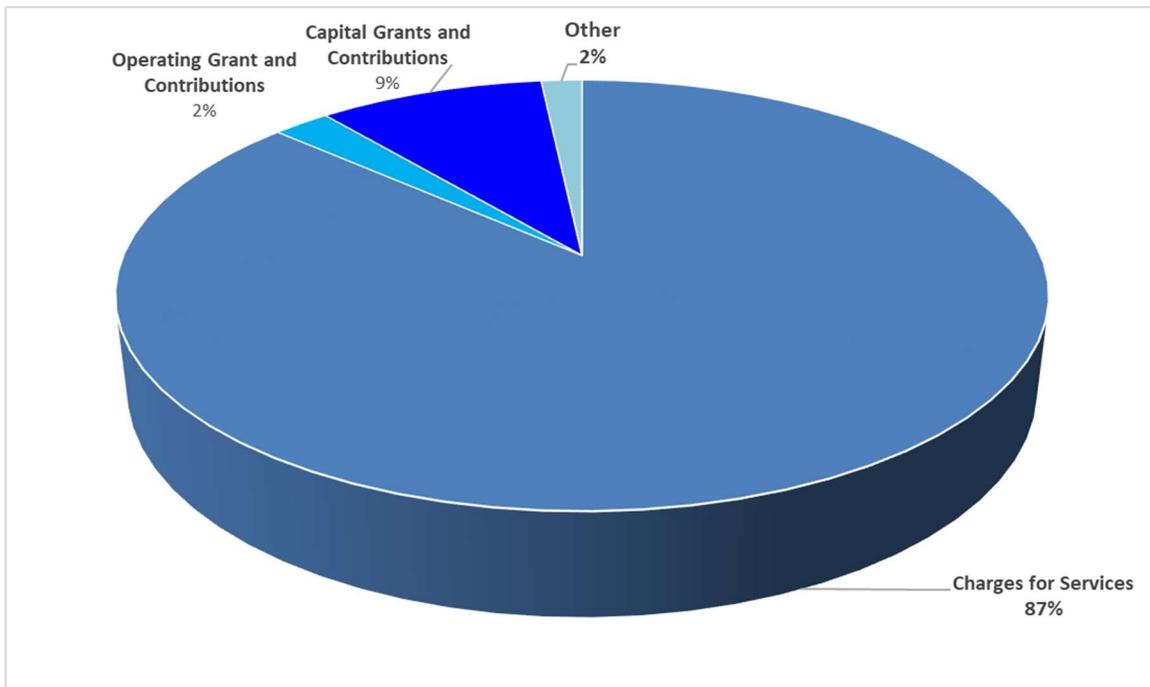
### Revenues by Source – Governmental Activities



### 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 \$10,646,015. The increase in net position was attributable to an approximately \$8 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 approximately \$2 million 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 \$4.7million. The increase of over \$2.7 million in restricted net position 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 \$10,338,267, with an additional \$2,861,815 committed for a disaster reserve. The total fund balance stood at \$13,390,266. 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 25% of total general fund expenditures for fiscal year 2019 and 23% for fiscal year 2018. Total fund balance represents approximately 33% of the total general fund expenditures versus 31% for fiscal year 2018.

The fund balance of the City of Palm Coast's general fund increased by \$2,496,887 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 \$8,493,609, an increase of \$5,501,034. This increase is primarily due to revenues collected for future projects. The transportation impact fee total fund balance was \$6,070,629, an increase of \$1,824,327. This is due to the accumulation of impact fee collections for future transportation projects. The streets improvement fund balance was \$6,025,169 representing an increase of \$2,097,449. This increase is primarily due to revenues exceeding expenditures for the year. The SR100 CRA fund balance was \$917,056, an increase of \$45,353 primarily due to excess revenues collected over expenditures incurred. The other governmental funds have a total fund balance deficit of \$1,578,422. This represents an increase of \$1,088,555 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 \$18,037,327 at the end of the year, with the total fund balance at \$106,099,913. The unrestricted net position increased \$1.5 million 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 \$1,734,227, which represents an increase of \$153,535. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$4,973,224, which represents an increase of \$2,348,025. This increase was due primarily to an increase in rates to support an enhanced stormwater capital plan adopted in fiscal year 2019.

Unrestricted net position in the building permits fund was \$4,071,247, which represents an increase of \$645,282. This increase is primarily due increased revenues from development within the City.

Unrestricted net position in the information technology fund (IT) was \$958,077, which represents an increase of \$85,806. This increase is primarily due to the decrease in invested in capital assets due to equipment depreciation net of a decrease in net position of \$383,780.

### **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. During the next year's budget discussion transfers to capital projects will be determined by City Council as per policy.

**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 17 on pages 87-88 of this report.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budgeted expenses totaled an increase of \$584,633 the effect of various minor operational increases and decreases across the different departments. During the year, final amended revenues exceeded the expenditure budget by \$4,285,087. 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.

## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2019, amounts to \$571,005,275 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, equipment and construction in progress. This investment decreased by \$7,872,837 for the current fiscal year. The overall decrease is due to road expansions, bridge rehabilitation, utility infrastructure, park expansions, during the fiscal year offset regular depreciation expense for the fiscal year.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Land	\$ 92,227,487	\$ 91,046,522	\$ 14,230,509	\$ 14,156,347	\$ 106,457,996	\$ 105,202,869
Buildings and improvements						
other than buildings	52,963,616	54,740,254	88,063,171	90,124,940	141,026,787	144,865,194
Infrastructure	164,498,997	172,064,521	137,767,781	139,871,823	302,266,778	311,936,344
Equipment	11,271,235	9,219,381	141,655	380,367	11,412,890	9,599,748
Construction in progress	6,316,498	5,848,993	3,524,326	1,424,964	9,840,824	7,273,957
<b>Total</b>	<b>\$ 327,277,833</b>	<b>\$ 332,919,671</b>	<b>\$ 243,727,442</b>	<b>\$ 245,958,441</b>	<b>\$ 571,005,275</b>	<b>\$ 578,878,112</b>

**Long-term debt.** The City of Palm Coast owes \$78,923,071 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 \$83,619,890 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$6,984,000 at year end. The remainder of the long-term debt is made up of compensated absences, an unfunded total OPEB liability, and a net pension liability. The total long-term debt of the City is \$177,086,019.

**Table IV**  
**City of Palm Coast's Long Term Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Loans from other governments	\$ -	\$ -	\$ 32,352,890	\$ 34,192,122	\$ 32,352,890	\$ 34,192,122
Loans from financial institutions	6,984,000	7,685,000	51,267,000	55,210,897	58,251,000	62,895,897
Revenue bonds, net	-	-	78,923,071	82,564,998	78,923,071	82,564,998
Net pension liability	3,119,945	3,318,028	-	-	3,119,945	3,318,028
OPEB liability	373,927	325,395	268,007	255,830	641,934	581,225
Compensated absences	2,222,860	2,254,574	1,574,319	1,333,749	3,797,179	3,588,323
<b>Total</b>	<b>\$ 12,700,732</b>	<b>\$ 13,582,997</b>	<b>\$ 164,385,287</b>	<b>\$ 173,557,596</b>	<b>\$ 177,086,019</b>	<b>\$ 187,140,593</b>

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on pages 57-63 of this report.

## **Next Year's Budget and Rates**

During the current fiscal year, unassigned fund balance in the general fund increased to \$10,338,267. The available fund balance, as a percentage of expenditures and transfers out is approximately 30.6%.

The City Council approved a millage rate of 4.6989 mills for fiscal year 2020. Of the total millage, .0996 mills will be dedicated to the stormwater fund. The balance of 4.5993 mills is assigned to the general fund. Market values of properties have increased for the seventh consecutive year. The increase in taxable value was approximately 9.1%. New construction added approximately 3.1% to the taxable value, therefore the City had a net 6% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2020 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, 2019. Annual C.P.I. adjustments take place annually starting in fiscal year 2021. 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 maintained a rating of 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 2020. 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 fiscal year 2020.

The fiscal year 2020 budget includes over \$70 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, and utility infrastructure expansion and replacements.

## **Requests for Information**

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

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

Telephone (386) 986-2360  
E-mail: [halves@palmcoastgov.com](mailto:halves@palmcoastgov.com)



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## **BASIC FINANCIAL STATEMENTS**



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**City of Palm Coast, Florida**  
**Statement of Net Position**  
**September 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 52,714,292	\$ 28,602,409	\$ 81,316,701
Accounts receivable - net	5,319,653	8,557,908	13,877,561
Due from other governments	3,330,649	474,907	3,805,556
Prepaid items	226,515	101,739	328,254
Inventories	17,952	703,207	721,159
Restricted assets:			
Equity in pooled cash and investments	-	28,534,432	28,534,432
Net pension asset	1,581,392	-	1,581,392
Capital assets not being depreciated			
Land	92,227,487	14,230,509	106,457,996
Construction in progress	6,316,498	3,524,326	9,840,824
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	52,963,616	88,063,171	141,026,787
Infrastructure	164,498,997	137,767,781	302,266,778
Equipment	11,271,235	141,655	11,412,890
<b>Total assets</b>	<b>390,468,286</b>	<b>310,702,044</b>	<b>701,170,330</b>
Deferred outflows of resources:			
Deferred outflows related to pensions	1,087,977	-	1,087,977
Deferred outflows-OPEB	9,740	6,981	16,721
Deferred loss on refunding	-	988,896	988,896
<b>Total deferred outflows of resources</b>	<b>1,097,717</b>	<b>995,877</b>	<b>2,093,594</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	2,834,950	2,657,566	5,492,516
Due to other governments	973,517	55,717	1,029,234
Internal balances	9,795,491	(9,795,491)	-
Customer deposits	356,837	4,037,914	4,394,751
Unearned revenue	226,662	51,783	278,445
Payable from restricted assets:			
Accrued bond interest payable	-	1,739,125	1,739,125
Accrued loan interest payable	-	189,360	189,360
Accounts payable	-	1,113,772	1,113,772
Contracts payable	-	34,341	34,341
Noncurrent liabilities:			
Due within one year	719,634	6,732,369	7,452,003
Due in more than one year	8,487,226	157,384,911	165,872,137
Total OPEB Liability	373,927	268,007	641,934
Net pension liability	3,119,945	-	3,119,945
<b>Total liabilities</b>	<b>26,888,189</b>	<b>164,469,374</b>	<b>191,357,563</b>
Deferred inflows of resources:			
Deferred gain on refunding	-	442,507	442,507
Deferred inflows relating to pensions	771,989	-	771,989
Deferred Inflows-OPEB	25,553	18,314	43,867
<b>Total deferred inflows of resources</b>	<b>797,542</b>	<b>460,821</b>	<b>1,258,363</b>
<b>NET POSITION</b>			
Net investment in capital assets	320,293,833	87,229,370	407,523,203
Restricted for:			
Construction	5,094,441	7,190,671	12,285,112
Debt service	-	5,264,561	5,264,561
Renewal and replacements	-	12,004,346	12,004,346
Public safety	1,233,248	-	1,233,248
Parks and Recreation	801,139	-	801,139
Transportation construction and maintenance	12,095,798	-	12,095,798
Redevelopment	917,056	-	917,056
Grants	73,662	-	73,662
Unrestricted	23,371,095	35,078,778	58,449,873
<b>Total net position</b>	<b>\$ 363,880,272</b>	<b>\$ 146,767,726</b>	<b>\$ 510,647,998</b>

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, 2019**

Functions/Programs	Program Revenues				Net(Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Primary Government	Business-Type Activities	Total
Primary government:							
General government	\$ 6,642,183	\$ 1,254,073	\$ 403,710	\$ -	\$ (4,984,400)	\$ -	\$ (4,984,400)
Public safety	12,636,325	78,536	77,300	283,571	(12,196,918)	-	(12,196,918)
Transportation and physical environment	17,229,235	162,071	2,653,936	4,492,113	(9,921,115)	-	(9,921,115)
Culture and recreation	7,503,004	1,894,765	19,652	1,057,813	(4,530,774)	-	(4,530,774)
Interest on long-term debt	461,489	-	-	-	(461,489)	-	(461,489)
Total government activities	44,472,236	3,389,445	3,154,598	5,833,497	(32,094,696)	-	(32,094,696)
Business-type activities:							
Utility	39,575,224	41,743,231	81,920	7,419,657	-	9,669,584	9,669,584
Solid waste	8,559,838	8,670,086	10,103	-	-	120,351	120,351
Stormwater	7,684,611	9,932,424	-	78,699	-	2,326,512	2,326,512
Building permits	1,845,080	2,408,796	-	-	-	563,716	563,716
Information technology	528,999	704,712	-	-	-	175,713	175,713
Total business-type activities	58,193,752	63,459,249	92,023	7,498,356	-	12,855,876	12,855,876
Total primary government	\$ 102,665,988	\$ 66,848,694	\$ 3,246,621	\$ 13,331,853	\$ (32,094,696)	\$ 12,855,876	\$ (19,238,820)

Property taxes	23,392,377	520,000	23,912,377
Sales and use taxes	3,189,999	-	3,189,999
Telecommunication services tax	2,265,385	-	2,265,385
Franchise taxes	952,955	-	952,955
Other local taxes	520,733	-	520,733
Intergovernmental revenue, non-program	4,799,363	-	4,799,363
Unrestricted investment earnings	1,465,960	1,880,936	3,346,896
Miscellaneous	181,612	-	181,612
Transfers	4,610,797	(4,610,797)	-
Total general revenues and transfers	41,379,181	(2,209,861)	39,169,320
Change in net position	9,284,485	10,646,015	19,930,500
Net position - beginning of year	354,595,787	136,121,711	490,717,498
Net position - end of year	\$ 363,880,272	\$ 146,767,726	\$ 510,647,998

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

**City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2019**

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 13,433,528	\$ 8,690,754	\$ 6,123,892	\$ 5,859,626	\$ 918,771	\$ 2,814,696	\$ 37,841,267
Accounts receivable - net	823,068	-	-	-	-	-	823,068
Special assessment receivable - net	-	-	-	-	-	4,490,815	4,490,815
Prepaid items	182,786	-	-	-	-	-	182,786
Due from other governments	2,007,643	544,881	37,018	367,913	-	371,320	3,328,775
<b>Total assets</b>	<b>\$ 16,447,025</b>	<b>\$ 9,235,635</b>	<b>\$ 6,160,910</b>	<b>\$ 6,227,539</b>	<b>\$ 918,771</b>	<b>\$ 7,676,831</b>	<b>\$ 46,666,711</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 524,075	\$ 742,026	\$ 90,281	\$ 202,370	\$ 1,715	\$ 141,423	\$ 1,701,890
Accrued liabilities	442,188	-	-	-	-	-	442,188
Due to other governments	966,517	-	-	-	-	7,000	973,517
Unearned revenue	-	-	-	-	-	226,662	226,662
Customer deposits	356,837	-	-	-	-	-	356,837
Advances from other funds	-	-	-	-	-	4,490,815	4,490,815
<b>Total liabilities</b>	<b>2,289,617</b>	<b>742,026</b>	<b>90,281</b>	<b>202,370</b>	<b>1,715</b>	<b>4,865,900</b>	<b>8,191,909</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - special assessments	-	-	-	-	-	4,389,353	4,389,353
Unavailable revenue - taxes	9,630	-	-	-	-	-	9,630
Unavailable revenue - charges for services	15,151	-	-	-	-	-	15,151
Unavailable revenue - fines & forfeitures	742,361	-	-	-	-	-	742,361
<b>Total deferred inflows of resources</b>	<b>767,142</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,389,353</b>	<b>5,156,495</b>
<b>FUND BALANCES</b>							
Nonspendable							
Prepaid items	182,786	-	-	-	-	-	182,786
Restricted for							
Public safety	-	-	-	-	-	1,233,248	1,233,248
Parks and recreation	-	-	-	-	-	801,139	801,139
Transportation construction and maintenance	-	-	6,070,629	6,025,169	-	-	12,095,798
Grants	-	-	-	-	-	66,264	66,264
Redevelopment	-	-	-	-	917,056	-	917,056
Business assistance	7,398	-	-	-	-	-	7,398
Construction	-	5,094,441	-	-	-	-	5,094,441
Committed for							
Disaster	2,861,815	-	-	-	-	-	2,861,815
Construction	-	3,399,168	-	-	-	-	3,399,168
Unassigned	10,338,267	-	-	-	-	(3,679,073)	6,659,194
<b>Total fund balances (deficits)</b>	<b>13,390,266</b>	<b>8,493,609</b>	<b>6,070,629</b>	<b>6,025,169</b>	<b>917,056</b>	<b>(1,578,422)</b>	<b>33,318,307</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 16,447,025</b>	<b>\$ 9,235,635</b>	<b>\$ 6,160,910</b>	<b>\$ 6,227,539</b>	<b>\$ 918,771</b>	<b>\$ 7,676,831</b>	<b>\$ 46,666,711</b>

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

**City of Palm Coast, Florida**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2019**

Fund balances - total governmental funds	\$ 33,318,307
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.	316,769,377
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)	1,464,265
Florida Retirement System (FRS)	(2,686,830)
Total 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.	(356,285)
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.	5,156,495
Internal services funds are used by management to charge the costs of fleet, information technology 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.	19,179,258
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(8,964,315)</u>
Net position of governmental activities	<u>\$ 363,880,272</u>

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, 2019**

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 26,116,145	\$ 3,190,000	\$ -	\$ 1,999,370	\$ 1,262,776	\$ -	\$ 32,568,291
Licenses and permits	194,762	-	-	-	-	-	194,762
Intergovernmental revenue	4,592,669	-	252,590	1,456,229	-	454,941	6,756,429
Charges for services	5,849,169	-	-	-	-	-	5,849,169
Special assessments	-	-	-	-	-	333,120	333,120
Fines and forfeitures	661,829	-	-	202	-	7,096	669,127
Impact fees	-	-	2,502,402	-	-	1,290,153	3,792,555
Investment earnings	439,468	139,870	164,419	145,797	50,027	79,856	1,019,437
Miscellaneous	181,612	-	-	-	-	-	181,612
<b>Total Revenues</b>	<b>38,035,654</b>	<b>3,329,870</b>	<b>2,919,411</b>	<b>3,601,598</b>	<b>1,312,803</b>	<b>2,165,166</b>	<b>51,364,502</b>
<b>EXPENDITURES</b>							
Current:							
General government	9,588,462	-	-	-	-	122,155	9,710,617
Transportation and physical environment	6,185,459	124,122	1,420	272,305	133,931	27,089	6,744,326
Public safety	12,280,186	-	-	-	-	10,340	12,290,526
Culture and recreation	5,666,668	9,787	-	-	-	9,654	5,686,109
Capital outlay:							
General government	-	690,102	-	-	-	-	690,102
Public safety	29,792	-	-	-	-	-	29,792
Transportation and physical environment	-	-	879,194	1,231,844	-	-	2,111,038
Culture and recreation	-	1,729,380	-	-	-	89,879	1,819,259
Debt Service:							
Principal	-	-	-	-	701,000	-	701,000
Interest and other	-	-	-	-	231,080	230,409	461,489
<b>Total expenditures</b>	<b>33,750,567</b>	<b>2,553,391</b>	<b>880,614</b>	<b>1,504,149</b>	<b>1,066,011</b>	<b>489,526</b>	<b>40,244,258</b>
Excess (deficiency) of revenues over (under) expenditures	4,285,087	776,479	2,038,797	2,097,449	246,792	1,675,640	11,120,244
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	957,620	4,724,555	-	-	721,561	214,470	6,618,206
Transfers out	(2,745,820)	-	(214,470)	-	(923,000)	(801,555)	(4,684,845)
<b>Total other financing sources (uses)</b>	<b>(1,788,200)</b>	<b>4,724,555</b>	<b>(214,470)</b>	<b>-</b>	<b>(201,439)</b>	<b>(587,085)</b>	<b>1,933,361</b>
Net change in fund balances	2,496,887	5,501,034	1,824,327	2,097,449	45,353	1,088,555	13,053,605
Fund balances (deficits) - beginning	10,893,379	2,992,575	4,246,302	3,927,720	871,703	(2,666,977)	20,264,702
Fund balances (deficits) - ending	\$ 13,390,266	\$ 8,493,609	\$ 6,070,629	\$ 6,025,169	\$ 917,056	\$ (1,578,422)	\$ 33,318,307

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, 2019**

Net change in fund balances - total governmental funds \$ 13,053,605

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

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

Expenditures for capital assets	4,650,191	
Less current year depreciation	<u>(12,847,311)</u>	(8,197,120)

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		(127,668)
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, exchanges and adjustments) is an increase to net position

546,769

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.

701,000

Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed reduces future net liability. Also included in pension expense in the Statement of Activities are amounts amortized for related inflows and outflows.

Volunteer Firefighter Pension Fund (VFFP)		186,242
Florida Retirement System (FRS)		<u>(339,758)</u>

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		200,421
Change in OPEB liability and deferred inflows and outflows related to OPEB		(41,520)

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

3,302,514

Change in net position of governmental activities.

\$ 9,284,485

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, 2019**

**Business-type Activities - Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>ASSETS</b>						
Current Assets:						
Equity in pooled cash and investments	\$ 18,694,579	\$ 1,193,885	\$ 3,401,161	\$ 5,312,784	\$ 28,602,409	\$ 14,873,025
Accounts receivable - net	5,280,807	1,187,509	2,008,712	80,880	8,557,908	5,770
Due from other governments	81,920	10,103	382,884	-	474,907	1,874
Inventories	703,207	-	-	-	703,207	17,952
Prepaid items	58,705	-	32,696	10,338	101,739	43,729
Restricted current assets:						
Cash with fiscal agent	5,059,125	-	-	-	5,059,125	-
<b>Total current assets</b>	<b>29,878,343</b>	<b>2,391,497</b>	<b>5,825,453</b>	<b>5,404,002</b>	<b>43,499,295</b>	<b>14,942,350</b>
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	1,851,504	-	282,417	-	2,133,921	-
Impact fees	7,413,292	-	-	-	7,413,292	-
Renewal and replacements	12,904,796	-	-	-	12,904,796	-
Bond proceeds	1,023,298	-	-	-	1,023,298	-
Advances to other funds	4,490,815	-	-	-	4,490,815	-
Land	13,194,704	-	1,035,805	-	14,230,509	-
Building and improvements other than buildings	141,323,014	-	-	-	141,323,014	1,097,144
Infrastructure	181,534,238	-	45,171,510	4,892,174	231,597,922	13,176
Equipment	976,864	-	387,634	330,988	1,695,486	22,856,771
Less accumulated depreciation	(126,669,670)	-	(19,285,466)	(2,688,679)	(148,643,815)	(13,458,635)
Construction in progress	3,176,835	-	347,491	-	3,524,326	-
<b>Total noncurrent assets</b>	<b>241,219,690</b>	<b>-</b>	<b>27,939,391</b>	<b>2,534,483</b>	<b>271,693,564</b>	<b>10,508,456</b>
Deferred outflows of resources						
Deferred loss on refunding	988,896	-	-	-	988,896	-
Deferred outflows-OPEB	5,455	-	664	862	6,981	836
<b>Total deferred outflows of resources</b>	<b>994,351</b>	<b>-</b>	<b>664</b>	<b>862</b>	<b>995,877</b>	<b>836</b>
<b>Total assets and deferred outflows</b>	<b>\$ 272,092,384</b>	<b>\$ 2,391,497</b>	<b>\$ 33,765,508</b>	<b>\$ 7,939,347</b>	<b>\$ 316,188,736</b>	<b>\$ 25,451,642</b>

(continued)

**City of Palm Coast, Florida**  
**Statement of Net Position (continued)**  
**Proprietary Funds**  
**September 30, 2019**

	Business-type Activities - Enterprise Funds					Governmental
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Activities - Internal Service Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ 1,178,039	\$ 657,270	\$ 499,275	\$ 89,074	\$ 2,423,658	\$ 328,609
Claims payable	-	-	-	-	-	330,463
Due to other governments	41,089	-	-	14,628	55,717	-
Loans payable	2,425,120	-	388,487	-	2,813,607	-
Compensated absences	445,395	-	97,239	56,128	598,762	72,805
Accrued liabilities	164,411	-	45,082	24,415	233,908	31,800
Customer deposits	4,037,914	-	-	-	4,037,914	-
Unearned revenue	-	-	-	51,783	51,783	-
Current liabilities payable from restricted assets:						
Current maturities of bonds payable	3,320,000	-	-	-	3,320,000	-
Accrued bond interest payable	1,739,125	-	-	-	1,739,125	-
Accrued loan interest payable	181,112	-	8,248	-	189,360	-
Accounts payable	1,113,772	-	-	-	1,113,772	-
Contract payable	34,341	-	-	-	34,341	-
<b>Total current liabilities</b>	<b>14,680,318</b>	<b>657,270</b>	<b>1,038,331</b>	<b>236,028</b>	<b>16,611,947</b>	<b>763,677</b>
Noncurrent liabilities:						
Compensated absences	687,336	-	184,045	104,176	975,557	169,740
Total OPEB liability	209,422	-	25,509	33,076	268,007	32,097
Bonds payable	75,603,071	-	-	-	75,603,071	-
Loans payable	74,355,506	-	6,450,777	-	80,806,283	-
<b>Total noncurrent liabilities</b>	<b>150,855,335</b>	<b>-</b>	<b>6,660,331</b>	<b>137,252</b>	<b>157,652,918</b>	<b>201,837</b>
Deferred inflows of resources						
Deferred gain on refunding	442,507	-	-	-	442,507	-
Deferred Inflows-OPEB	14,311	-	1,743	2,260	18,314	2,194
<b>Total deferred inflows of resources</b>	<b>456,818</b>	<b>-</b>	<b>1,743</b>	<b>2,260</b>	<b>460,821</b>	<b>2,194</b>
<b>Total liabilities and deferred inflows</b>	<b>165,992,471</b>	<b>657,270</b>	<b>7,700,405</b>	<b>375,540</b>	<b>174,725,686</b>	<b>967,708</b>
<b>NET POSITION</b>						
Net investment in capital assets	63,877,177	-	20,817,710	2,534,483	87,229,370	10,508,456
Restricted for construction	7,190,671	-	-	-	7,190,671	-
Restricted for renewal & replacements	12,004,346	-	-	-	12,004,346	-
Restricted for debt service	4,990,392	-	274,169	-	5,264,561	-
Unrestricted	18,037,327	1,734,227	4,973,224	5,029,324	29,774,102	13,975,478
<b>Total net position</b>	<b>\$ 106,099,913</b>	<b>\$ 1,734,227</b>	<b>\$ 26,065,103</b>	<b>\$ 7,563,807</b>	<b>141,463,050</b>	<b>\$ 24,483,934</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					5,304,676	
					<u>\$ 146,767,726</u>	

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

**City of Palm Coast, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
<b>OPERATING REVENUES</b>						
Charges for services:						
Water sales	\$ 24,152,514	\$ -	\$ -	\$ -	\$ 24,152,514	\$ -
Sewer charges	16,399,237	-	-	-	16,399,237	-
Garbage charges	-	8,670,086	-	-	8,670,086	-
Stormwater charges	-	-	9,932,424	-	9,932,424	-
Building permit and inspection charges	-	-	-	2,408,796	2,408,796	-
Information technology charges	-	-	-	-	-	1,953,225
Fiber and cell tower charges	-	-	-	704,712	704,712	-
Miscellaneous	1,191,480	-	-	-	1,191,480	-
Risk management	-	-	-	-	-	4,723,904
Fleet management	-	-	-	-	-	5,327,708
<b>Total operating revenues</b>	<b>41,743,231</b>	<b>8,670,086</b>	<b>9,932,424</b>	<b>3,113,508</b>	<b>63,459,249</b>	<b>12,004,837</b>
<b>OPERATING EXPENSES</b>						
Administrative	6,530,640	-	-	-	6,530,640	9,843,442
Water system	9,300,250	-	-	-	9,300,250	-
Sewer system	6,562,776	-	-	-	6,562,776	-
Solid waste system	-	8,559,838	-	-	8,559,838	-
Stormwater system	-	-	5,493,380	-	5,493,380	-
Building permits and inspections	-	-	-	1,825,849	1,825,849	-
Fiber and cell tower	-	-	-	284,696	284,696	-
Depreciation	12,108,598	-	2,033,269	249,332	14,391,199	2,186,583
<b>Total operating expenses</b>	<b>34,502,264</b>	<b>8,559,838</b>	<b>7,526,649</b>	<b>2,359,877</b>	<b>52,948,628</b>	<b>12,030,025</b>
Operating income (loss)	7,240,967	110,248	2,405,775	753,631	10,510,621	(25,188)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment revenue	1,581,544	33,184	110,215	155,993	1,880,936	446,523
Interest/amortization expense	(5,076,057)	-	(222,422)	-	(5,298,479)	-
Intergovernmental	81,920	10,103	-	-	92,023	2,941
Property taxes	-	-	520,000	-	520,000	-
Other	-	-	21,000	-	21,000	254,157
<b>Total nonoperating revenues (expenses)</b>	<b>(3,412,593)</b>	<b>43,287</b>	<b>428,793</b>	<b>155,993</b>	<b>(2,784,520)</b>	<b>703,621</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>3,828,374</b>	<b>153,535</b>	<b>2,834,568</b>	<b>909,624</b>	<b>7,726,101</b>	<b>678,433</b>
<b>TRANSFERS AND CONTRIBUTIONS</b>						
Capital grants and contributions	7,419,657	-	57,699	-	7,477,356	-
Transfers in	-	-	-	-	-	2,799,937
Transfers out	(3,130,535)	-	(861,655)	(618,607)	(4,610,797)	(122,501)
<b>Total transfers and contributions</b>	<b>4,289,122</b>	<b>-</b>	<b>(803,956)</b>	<b>(618,607)</b>	<b>2,866,559</b>	<b>2,677,436</b>
<b>Change in net position</b>	<b>8,117,496</b>	<b>153,535</b>	<b>2,030,612</b>	<b>291,017</b>	<b>10,592,660</b>	<b>3,355,869</b>
Net position - beginning of year	97,982,417	1,580,692	24,034,491	7,272,790	-	21,128,065
<b>Net position - ending</b>	<b>\$ 106,099,913</b>	<b>\$ 1,734,227</b>	<b>\$ 26,065,103</b>	<b>\$ 7,563,807</b>	<b>\$ -</b>	<b>\$ 24,483,934</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					53,355	
					<u>\$ 10,646,015</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, 2019**

**Business-type Activities - Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 41,502,897	\$ 8,629,646	\$ 9,607,730	\$ 3,135,086	\$ 62,875,359	\$ 177
Cash from interfund charges	-	-	-	-	-	12,004,837
Cash paid to suppliers	(14,529,961)	(8,538,893)	(4,026,253)	(1,114,036)	(28,209,143)	(8,571,168)
Cash paid to employees	(7,069,534)	-	(1,269,091)	(1,183,888)	(9,522,513)	(1,511,647)
Net cash provided by (used in) operating activities	19,903,402	90,753	4,312,386	837,162	25,143,703	1,922,199
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers in from other funds	-	-	-	-	-	2,557,289
Transfers out to other funds	(3,130,535)	-	(861,655)	(375,959)	(4,368,149)	(122,501)
Advances from other funds	117,356	-	-	-	117,356	-
Net cash provided by (used in) noncapital financing activities	(3,013,179)	-	(861,655)	(375,959)	(4,250,793)	2,434,788
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of long-term debt	1,057,491	-	-	-	1,057,491	-
Loan principal payments	(7,775,176)	-	(1,152,056)	(15,897)	(8,943,129)	-
Interest paid	(5,596,348)	-	(223,381)	-	(5,819,729)	-
Acquisition and construction of property, plant and equipment	(10,474,245)	-	(1,345,867)	(36,013)	(11,856,125)	(3,952,445)
Proceeds from the sale of capital assets	-	-	21,000	-	21,000	254,157
Property tax proceeds	-	-	520,000	-	520,000	-
Intergovernmental revenue	81,920	182,478	-	-	-	2,941
Impact fees and contributions	7,398,222	-	464,870	-	7,863,092	-
Net cash provided by (used in) capital and related financing activities	(15,308,136)	182,478	(1,715,434)	(51,910)	(17,157,400)	(3,695,347)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Interest on investments	1,581,544	33,184	110,215	155,993	1,880,936	446,523
Net cash provided by (used in) investing activities	1,581,544	33,184	110,215	155,993	1,880,936	446,523
Net increase (decrease) in cash and cash equivalents	3,163,631	306,415	1,845,512	565,286	5,880,844	1,108,163
Beginning cash and cash equivalents	43,782,963	887,470	1,838,066	4,747,498	51,255,997	13,764,862
Ending cash and cash equivalents	\$ 46,946,594	\$ 1,193,885	\$ 3,683,578	\$ 5,312,784	\$ 57,136,841	\$ 14,873,025

(continued)

**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

**Business-type Activities - Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Fund	Total Enterprise Fund	Governmental Activities - Internal Service Funds
<b>RECONCILIATION OF OPERATING INCOME</b>						
<b>(LOSS) TO NET CASH PROVIDED BY (USED IN)</b>						
<b>OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 7,240,967	\$ 110,248	\$ 2,405,775	\$ 753,631	\$ 10,510,621	\$ (25,188)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation and amortization	12,108,598	-	2,033,269	249,332	14,391,199	2,186,583
Change in assets and liabilities:						
Accounts receivable	(423,027)	(40,440)	(324,694)	52,044	(736,117)	(3,521)
Inventories	(108,179)	-	-	-	(108,179)	22,185
Prepays	(4,085)	-	(5,235)	3,154	(6,166)	(19,807)
Accounts payable	663,839	20,945	692	(31,736)	653,740	(445,716)
Due to other governments	4,720	-	-	-	4,720	-
Accrued liabilities	43,843	-	24,301	(22,336)	45,808	38,957
Customer deposits	177,973	-	-	(30,466)	147,507	-
Compensated absences	198,753	-	178,278	(136,461)	240,570	168,706
Net cash provided by (used in) operating activities	<u>\$ 19,903,402</u>	<u>\$ 90,753</u>	<u>\$ 4,312,386</u>	<u>\$ 837,162</u>	<u>\$ 25,143,703</u>	<u>\$ 1,922,199</u>
<b>CASH AND CASH EQUIVALENTS</b>						
<b>CLASSIFIED AS:</b>						
Equity in pooled cash and investments in current assets	\$ 18,694,579	\$ 1,193,885	\$ 3,401,161	\$ 5,312,784	\$ 28,602,409	\$ 14,873,025
Restricted equity in pooled cash and investments						
Cash with fiscal agent	5,059,125	-	-	-	5,059,125	-
Debt service	1,851,504	-	282,417	-	2,133,921	-
Impact Fees	7,413,292	-	-	-	7,413,292	-
Renewal and replacements	12,904,796	-	-	-	12,904,796	-
Bond proceeds	1,023,298	-	-	-	1,023,298	-
Total restricted equity in pooled cash and investments	28,252,015	-	282,417	-	28,534,432	-
Total cash and cash equivalents	<u>\$ 46,946,594</u>	<u>\$ 1,193,885</u>	<u>\$ 3,683,578</u>	<u>\$ 5,312,784</u>	<u>\$ 57,136,841</u>	<u>\$ 14,873,025</u>
<b>NONCASH CAPITAL AND RELATED</b>						
<b>FINANCING ACTIVITIES:</b>						
Developer contributions of capital assets	\$ 934,437	\$ -	\$ -	\$ -	\$ 934,437	\$ -
Capital asset transfers from other funds	\$ -	\$ -	\$ -	\$ (242,648)	\$ (242,648)	\$ 242,648

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, 2019**

	<b>Volunteer Firefighter Pension Fund</b>
<b>ASSETS</b>	
Pension Investments	
External investment pools	\$ 4,581,418
Total Assets	<u>4,581,418</u>
<b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 4,581,418</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 Year Ended September 30, 2019**

	<u>Volunteer Firefighter Pension Fund</u>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 247,471
Total contributions	<u>247,471</u>
Investment earnings:	
Interest	225,795
Less investment expenses	<u>(8,530)</u>
Total investment earnings	<u>217,265</u>
Total additions	464,736
<b>DEDUCTIONS</b>	
Administrative expenses	29,343
Benefit distributions	<u>248,030</u>
Total deductions	<u>277,373</u>
<b>Change in net position</b>	187,363
Net position - beginning	<u>4,394,055</u>
Net position - ending	<u><u>\$ 4,581,418</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2019

**City of Palm Coast, Florida**  
**Notes to Financial Statements**  
**September 30, 2019**

**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, except for the SR100 CRA.

***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, 2019**

**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, information technology operations, 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, 2019**

**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, 2019**

**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 Palm 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, 2019**

**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 7%, 8%, 17% and 4%, 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

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

***Property taxes (Continued)***

Valuation Date January 1, 2018

Property Appraiser prepares the assessment roll with values as of January 1, 2018, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2018

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2018

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). September 2018

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2018 through March 2019, with the following applicable discounts: November 1, 2018

<b>Month Paid</b>	<b>Discount (%)</b>	<b>November 1, 2018</b>
November	4	through
December	3	March 31, 2019
January	2	
February	1	
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2019

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2019

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2019

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, 2019

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

***Compensated Absences***

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

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

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

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

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

1. GASB issued Statement No. 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.
2. 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.
3. 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, 2019**

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

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

4. GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 90 are effective for periods beginning after December 15, 2020.

**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 \$316,777,429 difference are as follows:

Land	\$ 92,227,487
Construction in progress	6,316,498
Buildings and other improvements	71,021,074
Less: Accumulated depreciation	(18,755,974)
Infrastructure	269,121,217
Less: Accumulated depreciation	(104,622,220)
Equipment	6,626,302
Less: Accumulated depreciation	(5,165,007)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 316,769,377

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet, information technology, 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 \$19,179,258 difference are as follows:

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

Net position of the internal service funds	\$ 24,483,934
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(5,251,321)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(53,355)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 19,179,258

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 \$8,964,315 difference are as follows:

Loans payable	\$ 6,984,000
Compensated absences	1,980,315
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 8,964,315

***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 \$701,000 difference are as follows:

Principal payments:	
SR100 CRA Revenue Note	\$ 701,000
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 701,000

**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 \$3,679,073. This fund incurred construction expenditures in excess of current revenues and transfers.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$8,496,256 and the bank balance was \$10,110,792. 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 \$5,244 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, 2019, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 24,868,270	25.82	37 Days
Intergovernmental Investment Pool-FL PALM	8,521,679	8.85	1 Day
Intergovernmental Investment Pool-FL PALM Term	14,127,143	14.67	160 Days
U.S. Government Agencies	7,517,312	7.81	1-5 Years
U.S. Treasuries	21,847,392	22.69	1-3 Years
Corporate Issues	15,921,274	16.53	1-5 Years
Supranational Bonds	3,492,682	3.63	1-3 Years
	\$ 96,295,752		

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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

The City has the following recurring fair value measurements as of September 30, 2019:

*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, 2019:

Investment Type	Amount	Quoted Prices			Fair Value
		in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Government Agencies	\$ 7,517,312	\$ -	\$ 7,517,312	\$ -	\$ 7,517,312
U.S. Treasuries	21,847,392	-	21,847,392	-	21,847,392
Corporate Issues	15,921,274	-	15,921,274	-	15,921,274
Supranational Bonds	3,492,682	-	3,492,682	-	3,492,682
Total investments by fair value level	\$ 48,778,660	\$ -	\$ 48,778,660	\$ -	\$ 48,778,660

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

External Investment Pool:

SBA Florida Prime	\$ 24,868,270
FL PALM	22,648,823
Total investments measured at NAV	<u>47,517,093</u>
<i>Total investments measured at fair value</i>	<u>\$ 96,295,752</u>

The City's investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool (Florida PRIME), a Securities and Exchange Commission rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool is administered by the State Board of Administration (SBA) pursuant to section 218.405 of the Florida Statutes.

The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. Florida PRIME meets all of the necessary criteria to elect to measure all of the investments in the fund at amortized cost. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2019, 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, 2019**

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

The Florida Education Investment Trust Fund (“FEITF” or the “Fund”) changed its name to Florida Public Assets for Liquidity Management (“FL PALM”). This 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 FL PALM Portfolio and the FL PALM Term Series. The FL PALM Portfolio commenced operations on October 22, 2010. Multiple FL PALM Term Series are issued with staggered maturity dates. The financial statements of each FL PALM 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 FL PALM 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, 2019, 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, 2019, the City’s largest agency investment is in the Federal Home Loan Mortgage Corporation (FHLMC).

Cash with fiscal agent as of September 30, 2019 totaled \$5,059,125. 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, 2019**

**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	\$ 823,068	\$ -	\$ -	\$ 823,068
Nonmajor Governmental Funds	-	4,490,815	-	4,490,815
Utility Fund	5,688,354	-	(407,547)	5,280,807
Solid Waste Fund	1,285,839	-	(98,330)	1,187,509
Stormwater Fund	2,433,298	-	(424,586)	2,008,712
Nonmajor Enterprise Funds	84,566	-	(3,686)	80,880
Internal Service Funds	5,770	-	-	5,770
<b>Totals</b>	<b>\$ 10,320,895</b>	<b>\$ 4,490,815</b>	<b>\$ (934,149)</b>	<b>\$ 13,877,561</b>

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District (see Note 15). The amount due as of September 30, 2019 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, 2019**

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance 9/30/18	Increases	Decreases	Balance 9/30/19
<b>A. Governmental Activities</b>				
Capital Assets, not being depreciated:				
Land	\$ 91,046,522	\$ 1,553,660	\$ (372,695)	\$ 92,227,487
Construction in Progress	5,848,993	467,505	-	6,316,498
Total capital assets, not being depreciated	96,895,515	2,021,165	(372,695)	98,543,985
Capital assets, being depreciated:				
Buildings and improvements other than buildings	71,438,744	679,474	-	72,118,218
Infrastructure	266,472,768	2,661,625	-	269,134,393
Equipment	25,329,359	5,252,097	(1,098,383)	29,483,073
Total capital assets, being depreciated	363,240,871	8,593,196	(1,098,383)	370,735,684
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(16,698,490)	(2,456,112)	-	(19,154,602)
Infrastructure	(94,408,247)	(10,227,149)	-	(104,635,396)
Equipment	(16,109,978)	(3,200,243)	1,098,383	(18,211,838)
Total accumulated depreciation	(127,216,715)	(15,883,504)	1,098,383	(142,001,836)
Total capital assets, being depreciated, net	236,024,156	(7,290,308)	-	228,733,848
Governmental activities capital assets, net	\$ 332,919,671	\$ (5,269,143)	\$ (372,695)	\$ 327,277,833
<b>B. Business-type Activities</b>				
Capital Assets, not being depreciated:				
Land	\$ 14,156,347	\$ 74,162	\$ -	\$ 14,230,509
Construction in Progress	1,424,964	2,423,570	(324,208)	3,524,326
Total capital assets, not being depreciated	15,581,311	2,497,732	(324,208)	17,754,835
Capital assets, being depreciated:				
Buildings and improvements other than buildings	138,141,307	3,181,707	-	141,323,014
Infrastructure	224,608,024	7,003,074	(13,176)	231,597,922
Equipment	2,825,291	44,543	(1,174,348)	1,695,486
Total capital assets, being depreciated	365,574,622	10,229,324	(1,187,524)	374,616,422
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(48,016,368)	(5,243,474)	-	(53,259,842)
Infrastructure	(84,736,198)	(9,107,118)	13,176	(93,830,140)
Equipment	(2,444,926)	(40,607)	931,700	(1,553,833)
Total accumulated depreciation	(135,197,492)	(14,391,199)	944,876	(148,643,815)
Total capital assets, being depreciated, net	230,377,130	(4,161,875)	(242,648)	225,972,607
Business-type activities capital assets, net	\$ 245,958,441	\$ (1,664,143)	\$ (566,856)	\$ 243,727,442

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

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

Governmental activities:

General government	\$ 246,984
Public safety	253,403
Transportation and physical environment	10,514,100
Culture and recreation	1,832,824
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	2,186,584
<b>Total depreciation expense - governmental activities</b>	<b><u>\$ 15,033,895</u></b>

Business activities:

Utility	\$ 12,108,598
Stormwater	2,033,269
Building	4,801
Information Technology (IT)	244,531
<b>Total depreciation expense - business activities</b>	<b><u>\$ 14,391,199</u></b>

Depreciation expense differs from accumulated depreciation for Governmental activities for the fiscal year in the amount of \$849,609. The difference is due to capital asset transfer between activities in the fiscal year.

**Note 7 - Accrued liabilities**

Accrued liabilities totaling \$442,188 reported by the general fund as of September 30, 2019 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	\$ 4,490,815
			<u>\$ 4,490,815</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, 2019**

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

Interfund Transfers:	Transfer In:						
	General Fund	Capital Projects Fund	SR 100 CRA Fund	Fleet Fund	IT Operations	Nonmajor Governmental	Total
Transfer Out							
General Fund	\$ -	\$ 1,000,000	\$ 721,561	\$ 157,839	\$ 866,420	\$ -	\$ 2,745,820
Utility Fund	826,525	2,000,000	-	298,510	5,500	-	3,130,535
Transportation Impact Fee Fund	-	-	-	-	-	214,470	214,470
SR100 CRA Fund	-	923,000	-	-	-	-	923,000
Stormwater Fund	113,616	-	-	748,039	-	-	861,655
Internal Service Fund	-	-	-	107,676	14,825	-	122,501
Nonmajor							
Governmental	-	801,555	-	-	-	-	801,555
Nonmajor Proprietary	17,479	-	-	27,526	573,602	-	618,607
Total transfers out	\$ 957,620	\$ 4,724,555	\$ 721,561	\$ 1,339,590	\$ 1,460,347	\$ 214,470	\$ 9,418,143

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 and funding of a Community Center. 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. Transfers to the IT Operations Fund is to purchase software and computer equipment for the various departments.

**Note 9 – Leases and Agreements**

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2019, the total cost was \$3,505,503.

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 2019, the total amount of lease payments was \$399,318.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**Note 9 – Leases and Agreements (Continued)**

Other Leases:

The City entered into two trailer lease agreements, one for Public Works and the other for the Stormwater Department. The lease maturing June 30, 2022 has monthly payments of \$4,147 each. During the year ended September 30, 2019, the lease payments totaled \$16,588. The future minimum lease payments for the lease term are as follows:

Year Ending September 30,	Amount
2020	\$ 99,528
2021	99,528
2022	99,528
	<u>\$ 298,584</u>

**Note 10 – Long-Term Debt**

**A. Governmental Activities**

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

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

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

Year Ending September 30,	Principal	Interest
2020	\$ -	\$ 56,082
2021	468,000	45,365
2022	476,000	34,465
2023	490,000	23,243
2024	502,000	11,748
2025	513,000	-
	<u>\$ 2,449,000</u>	<u>\$ 170,903</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.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

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

Year Ending September 30,	Principal	Interest
2020	\$ -	\$ 156,458
2021	254,000	147,695
2022	268,000	138,449
2023	277,000	128,892
2024	288,000	118,956
2025-2029	3,448,000	277,208
	<u>\$ 4,535,000</u>	<u>\$ 967,658</u>

The 2020 principal payment was made on both loans during the year ended September 30, 2019, leaving a principal balance of \$2,449,000 and \$4,535,000 payable respectively at the end of the fiscal year.

**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 purposes of interest payments, parity contract obligations payments, principal payments, redemption of term bonds, and 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.

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, 2017, Standard & Poor's and Fitch provided an A+ rating on this bond issue. Subsequent to year end, Fitch affirmed an A+ rating.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

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

**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
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	4,040,000	2,560,500
2025-2029	23,425,000	9,403,000
2030-2034	29,355,000	3,428,250
2035-2037	3,945,000	177,406
	\$ 75,080,000	\$ 27,736,906

**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 2037.

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

Year Ending September 30,	Principal	Interest
2020	\$ -	\$ 858,130
2021	1,663,000	816,887
2022	1,705,000	774,603
2023	1,745,000	731,327
2024	1,787,000	687,010
2025-2029	9,628,000	2,730,480
2030-2034	10,882,000	1,444,823
2035-2037	7,192,000	181,263
	\$ 34,602,000	\$ 8,224,523

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

The 2020 principal payment was made during the year ended September 30, 2019, leaving a principal balance of \$34,602,000 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:

Year Ending September 30,	Principal	Interest
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	1,725,000	151,422
2025-2028	5,150,000	228,831
	\$ 13,382,000	\$ 1,375,044

**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). Per the agreement, principal of \$30,257,801 is payable semi-annually in the amount of \$825,193 commencing in October 2018 for a period of 20 years.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

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

Year Ending September 30,	Principal	Interest
2020	\$ 855,120	\$ 193,267
2021	1,465,629	184,757
2022	1,475,465	174,921
2023	1,485,367	165,019
2024	1,495,336	155,050
2025-2029	7,628,567	623,365
2030-2034	7,888,012	363,920
2035-2039	6,503,129	98,417
	\$ 28,796,625	\$ 1,958,716

**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:

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.

Year Ending September 30,	Principal	Interest
2020	\$ 255,779	\$ 47,391
2021	262,303	40,867
2022	268,993	34,177
2023	275,853	27,317
2024	282,889	20,281
2024-2026	587,607	18,733
	\$ 1,933,424	\$ 188,766

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

**State Revolving Fund Loans (Continued)**

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

Year Ending September 30,	Principal	Interest
2020	\$ 132,708	\$ 49,924
2021	136,908	45,724
2022	141,241	41,391
2023	145,710	36,921
2024	150,322	32,310
2025-2029	826,049	87,110
2030	89,904	1,412
	\$ 1,622,842	\$ 294,792

**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:

Year Ending September 30,	Principal	Interest
2020	\$ -	\$ 93,767
2021	792,000	71,147
2022	811,000	47,983
2023	830,000	24,277
2024	850,000	-
	\$ 3,283,000	\$ 237,174

The 2020 principal payment of \$774,000 was made during the year ended September 30, 2019, leaving a principal balance of \$3,283,000 payable at the end of the fiscal year.

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

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. This loan was paid off in fiscal year ended September 30, 2019.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

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

During the year ended September 30, 2019, the following changes in long-term debt occurred:

	<b>Beginning</b>			<b>Ending</b>		<b>Due Within</b>
<b>Government Activities:</b>	<b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance</b>	<b>One Year</b>	
SR100 CRA Loans	\$ 7,685,000	\$ -	\$ (701,000)	\$ 6,984,000	\$ -	
Total OPEB Liability	325,395	48,532	-	373,927	-	
Net Pension Liability	3,318,028	-	(198,083)	3,119,945	-	
Compensated Absences	2,254,574	1,332,123	(1,363,837)	2,222,860	719,634	
Long-term debt	<u>\$ 13,582,997</u>	<u>\$ 1,380,655</u>	<u>\$ (2,262,920)</u>	<u>\$ 12,700,732</u>	<u>\$ 719,634</u>	
<b>Business Type Activities:</b>						
Utility Revenue Bonds	\$ 78,240,000	\$ -	\$ (3,160,000)	\$ 75,080,000	\$ 3,320,000	
Premiums	4,324,998	-	(481,927)	3,843,071	-	
Total Revenue Bonds	82,564,998	-	(3,641,927)	78,923,071	3,320,000	
State Revolving Fund Loans	34,192,122	-	(1,839,232)	32,352,890	1,243,607	
Bank and Other Loans	55,210,897	-	(3,943,897)	51,267,000	1,570,000	
Total OPEB Liability	255,830	12,177	-	268,007	-	
Compensated Absences	1,333,749	947,016	(706,446)	1,574,319	598,762	
<b>Long-term debt</b>	<u>\$ 173,557,596</u>	<u>\$ 959,193</u>	<u>\$(10,131,502)</u>	<u>\$ 164,385,287</u>	<u>\$ 6,732,369</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, \$242,545 of internal service fund compensated absences and \$32,097 of total OPEB liability are included in the above amounts. For governmental activities, compensated absences, net pension liability and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, Prudential. 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, 2019, 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, 2019, contributions to this plan totaled \$2,455,349, 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, 2019, 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 \$416,782.

***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, 2019**

**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, 2019**

**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, 2019, the following volunteers were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	25
Inactive plan members entitled to but not receiving benefits	4
Active plan members	27
	56
	56

**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, 2019 was \$247,471. There were no required City contributions.

**Net Pension Liability (Asset)**

The City's net pension liability (asset) was measured as of September 30, 2019, 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, 2019 were as follows:

Total Pension Liability	\$ 3,000,026
Plan Fiduciary Net Position	(4,581,418)
Net Pension Liability (Asset)	\$ (1,581,392)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	152.71%

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2018 updated to September 30, 2019 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 2019 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, 2019 (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%	4.60%
U.S. Small Cap Equity	11%	5.50%
International Equity	15%	6.70%
Core Real Estate	10%	5.00%
Core Bonds	15%	1.60%
Core Plus	15%	2.10%
Total	100%	

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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	Plan Fiduciary Net Positions	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balances at September 30, 2018	\$ 3,053,773	\$ 4,396,693	\$ (1,342,920)
Changes for the year:			
Service Cost	83,162	-	83,162
Interest	189,732	-	189,732
Share Plan Allocation	47,471	-	47,471
Differences between expected and actual experience	(123,444)	-	(123,444)
Changes of Assumptions	-	-	-
Contributions - State	-	247,471	(247,471)
Net investment income (loss)	-	217,265	(217,265)
Benefit payments	(250,668)	(250,668)	-
Administrative expenses	-	(29,343)	29,343
Net Changes	(53,747)	184,725	(238,472)
Balances at September 30, 2019	\$ 3,000,026	\$ 4,581,418	\$ (1,581,392)

**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)	\$(1,391,666)	\$(1,581,392)	\$(1,737,695)

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019, the City recognized pension expense (benefit) of \$151,784. On September 30, 2019, 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	\$ 9,546	\$ 148,276
Changes of assumptions	37,129	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	15,526
<b>Total</b>	<b>\$ 46,675</b>	<b>\$ 163,802</b>

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

Year ended September 30:		
2020	\$	(39,527)
2021		(53,951)
2022		(16,833)
2023		(6,816)
2024		-
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, 2019:

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019 was \$4,581,418. 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)
FMIvT Broad Market High Quality Bond	5.31	6.43
FMIvT Core Plus Fixed Income	1.40	5.16

*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, 2019, the annual money-weighted rate of return on Plan investments, net of investment expense, was 5.08 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, 2019**

**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, 2019:

Investment Type	Amount	Quoted Prices			Fair Value
		in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level2)	Significant Unobservable Inputs (Level3)	
Broad Market High Quality Bond	\$ 659,724	\$ -	\$ 659,724	\$ -	\$ 659,724
Core Plus Fixed Income	655,143	-	-	655,143	\$ 655,143
Diversified Large Cap	1,589,752	-	1,589,752	-	\$ 1,589,752
Diversified Small to Mid Cap	526,863	-	526,863	-	\$ 526,863
International Equity	664,306	-	664,306	-	\$ 664,306
Core Real Estate	444,398	-	-	444,398	\$ 444,398
Total investments by fair value level	\$ 4,540,185	\$ -	\$ 3,440,645	\$ 1,099,540	\$ 4,540,185
Uninvested Cash	41,233				
Total investments at fair value	<u>\$ 4,581,418</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, 2019**

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

***Florida Retirement System***

**General Information**

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

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

[www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**Plan Description**

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

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

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019**

**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, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular—8.26% and 8.47%; Special Risk Administrative Support—34.98% and 38.59%; Special Risk—24.50% and 25.48%; Senior Management Service—24.06% and 25.41%; Elected Officers’—48.70% and 48.82%; and DROP participants—14.30% and 14.60%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$295,920 for the fiscal year ended September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$2,714,805 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019.

The City’s proportionate share of the net pension liability was based on the City’s 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City’s proportionate share was .007883029 percent, which was an increase of 16.89 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$564,145. 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, 2019**

**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	\$ 161,023	\$ 1,685
Change of assumptions	697,279	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	61,974	355,318
City Pension Plan contributions subsequent to measurement date	60,346	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	-	150,197
Total	<u>\$ 980,622</u>	<u>\$ 507,200</u>

The deferred outflows of resources related to the Pension Plan, totaling \$60,346 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:	
2020	\$ 193,443
2021	36,669
2022	133,168
2023	79,037
2024	(18,103)
Thereafter	(11,138)

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 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	6.9 percent, net of pension plan expense, including inflation

Mortality rates were based on the PUB-2010 base table with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

**Florida Retirement System (Continued)**

**Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	6.0%	5.9%	5.7%	6.7%
Real Estate (property)	10.0%	6.7%	6.1%	11.7%
<b>Total</b>	<b>100%</b>			
Assumed Inflation - Mean			2.6%	1.7%

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

**Discount Rate**

The discount rate used to measure the total pension liability was 6.9%. 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 6.9%, 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 (5.9%) or one percentage point higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
City's net pension liability	\$ 4,692,994	\$ 2,714,805	\$ 1,062,683

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019, 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, 2019, the HIS contribution for the period October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 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 \$18,409 for the fiscal year ended September 30, 2019.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019, the City reported a liability of \$405,140 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The City's proportionate share of the net pension liability was based on the City's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the City's proportionate share was .003620878 percent, which was an increase of 16.90 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the City recognized pension expense of \$21,916. 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	\$ 4,921	\$ 496
Change of assumptions	46,911	33,113
Changes in proportion and differences between City Pension Plan contributions and proportionate share contributions	3,867	67,378
City Pension Plan contributions subsequent to measurement date	4,719	-
Net difference between Projected and Actual Earnings on Pension Plan Investments	261	-
<b>Total</b>	<b>\$ 60,679</b>	<b>\$ 100,987</b>

The deferred outflows of resources related to the Pension Plan, totaling \$4,719 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, 2020. 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:	
2020	\$ (1,279)
2021	(3,714)
2022	(6,700)
2023	(13,280)
2024	(10,221)
Thereafter	(9,833)

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

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

***HIS Plan (Continued)***

**Actuarial Assumptions**

The total pension liability in the July 1, 2019 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	3.50 percent

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 3.50%. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease (2.50)%	Current Discount Rate (3.50)%	1% Increase (4.50)%
City's net pension liability	\$ 462,488	\$ 405,140	\$ 357,376

**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, 2019**

**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	\$ 1,581,392	\$ 46,675	\$ 163,802	\$ -
Florida Retirement System (FRS)	-	980,622	507,200	2,714,805
FRS HIS Plan	-	60,680	100,987	405,140
<b>Totals</b>	<b>\$ 1,581,392</b>	<b>\$ 1,087,977</b>	<b>\$ 771,989</b>	<b>\$ 3,119,945</b>

Pension expenditures reported for the fiscal year were \$564,145 and \$21,916 for the Florida Retirement System and the Florida Retirement System HIS plan, respectively. The Volunteer Firefighter's Pension Plan reported revenue of \$186,242. Total combined pension expenditures reported for the fiscal year were \$153,516.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019, 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	386
Total Members	387

***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, 2019**

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

***Total OPEB Liability***

The measurement date is September 30, 2018.

The measurement period for the OPEB expense is October 1, 2017 to September 30, 2018.

The reporting period is October 1, 2018 to September 30, 2019.

The Sponsor's Total OPEB Liability was measured as of September 30, 2018.

*Actuarial Assumptions:*

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	4.00%
Discount Rate	4.18%
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 4.18%. 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, 2019**

**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, 2018	\$ 581,225
Changes for the Year:	
Service Cost	75,634
Interest	23,674
Changes in Assumptions	(25,491)
Benefit Payments	(13,108)
Net Changes	60,709
Reporting Period Ending September 30, 2019	\$ 641,934

Changes in assumptions reflect a change in the discount rate from 3.64% for the reporting period ended September 30, 2018, to 4.18% for the reporting period ended September 30, 2019.

*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 3.18%	Current Discount 4.18%	1% Increase 5.18%
Total OPEB Liability (asset)	\$ 689,767	\$ 641,934	\$ 596,977

*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)	\$ 568,106	\$ 641,934	\$ 729,283

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019, the City recognized OPEB expense of \$94,692. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of	Deferred Inflows of
Changes of assumptions		
Employer Contributions Subsequent to the Measurement Date	\$ -	\$ 43,867
Total	16,722	-
	\$ 16,722	\$ 43,867

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

<u>Year ended September 30:</u>	
2020	\$ (4,616)
2021	(4,616)
2022	(4,616)
2023	(4,616)
2024	(4,616)
Thereafter	(20,787)

**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, 2019, the amount of prepaid impact fees is estimated to be \$18,189,756.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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, 2019. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2019. 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 \$330,463 is reported in the fund at September 30, 2019.

Changes in the fund's claims liability amount for fiscal years 2018 and 2019 were:

	2018	2019
<u>Changes in Claims Liability</u>		
Beginning fiscal year liability	\$ 374,022	\$ 380,292
Current year claims and changes in estimates	2,941,189	3,282,930
Claim payments	(2,934,919)	(3,332,759)
Balance at fiscal year end	<u>\$ 380,292</u>	<u>\$ 330,463</u>

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**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 26 years. The principal and any interest accrued can be paid in full at any time. The balance on the interfund loan was \$4,490,815 as of September 30, 2019.

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, 2019, the fund received \$1,262,776 in property tax revenue, a \$721,561 transfer from the general fund, and \$50,027 in investment income. The transfer included the City portion of the tax increment. Expenditures for the fiscal year were \$133,931 in administrative costs and \$932,080 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 \$923,000.

**City of Palm Coast, Florida**  
**Notes to Financial Statements – Continued**  
**September 30, 2019**

**Note 17 – 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, 2019**

**Note 17 – 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.

**Note 18 - Subsequent Events**

***Stormwater Loans***

Subsequent to year end, the City issued Stormwater Revenue Note Series 2019 A and B with a face value of \$1,240,000 and \$4,111,000 respectively. These loans will fund stormwater capital expenditures.

## **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 Seven Fiscal Years**

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total pension liability							
Service cost	\$ 83,162	\$ 135,458	\$ 132,449	\$ 97,464	\$ 104,091	\$ 113,712	\$ 105,631
Interest	189,732	184,393	170,580	169,505	94,316	103,447	95,623
Change in excess State money	-	-	-	-	-	237,659	-
Share plan allocation	47,471	63,091	32,597	129,180	180,335	-	-
Differences between expected and actual experience	(123,444)	(45,171)	23,865	(57,517)	(65,491)	-	-
Changes of assumptions	-	-	-	185,644	-	-	-
Benefit payments, including refunds of employee contributions	(250,668)	(167,751)	(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Net change in total pension liability	(53,747)	170,020	196,897	10,573	(229,749)	344,008	97,966
Total pension liability - beginning	3,053,773	2,883,753	2,686,856	2,676,283	2,906,032	2,562,024	2,464,058
Total pension liability - ending (a)	<u>\$ 3,000,026</u>	<u>\$ 3,053,773</u>	<u>\$ 2,883,753</u>	<u>\$ 2,686,856</u>	<u>\$ 2,676,283</u>	<u>\$ 2,906,032</u>	<u>\$ 2,562,024</u>
Plan fiduciary net position							
Contributions - State	\$ 247,471	\$ 263,091	\$ 232,597	\$ 273,487	\$ 324,642	\$ 381,967	\$ 364,571
Net investment income	217,265	290,058	458,612	262,259	(6,801)	270,512	324,552
Benefit payments, including refunds of employee contributions	(250,668)	(167,751)	(162,594)	(513,703)	(543,000)	(110,810)	(103,288)
Administrative expenses	(29,343)	(29,020)	(25,393)	(29,092)	(41,443)	(60,987)	(25,630)
Net change in fiduciary net position	184,725	356,378	503,222	(7,049)	(266,602)	480,682	560,205
Plan fiduciary net position - beginning	4,396,693	4,040,315	3,537,093	3,544,142	3,810,744	3,330,062	2,769,857
Plan fiduciary net position - ending (b)	<u>\$ 4,581,418</u>	<u>\$ 4,396,693</u>	<u>\$ 4,040,315</u>	<u>\$ 3,537,093</u>	<u>\$ 3,544,142</u>	<u>\$ 3,810,744</u>	<u>\$ 3,330,062</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (1,581,392)</u>	<u>\$ (1,342,920)</u>	<u>\$ (1,156,562)</u>	<u>\$ (850,237)</u>	<u>\$ (867,859)</u>	<u>\$ (904,712)</u>	<u>\$ (768,038)</u>
Plan fiduciary net position as a percentage of total Pension liability	152.71%	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 Seven Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 149,747	\$ 146,847	\$ 109,250	\$ 117,326	\$ 127,816	\$ 130,671	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	200,000	200,000	200,000	144,307	127,816	130,671	120,718
Contribution Deficiency (Excess)	\$ (50,253)	\$ (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: 10/01/2017**

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 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% Combined Healthy White Collar, Scale BB. Male: RP2000 Generational, 10% Combined Healthy White Collar/90% Combined Healthy 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 Seven Fiscal Years**

	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	5.08%	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 Six Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's proportion of the net pension liability (asset)	0.0078830%	0.0094847%	0.0098446%	0.0099867%	0.0088135%	0.0915679%
City's proportionate share of the net pension liability (asset)	\$ 2,714,805	\$ 2,856,847	\$ 2,911,962	\$ 2,521,655	\$ 1,138,376	\$ 558,699
City's covered payroll	\$ 1,211,164	\$ 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	224.15%	200.74%	209.66%	186.46%	86.87%	43.30%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	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 Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 295,920	\$ 345,629	\$ 336,187	\$ 306,073	\$ 272,830	\$ 257,211
Contributions in relation to the contractually required contribution	(295,920)	(345,629)	(336,187)	(306,073)	(272,830)	(257,211)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,108,967	\$ 1,411,714	\$ 1,405,980	\$ 1,408,009	\$ 1,336,518	\$ 1,301,010
Contributions as a percentage of covered payroll	26.68%	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 Six Fiscal Years**

	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.003620878%	0.004357290%	0.004357276%	0.004380861%	0.004319202%	0.004327487%
City's proportionate share of the net pension liability (asset)	\$ 405,140	\$ 461,181	\$ 465,900	\$ 510,571	\$ 440,491	\$ 404,631
City's covered payroll	\$ 1,211,164	\$ 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	33.45%	32.41%	33.55%	37.75%	33.62%	31.36%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	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 Six Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 18,409	\$ 23,434	\$ 23,339	\$ 23,373	\$ 18,141	\$ 15,792
Contributions in relation to the contractually required contribution	(18,409)	(23,434)	(23,339)	(23,373)	(18,141)	(15,792)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,108,967	\$ 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%	1.66%	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, 2019**

	<b>Reporting Period Ending Measurement Date</b>	<b>9/30/2019 9/30/2018</b>	<b>9/30/2018 9/30/2017</b>
Total OPEB Liability			
Service Cost		\$ 75,634	\$ 78,295
Interest		23,674	18,191
Differences between Expected and Actual Experience		-	-
Changes of Assumptions		(25,491)	(25,291)
Benefit payments - implicit rate subsidy		(13,108)	(12,193)
Other Changes		-	-
Net change in total OPEB liability		60,709	59,002
Total OPEB liability - beginning		581,225	522,223
Total OPEB liability - ending		<u>\$ 641,934</u>	<u>\$ 581,225</u>
Covered Employee Payroll		\$ 20,718,160	\$ 19,155,104
Total OPEB liability as a percentage of covered employee payroll		3.10%	3.03%

**Notes to Schedule:**

Valuation Date: 9/30/2017

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, 2019	4.18%
Fiscal Year Ended September 30, 2018	3.64%
Fiscal Year Ended September 30, 2017	3.06%

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**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 26,061,469	\$ 26,038,757	\$ 26,116,145	\$ 77,388
Licenses and permits	225,500	205,650	194,762	(10,888)
Intergovernmental revenue	4,266,396	4,543,396	4,592,669	49,273
Charges for services	5,577,987	5,670,938	5,849,169	178,231
Fines and forfeitures	396,000	471,000	661,829	190,829
Investment earnings	66,560	235,100	439,468	204,368
Miscellaneous	65,000	185,191	181,612	(3,579)
Total revenues	36,658,912	37,350,032	38,035,654	685,622
<b>EXPENDITURES</b>				
Current:				
General government:				
Mayor and council	157,056	157,056	146,896	10,160
City administration	2,512,482	2,558,628	2,271,495	287,133
City attorney	526,473	526,473	449,110	77,363
Financial services	941,914	937,114	878,736	58,378
Community development	5,349,389	5,508,464	5,166,243	342,221
Nondepartmental	852,400	1,270,238	675,982	594,256
Total general government	10,339,714	10,957,973	9,588,462	1,369,511
Public safety:				
Fire	8,878,155	8,859,783	8,774,683	85,100
Law enforcement	3,505,503	3,505,503	3,505,503	-
Total public safety	12,383,658	12,365,286	12,280,186	85,100
Transportation and physical environment:				
Streets and drainage	6,844,635	6,977,975	6,185,459	792,516
Culture and recreation	6,380,092	6,231,498	5,666,668	564,830
Capital outlay:				
Public safety	36,000	36,000	29,792	6,208
Total expenditures	35,984,099	36,568,732	33,750,567	2,818,165
Excess (deficiency) of revenues over (under) expenditures	674,813	781,300	4,285,087	(3,503,787)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	957,620	957,620	957,620	-
Transfer out	(1,643,933)	(2,745,820)	(2,745,820)	-
Total other financing sources (uses)	(686,313)	(1,788,200)	(1,788,200)	-
Net change in fund balance	(11,500)	(1,006,900)	2,496,887	3,503,787
Fund balance - beginning	10,893,379	10,893,379	10,893,379	-
Fund balance - ending	\$ 10,881,879	\$ 9,886,479	\$ 13,390,266	\$ 3,503,787

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**Streets Improvement Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,014,829	\$ 2,014,829	\$ 1,999,370	\$ (15,459)
Intergovernmental revenue	1,723,952	1,458,437	1,456,229	(2,208)
Fines and forfeitures	-	-	202	202
Investment earnings	-	60,000	145,797	85,797
Total revenues	<u>3,738,781</u>	<u>3,533,266</u>	<u>3,601,598</u>	<u>68,332</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	2,849,913	334,913	272,305	62,608
Capital Outlay:				
Transportation and physical environment	2,396,187	1,700,125	1,231,844	468,281
Total expenditures	<u>5,246,100</u>	<u>2,035,038</u>	<u>1,504,149</u>	<u>530,889</u>
Excess (deficiency) of revenues over (under) expenditures	(1,507,319)	1,498,228	2,097,449	(599,221)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	300,000	-	-	-
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,207,319)	1,498,228	2,097,449	599,221
Fund balance - beginning	<u>3,927,720</u>	<u>3,927,720</u>	<u>3,927,720</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,720,401</u>	<u>\$ 5,425,948</u>	<u>\$ 6,025,169</u>	<u>\$ 599,221</u>

**City of Palm Coast, Florida**  
**Required Supplementary Information**  
**SR100 CRA Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,211,111	\$ 1,262,776	\$ 1,262,776	\$ -
Investment earnings	-	25,000	50,027	25,027
Total revenues	1,211,111	1,287,776	1,312,803	25,027
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	246,785	153,960	133,931	20,029
Culture and recreation	-	-	-	-
Capital outlay:				
Transportation and physical environment	100,000	-	-	-
Debt service:				
Principal	701,000	701,000	701,000	-
Interest and other	231,377	231,377	231,080	297
Total expenditures	1,279,162	1,086,337	1,066,011	20,326
Excess (deficiency) of revenues over (under) expenditures	(68,051)	201,439	246,792	(45,353)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	721,561	721,561	721,561	-
Transfer out	(923,000)	(923,000)	(923,000)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	(201,439)	(201,439)	(201,439)	-
Net change in fund balance	(269,490)	-	45,353	45,353
Fund balance - beginning	871,703	871,703	871,703	-
Fund balance - ending	\$ 602,213	\$ 871,703	\$ 917,056	\$ 45,353

**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 Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,400,000	\$ 3,250,000	\$ 3,190,000	\$ (60,000)
Intergovernmental revenue	323,047	-	-	-
Investment earnings	-	65,000	139,870	74,870
Total revenues	<u>3,723,047</u>	<u>3,315,000</u>	<u>3,329,870</u>	<u>14,870</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	124,122	124,122	124,122	-
Culture and recreation	35,000	10,000	9,787	213
Capital Outlay:				
General government	1,490,878	1,180,878	690,102	490,776
Culture and recreation	6,010,000	6,753,000	1,729,380	5,023,620
Total expenditures	<u>7,500,878</u>	<u>7,933,878</u>	<u>2,553,391</u>	<u>5,514,396</u>
Excess (deficiency) of revenues over (under) expenditures	(3,777,831)	(4,618,878)	776,479	(5,395,357)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	1,953,000	4,753,000	4,724,555	(28,445)
Transfer out	(300,000)	-	-	-
Total other financing sources (uses)	<u>1,653,000</u>	<u>4,753,000</u>	<u>4,724,555</u>	<u>(28,445)</u>
Net change in fund balance	(2,124,831)	134,122	5,501,034	5,366,912
Fund balance - beginning	<u>2,992,575</u>	<u>2,992,575</u>	<u>2,992,575</u>	<u>-</u>
Fund balance - ending	<u>\$ 867,744</u>	<u>\$ 3,126,697</u>	<u>\$ 8,493,609</u>	<u>\$ 5,366,912</u>

**City of Palm Coast, Florida**  
**Transportation Impact Fee Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 254,735	\$ 252,590	\$ 252,590	\$ -
Impact fees	2,000,000	2,098,029	2,502,402	404,373
Investment earnings	-	86,104	164,419	78,315
Total revenues	<u>2,254,735</u>	<u>2,436,723</u>	<u>2,919,411</u>	<u>482,688</u>
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	634,000	1,216,723	1,420	-
Capital outlay:				
Transportation and physical environment	1,520,735	1,040,000	879,194	160,806
Total expenditures	<u>2,154,735</u>	<u>2,256,723</u>	<u>880,614</u>	<u>160,806</u>
Excess (deficiency) of revenues over (under) expenditures	100,000	180,000	2,038,797	(1,858,797)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	(100,000)	(180,000)	(214,470)	(34,470)
Total other financing sources (uses)	<u>(100,000)</u>	<u>(180,000)</u>	<u>(214,470)</u>	<u>(34,470)</u>
Net change in fund balance	-	-	1,824,327	1,824,327
Fund balance - beginning	4,246,302	4,246,302	4,246,302	-
Fund balance - ending	<u>\$ 4,246,302</u>	<u>\$ 4,246,302</u>	<u>\$ 6,070,629</u>	<u>\$ 1,824,327</u>

**City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2019**

	Special Revenue Funds				Capital Projects		Total Nonmajor Governmental Funds
	Police Education Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 9,675	\$ 66,264	\$ 405,345	\$ 293,113	\$ 801,132	\$ 1,239,167	\$ 2,814,696
Special assessment receivable - net	-	-	4,490,815	-	-	-	4,490,815
Due from other governments	-	-	320,089	-	51,231	-	371,320
<b>Total assets</b>	<b>\$ 9,675</b>	<b>\$ 66,264</b>	<b>\$ 5,216,249</b>	<b>\$ 293,113</b>	<b>\$ 852,363</b>	<b>\$ 1,239,167</b>	<b>\$ 7,676,831</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 15,154	\$ 66,451	\$ 51,224	\$ 8,594	\$ 141,423
Due to other governments	7,000	-	-	-	-	-	7,000
Unearned revenue	-	-	-	226,662	-	-	226,662
Advances from other funds	-	-	4,490,815	-	-	-	4,490,815
<b>Total liabilities</b>	<b>7,000</b>	<b>-</b>	<b>4,505,969</b>	<b>293,113</b>	<b>51,224</b>	<b>8,594</b>	<b>4,865,900</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - special assessments	-	-	4,389,353	-	-	-	4,389,353
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>4,389,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,389,353</b>
<b>FUND BALANCES</b>							
Restricted for							
Public safety	2,675	-	-	-	-	1,230,573	1,233,248
Parks and recreation	-	-	-	-	801,139	-	801,139
Grants	-	66,264	-	-	-	-	66,264
Unassigned	-	-	(3,679,073)	-	-	-	(3,679,073)
<b>Total fund balances (deficits)</b>	<b>2,675</b>	<b>66,264</b>	<b>(3,679,073)</b>	<b>-</b>	<b>801,139</b>	<b>1,230,573</b>	<b>(1,578,422)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,675</b>	<b>\$ 66,264</b>	<b>\$ 5,216,249</b>	<b>\$ 293,113</b>	<b>\$ 852,363</b>	<b>\$ 1,239,167</b>	<b>\$ 7,676,831</b>

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2019**

	Special Revenue Funds				Capital Projects		Total Nonmajor Governmental Funds
	Police Education Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	
<b>REVENUES</b>							
Intergovernmental revenue	\$ -	\$ 30,000	\$ -	\$ 373,710	\$ 51,231	\$ -	\$ 454,941
Special assessments	-	-	333,120	-	-	-	333,120
Fines and forfeitures	7,096	-	-	-	-	-	7,096
Impact fees	-	-	-	-	1,006,582	283,571	1,290,153
Investment earnings	210	-	20,601	-	25,387	33,658	79,856
<b>Total Revenues</b>	<b>7,306</b>	<b>30,000</b>	<b>353,721</b>	<b>373,710</b>	<b>1,083,200</b>	<b>317,229</b>	<b>2,165,166</b>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	122,155	-	-	122,155
Transportation and physical environment	-	-	27,089	-	-	-	27,089
Public safety	7,000	-	-	-	-	3,340	10,340
Culture and recreation	-	-	-	-	9,654	-	9,654
Capital Outlay:							
Culture and recreation	-	-	-	-	89,879	-	89,879
Debt Service:							
Interest and other	-	-	230,409	-	-	-	230,409
<b>Total Expenditures</b>	<b>7,000</b>	<b>-</b>	<b>257,498</b>	<b>122,155</b>	<b>99,533</b>	<b>3,340</b>	<b>489,526</b>
Excess (Deficiency) of revenues over (under) expenses	306	30,000	96,223	251,555	983,667	313,889	1,675,640
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	214,470	-	-	-	214,470
Transfers out	-	-	-	(251,555)	(550,000)	-	(801,555)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>214,470</b>	<b>(251,555)</b>	<b>(550,000)</b>	<b>-</b>	<b>(587,085)</b>
<b>Net change in fund balances</b>	<b>306</b>	<b>30,000</b>	<b>310,693</b>	<b>-</b>	<b>433,667</b>	<b>313,889</b>	<b>1,088,555</b>
Fund balances (deficits) - beginning	2,369	36,264	(3,989,766)	-	367,472	916,684	(2,666,977)
<b>Fund balances (deficits) - ending</b>	<b>\$ 2,675</b>	<b>\$ 66,264</b>	<b>\$ (3,679,073)</b>	<b>\$ -</b>	<b>\$ 801,139</b>	<b>\$ 1,230,573</b>	<b>\$ (1,578,422)</b>

**City of Palm Coast, Florida**  
**Police Education**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Fines and forfeitures	\$ 4,500	\$ 6,000	\$ 7,096	\$ 1,096
Investment earnings	-	50	210	160
Total revenues	4,500	6,050	7,306	1,256
<b>EXPENDITURES</b>				
Current:				
Public safety	5,500	8,419	7,000	1,419
Total expenditures	5,500	8,419	7,000	1,419
Net change in fund balance	(1,000)	(2,369)	306	2,675
Fund balance - beginning	2,369	2,369	2,369	-
Fund balance - ending	\$ 1,369	\$ -	\$ 2,675	\$ 2,675

**City of Palm Coast, Florida**  
**Neighborhood Stabilization**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ 71,124	\$ 30,000	\$ (41,124)
Total revenues	-	71,124	30,000	(41,124)
<b>EXPENDITURES</b>				
Current:				
General Government	\$ -	\$ 71,124	-	\$ 71,124
Total expenditures	-	71,124	-	71,124
Net change in fund balance	-	-	30,000	30,000
Fund balance - beginning	-	36,264	36,264	-
Fund balance - ending	\$ -	\$ 36,264	\$ 66,264	\$ 30,000

**City of Palm Coast, Florida**  
**OKR Special Assessment Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 327,475	\$ 326,002	\$ 333,120	\$ 7,118
Investment earnings	-	-	20,601	20,601
Total revenues	327,475	326,002	353,721	27,719
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	100,000	180,000	27,089	152,911
Debt Service:				
Interest and other	327,475	326,002	230,409	95,593
Total expenditures	427,475	506,002	257,498	248,504
Excess (deficiency) of revenues over (under) expenditures	(100,000)	(180,000)	96,223	(276,223)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	100,000	180,000	214,470	34,470
Total other financing sources (uses)	100,000	180,000	214,470	34,470
Net change in fund balance	-	-	310,693	310,693
Fund balance - beginning	(3,989,766)	(3,989,766)	(3,989,766)	-
Fund balance - ending	\$ (3,989,766)	\$ (3,989,766)	\$ (3,679,073)	\$ 310,693

**City of Palm Coast, Florida**  
**CDBG Fund**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 811,673	\$ 475,000	\$ 373,710	\$ (101,290)
Total revenues	811,673	475,000	373,710	(101,290)
<b>EXPENDITURES</b>				
Current:				
General government	331,673	195,000	122,155	72,845
Total expenditures	331,673	195,000	122,155	72,845
Excess (deficiency) of revenues over(under) expenditures	480,000	280,000	251,555	72,845
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(480,000)	(280,000)	(251,555)	(28,445)
Total other financing sources (uses)	(480,000)	(280,000)	(251,555)	(28,445)
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

**City of Palm Coast, Florida**  
**Recreation Impact Fee**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 91,000	\$ 90,000	\$ 51,231	\$ (38,769)
Impact Fees	644,800	794,800	1,006,582	211,782
Investment earnings	-	12,000	25,387	13,387
Total revenues	<u>735,800</u>	<u>896,800</u>	<u>1,083,200</u>	<u>186,400</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	-	12,500	9,654	2,846
Capital outlay:				
Culture and recreation	185,800	334,300	89,879	244,421
Total expenditures	<u>185,800</u>	<u>346,800</u>	<u>99,533</u>	<u>247,267</u>
Excess (deficiency) of revenues over (under) expenditures	550,000	550,000	983,667	(433,667)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer out	(550,000)	(550,000)	(550,000)	-
Total other financing sources (uses)	<u>(550,000)</u>	<u>(550,000)</u>	<u>(550,000)</u>	<u>-</u>
Net change in fund balance	-	-	433,667	433,667
Fund balance - beginning	<u>367,472</u>	<u>367,472</u>	<u>367,472</u>	<u>-</u>
Fund balance - ending	<u>\$ 367,472</u>	<u>\$ 367,472</u>	<u>\$ 801,139</u>	<u>\$ 433,667</u>

**City of Palm Coast, Florida**  
**Fire Impact Fee**  
**Schedule of Revenues, Expenditures, and Change in Fund Balance**  
**Budget and Actual**  
**For the Year Ended September 30, 2019**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Impact Fees	\$ 207,252	\$ 207,252	\$ 283,571	\$ 76,319
Investment earnings	-	18,000	33,658	15,658
Total revenues	207,252	225,252	317,229	91,977
<b>EXPENDITURES</b>				
Public safety	207,252	225,252	3,340	221,912
Total expenditures	207,252	225,252	3,340	221,912
Net change in fund balance	-	-	313,889	313,889
Fund balance - beginning	916,684	916,684	916,684	-
Fund balance - ending	\$ 916,684	\$ 916,684	\$ 1,230,573	\$ 313,889

**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, 2019**

	<u>Business-type Activities-Enterprise Funds</u>		<b>Total Nonmajor Enterprise Funds</b>
	<b>Building Permits Fund</b>	<b>Information Technology Fund</b>	
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 4,345,568	\$ 967,216	\$ 5,312,784
Accounts receivable - net	100	80,780	80,880
Prepaid items	5,913	4,425	10,338
Total current assets	<u>4,351,581</u>	<u>1,052,421</u>	<u>5,404,002</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	-	4,892,174	4,892,174
Equipment	45,858	285,130	330,988
Less accumulated depreciation	(5,121)	(2,683,558)	(2,688,679)
Total noncurrent assets	<u>40,737</u>	<u>2,493,746</u>	<u>2,534,483</u>
Deferred outflows of resources			
Deferred outflows-OPEB	862	-	862
Total deferred outflows of resources	<u>862</u>	<u>-</u>	<u>862</u>
Total assets and deferred outflows	<u>\$ 4,393,180</u>	<u>\$ 3,546,167</u>	<u>\$ 7,939,347</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 52,819	\$ 36,255	\$ 89,074
Due to other governments	14,628	-	14,628
Compensated absences	53,070	3,058	56,128
Accrued liabilities	21,167	3,248	24,415
Unearned revenue	-	51,783	51,783
Total current liabilities	<u>141,684</u>	<u>94,344</u>	<u>236,028</u>
Noncurrent liabilities:			
Compensated absences	104,176	-	104,176
Total OPEB liability	33,076	-	33,076
Total noncurrent liabilities	<u>137,252</u>	<u>-</u>	<u>137,252</u>
Deferred inflows of resources			
Deferred Inflows-OPEB	2,260	-	2,260
Total deferred inflows of resources	<u>2,260</u>	<u>-</u>	<u>2,260</u>
Total liabilities and deferred inflows	<u>281,196</u>	<u>94,344</u>	<u>375,540</u>
<b>NET POSITION</b>			
Net investment in capital assets	40,737	2,493,746	2,534,483
Unrestricted	4,071,247	958,077	5,029,324
Total net position	<u>\$ 4,111,984</u>	<u>\$ 3,451,823</u>	<u>\$ 7,563,807</u>

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenses, and Change in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		<b>Total Nonmajor Enterprise Funds</b>
	<b>Building Permits Fund</b>	<b>Information Technology Fund</b>	
<b>OPERATING REVENUES</b>			
Charges for Services:			
Building permit and inspection charges	\$ 2,408,796	\$ -	\$ 2,408,796
Fiber and cell tower charges	-	704,712	704,712
Total operating revenues	<u>2,408,796</u>	<u>704,712</u>	<u>3,113,508</u>
<b>OPERATING EXPENSES</b>			
Building permits and inspections	1,825,849	-	1,825,849
Fiber and cell tower	-	284,696	284,696
Depreciation	4,801	244,531	249,332
Total operating expenses	<u>1,830,650</u>	<u>529,227</u>	<u>2,359,877</u>
Operating income (loss)	<u>578,146</u>	<u>175,485</u>	<u>753,631</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment revenue	126,477	29,516	155,993
Total nonoperating revenues (expenses)	<u>126,477</u>	<u>29,516</u>	<u>155,993</u>
Income (loss) before contributions and transfers	<u>704,623</u>	<u>205,001</u>	<u>909,624</u>
<b>TRANSFERS AND CONTRIBUTIONS</b>			
Transfers out	(29,826)	(588,781)	(618,607)
Total transfers and contributions	<u>(29,826)</u>	<u>(588,781)</u>	<u>(618,607)</u>
Change in net position	674,797	(383,780)	291,017
<b>NET POSITION</b>			
Net position beginning of the year	3,437,187	3,835,603	7,272,790
Net position - ending	<u>\$ 4,111,984</u>	<u>\$ 3,451,823</u>	<u>\$ 7,563,807</u>

**City of Palm Coast, Florida  
Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended September 30, 2019**

	<b>Business-type Activities-Nonmajor Enterprise Funds</b>		
	<b>Building Permits Fund</b>	<b>Information Technology Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 2,409,096	\$ 725,990	\$ 3,135,086
Cash paid to suppliers	(824,813)	(289,223)	(1,114,036)
Cash paid to employees	(992,604)	(191,284)	(1,183,888)
Net cash provided by (used in) operating activities	<u>591,679</u>	<u>245,483</u>	<u>837,162</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out to other funds	(29,826)	(346,133)	(375,959)
Net cash provided by (used in) noncapital financing activities	<u>(29,826)</u>	<u>(346,133)</u>	<u>(375,959)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Loan principal payments	-	(15,897)	(15,897)
Acquisition and construction of property, plant and equipment	(34,317)	(1,696)	(36,013)
Net cash provided by (used in) capital and related financing activities	<u>(34,317)</u>	<u>(17,593)</u>	<u>(51,910)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	126,477	29,516	155,993
Net cash provided by (used in) investing activities	<u>126,477</u>	<u>29,516</u>	<u>155,993</u>
Net increase (decrease) in cash and cash equivalents	654,013	(88,727)	565,286
Beginning cash and cash equivalents	<u>3,691,555</u>	<u>1,055,943</u>	<u>4,747,498</u>
Ending cash and cash equivalents	<u>\$ 4,345,568</u>	<u>\$ 967,216</u>	<u>\$ 5,312,784</u>

(continued)

**City of Palm Coast, Florida**  
**Statement of Cash Flows (continued)**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-type Activities-Nonmajor Enterprise Funds</b>		
	<b>Building Permits Fund</b>	<b>Information Technology Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 578,146	\$ 175,485	\$ 753,631
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	4,801	244,531	249,332
Change in assets and liabilities:			
Accounts receivable	300	51,744	52,044
Prepays	217	2,937	3,154
Accounts payable	24,620	(56,356)	(31,736)
Accrued liabilities	3,346	(25,682)	(22,336)
Customer deposits	-	(30,466)	(30,466)
Compensated absences	(19,751)	(116,710)	(136,461)
Net cash provided by (used in) operating activities	<u>\$ 591,679</u>	<u>\$ 245,483</u>	<u>\$ 837,162</u>
<b>CASH AND CASH EQUIVALENTS CLASSIFIED AS:</b>			
Equity in pooled cash and investments in current assets	<u>4,345,568</u>	<u>967,216</u>	<u>5,312,784</u>
Total cash and cash equivalents	<u>\$ 4,345,568</u>	<u>\$ 967,216</u>	<u>\$ 5,312,784</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital asset transfers from other funds	\$ -	\$ (242,648)	\$ (242,648)

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



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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, 2019**

	<u>Internal Service Funds</u>			
	<u>Self Insured Health Fund</u>	<u>Information Technology</u>	<u>Fleet Fund</u>	<u>Total Internal Service Funds</u>
<b>ASSETS</b>				
Current assets:				
Equity in pooled cash and investments	\$ 5,038,146	\$ 474,690	\$ 9,360,189	\$ 14,873,025
Accounts receivable - net	3,698	-	2,072	5,770
Inventories	-	-	17,952	17,952
Prepaid items	-	26,972	16,757	43,729
Due from other governments	-	-	1,874	1,874
Total current assets	<u>5,041,844</u>	<u>501,662</u>	<u>9,398,844</u>	<u>14,942,350</u>
Noncurrent assets:				
Capital assets:				
Building and improvements other than buildings				
	-	-	1,097,144	1,097,144
Infrastructure	-	13,176	-	13,176
Equipment	-	1,184,463	21,672,308	22,856,771
Less accumulated depreciation	-	(989,353)	(12,469,282)	(13,458,635)
Total noncurrent assets	<u>-</u>	<u>208,286</u>	<u>10,300,170</u>	<u>10,508,456</u>
Deferred outflows of resources				
Deferred Outflows-OPEB	-	379	457	836
Total deferred outflows of resources	<u>-</u>	<u>379</u>	<u>457</u>	<u>836</u>
Total assets and deferred outflows	<u>\$ 5,041,844</u>	<u>\$ 710,327</u>	<u>\$ 19,699,471</u>	<u>\$ 25,451,642</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 45,646	\$ 77,063	\$ 205,900	\$ 328,609
Claims payable	330,463	-	-	330,463
Due to other governments	-	-	-	-
Compensated absences	-	38,313	34,492	72,805
Accrued liabilities	-	17,560	14,240	31,800
Total current liabilities	<u>376,109</u>	<u>132,936</u>	<u>254,632</u>	<u>763,677</u>
Noncurrent liabilities:				
Compensated absences	-	105,546	64,194	169,740
OPEB liability	-	14,544	17,553	32,097
Total noncurrent liabilities	<u>-</u>	<u>120,090</u>	<u>81,747</u>	<u>201,837</u>
Deferred inflows of resources				
Deferred Inflows-OPEB	-	994	1,200	2,194
Total deferred inflows of resources	<u>-</u>	<u>994</u>	<u>1,200</u>	<u>2,194</u>
Total liabilities and deferred inflows	<u>376,109</u>	<u>254,020</u>	<u>337,579</u>	<u>967,708</u>
<b>NET POSITION</b>				
Net investment in capital assets	-	208,286	10,300,170	10,508,456
Unrestricted	4,665,735	248,021	9,061,722	13,975,478
Total net position	<u>\$ 4,665,735</u>	<u>\$ 456,307</u>	<u>\$ 19,361,892</u>	<u>\$ 24,483,934</u>

**City of Palm Coast, Florida**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended September 30, 2019**

	Internal Service Funds			Total Internal Service Funds
	Self Insured Health Fund	Information Technology	Fleet Fund	
<b>OPERATING REVENUES</b>				
Charges for services:				
Risk management	\$ 4,723,904	\$ -	\$ -	\$ 4,723,904
Information technology	-	1,953,225	-	1,953,225
Fleet management	-	-	5,327,708	5,327,708
Total operating revenues	4,723,904	1,953,225	5,327,708	12,004,837
<b>OPERATING EXPENSES</b>				
Administrative	4,206,501	2,826,997	2,809,944	9,843,442
Depreciation	-	139,743	2,046,840	2,186,583
Total operating expenses	4,206,501	2,966,740	4,856,784	12,030,025
Operating income (loss)	517,403	(1,013,515)	470,924	(25,188)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment revenue	147,462	9,475	289,586	446,523
Intergovernmental	2,941	-	-	2,941
Other	-	-	254,157	254,157
Total nonoperating revenues (expenses)	150,403	9,475	543,743	703,621
Income (loss) before capital contributions and transfers	667,806	(1,004,040)	1,014,667	678,433
<b>TRANSFERS AND CONTRIBUTIONS</b>				
Transfers in	-	1,460,347	1,339,590	2,799,937
Transfers out	-	-	(122,501)	(122,501)
Total transfers and contributions	-	1,460,347	1,217,089	2,677,436
Change in net position	667,806	456,307	2,231,756	3,355,869
<b>NET POSITION</b>				
Net position - beginning of year	3,997,929	-	17,130,136	21,128,065
Net position - ending	\$ 4,665,735	\$ 456,307	\$ 19,361,892	\$ 24,483,934

**City of Palm Coast, Florida**  
**Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended September 30, 2019**

	Internal Service Funds			
	Self Insured Health Fund	Information Technology	Fleet Fund	Total Internal Services Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ -	\$ -	\$ 177	\$ 177
Cash received interfund charges	4,723,904	1,953,225	5,327,708	12,004,837
Cash paid to suppliers	(4,222,382)	(1,625,091)	(2,723,695)	(8,571,168)
Cash paid to employees	-	(975,238)	(536,409)	(1,511,647)
Net cash provided by (used in) operating activities	501,522	(647,104)	2,067,781	1,922,199
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in from other funds	-	1,217,699	1,339,590	2,557,289
Transfers out to other funds	-	-	(122,501)	(122,501)
Net cash provided by (used in) noncapital financing activities	-	1,217,699	1,217,089	2,434,788
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of property, plant and equipment	-	(105,380)	(3,847,065)	(3,952,445)
Proceeds from the sale of capital assets	-	-	254,157	254,157
Intergovernmental revenue	2,941	-	-	2,941
Net cash provided by (used in) capital and related financing activities	2,941	(105,380)	(3,592,908)	(3,695,347)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Interest on investments	147,462	9,475	289,586	446,523
Net cash provided by (used in) investing activities	147,462	9,475	289,586	446,523
Net increase (decrease) in cash and cash equivalents	651,925	474,690	(18,452)	1,108,163
Beginning cash and cash equivalents	4,386,221	-	9,378,641	13,764,862
Ending cash and cash equivalents	\$ 5,038,146	\$ 474,690	\$ 9,360,189	\$ 14,873,025

(continued)

**City of Palm Coast, Florida**  
**Combining Statement of Cash Flows (continued)**  
**Internal Service Funds**  
**For the Year Ended September 30, 2019**

	Internal Service Funds			
	Self Insured Health Fund	Information Technology	Fleet Fund	Total Internal Services Fund
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 517,403	\$ (1,013,515)	\$ 470,924	\$ (25,188)
Adjustment to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	-	139,743	2,046,840	2,186,583
Change in assets and liabilities:				
Accounts receivable	(3,698)	-	177	(3,521)
Inventories	-	-	22,185	22,185
Prepays	-	(26,972)	7,165	(19,807)
Accounts payable	(12,183)	77,063	(510,596)	(445,716)
Accrued liabilities	-	32,719	6,238	38,957
Compensated absences	-	143,858	24,848	168,706
Net cash provided by (used in) operating activities	<u>\$ 501,522</u>	<u>\$ (647,104)</u>	<u>\$ 2,067,781</u>	<u>\$ 1,922,199</u>
<b>CASH AND CASH EQUIVALENTS CLASSIFIED AS:</b>				
Equity in pooled cash and investments in current assets	\$ 5,038,146	\$ 474,690	\$ 9,360,189	\$ 14,873,025
Total cash and cash equivalents	<u>\$ 5,038,146</u>	<u>\$ 474,690</u>	<u>\$ 9,360,189</u>	<u>\$ 14,873,025</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital asset transfers from other funds	\$ -	\$ 242,648	\$ -	\$ 242,648

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

## Statistical Section

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

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

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



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

	Fiscal Year									
	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities</b>										
Net investment in capital assets	\$ 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	\$ 320,293,833
Restricted	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	20,215,344
Unrestricted	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	23,371,095
<b>Total governmental activities net position</b>	<b>\$ 319,130,506</b>	<b>\$ 319,528,262</b>	<b>\$ 313,724,324</b>	<b>\$ 320,640,996</b>	<b>\$ 324,743,092</b>	<b>\$ 336,177,437</b>	<b>\$ 339,611,434</b>	<b>\$ 354,205,812</b>	<b>\$ 354,595,787</b>	<b>\$ 363,880,272</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 72,856,080	\$ 68,014,427	\$ 68,131,604	\$ 69,651,643	\$ 68,945,922	\$ 67,519,973	\$ 72,761,895	\$ 84,435,596	\$ 83,318,005	\$ 87,229,370
Restricted	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	24,459,578
Unrestricted	5,771,497	(1,025,888)	10,224,350	11,992,822	16,839,256	20,147,467	25,308,480	25,844,539	31,029,417	35,078,778
<b>Total business-type activities net position</b>	<b>\$ 82,651,660</b>	<b>\$ 80,704,671</b>	<b>\$ 92,188,955</b>	<b>\$ 88,400,240</b>	<b>\$ 97,571,421</b>	<b>\$ 100,512,891</b>	<b>\$ 112,079,742</b>	<b>\$ 125,737,080</b>	<b>\$ 136,121,711</b>	<b>\$ 146,767,276</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 379,925,417	\$ 374,544,780	\$ 372,118,269	\$ 368,430,993	\$ 367,440,886	\$ 383,111,284	\$ 390,236,266	\$ 415,226,494	\$ 408,552,676	\$ 407,523,203
Restricted	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	44,674,922
Unrestricted	16,912,957	10,874,369	19,122,008	32,670,044	41,957,160	35,084,449	41,907,933	41,305,216	50,010,324	58,449,873
<b>Total primary government net position</b>	<b>\$ 401,782,166</b>	<b>\$ 400,232,933</b>	<b>\$ 405,913,279</b>	<b>\$ 409,041,236</b>	<b>\$ 422,314,513</b>	<b>\$ 436,690,328</b>	<b>\$ 451,691,176</b>	<b>\$ 479,942,892</b>	<b>\$ 490,717,498</b>	<b>\$ 510,647,998</b>

(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									
	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
General government	\$ 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	\$ 6,642,183
Public safety	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	12,636,325
Transportation and physical environment	11,552,570	13,325,228	13,333,183	13,932,669	14,212,159	15,752,135	17,579,791	21,427,067	20,028,562	17,229,235
Culture and recreation	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	7,503,004
Interest on long-term debt	545,416	698,126	652,050	519,669	676,742	604,034	578,231	523,790	484,548	461,489
<b>Total governmental activities expenses</b>	<b>\$ 33,293,091</b>	<b>\$ 34,491,946</b>	<b>\$ 33,069,422</b>	<b>\$ 35,102,326</b>	<b>\$ 35,012,053</b>	<b>\$ 37,721,867</b>	<b>\$ 38,779,637</b>	<b>\$ 44,920,846</b>	<b>\$ 45,657,534</b>	<b>\$ 44,472,236</b>
<b>Business-type activities:</b>										
Utility	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	39,575,224
Solid Waste	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	8,559,838
Stormwater	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	7,684,611
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	1,845,080
Information Technology	157,268	182,643	351,525	490,030	379,495	382,264	985,726	705,729	665,967	528,999
Golf Course (a)	1,876,394	1,910,096	1,806,088	1,753,323	1,778,396	-	-	-	-	-
Tennis Center (a)	284,483	353,796	267,918	295,279	309,891	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>48,417,017</b>	<b>46,962,124</b>	<b>45,695,382</b>	<b>48,489,473</b>	<b>46,079,245</b>	<b>44,508,287</b>	<b>47,888,232</b>	<b>48,597,130</b>	<b>55,006,649</b>	<b>58,193,752</b>
<b>Total primary government expenses</b>	<b>\$ 81,710,108</b>	<b>\$ 81,454,070</b>	<b>\$ 78,764,804</b>	<b>\$ 83,591,799</b>	<b>\$ 81,091,298</b>	<b>\$ 82,230,154</b>	<b>\$ 86,667,869</b>	<b>\$ 93,517,976</b>	<b>\$ 100,664,183</b>	<b>\$ 102,665,988</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910	\$ 838,828	\$ 820,158	\$ 687,827	\$ 1,013,720	\$ 1,201,790	\$ 1,254,073
Public safety	679,557	305,916	386,798	1,215,566	946,722	355,063	232,048	148,114	80,103	78,536
Transportation and physical environment	92,840	133,064	132,838	125,186	130,888	116,916	173,143	146,937	162,769	162,071
Culture and recreation	158,546	398,520	436,185	360,585	234,388	1,640,631	1,683,747	1,635,056	1,665,539	1,894,765
Operating grants and contributions	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	3,154,598
Capital grants and contributions	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	5,833,497
<b>Total governmental activities program revenues</b>	<b>10,140,996</b>	<b>8,237,121</b>	<b>9,938,273</b>	<b>14,988,500</b>	<b>12,182,919</b>	<b>14,966,587</b>	<b>12,331,337</b>	<b>28,911,016</b>	<b>11,918,664</b>	<b>12,377,540</b>
<b>Business-type activities:</b>										
Charges for services:										
Utility	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	41,743,231
Solid Waste	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	8,670,086
Stormwater	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	9,932,424
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	2,408,796
Information Technology and Communication	246,094	322,337	659,065	639,557	677,563	669,141	584,703	706,236	623,497	704,712
Golf Course	1,213,334	1,501,459	1,479,063	1,364,274	1,226,184	-	-	-	-	-
Tennis Center	164,404	181,598	157,818	190,277	210,348	-	-	-	-	-
Operating grants and contributions	-	-	477,582	-	-	-	-	-	1,560,284	92,023
Capital grants and contributions	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	7,498,356
<b>Total business-type activities program revenues</b>	<b>45,715,260</b>	<b>45,053,471</b>	<b>47,803,789</b>	<b>48,860,505</b>	<b>55,313,837</b>	<b>54,691,890</b>	<b>59,766,795</b>	<b>62,406,288</b>	<b>64,844,286</b>	<b>71,049,628</b>
<b>Total primary government program revenues</b>	<b>\$ 55,856,256</b>	<b>\$ 53,290,592</b>	<b>\$ 57,742,062</b>	<b>\$ 63,849,005</b>	<b>\$ 67,496,756</b>	<b>\$ 69,658,477</b>	<b>\$ 72,098,132</b>	<b>\$ 91,317,304</b>	<b>\$ 76,762,950</b>	<b>\$ 83,427,168</b>

	Fiscal Year									
	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (23,152,095)	\$ (26,254,825)	\$ (23,131,149)	\$ (20,113,826)	\$ (22,829,134)	\$ (22,755,280)	\$ (26,448,300)	\$ (16,009,830)	\$ (33,738,870)	\$ (32,094,696)
Business-type activities	(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	12,855,876
Total primary government net expense	\$ (25,853,852)	\$ (28,163,478)	\$ (21,022,742)	\$ (19,742,794)	\$ (13,594,542)	\$ (12,571,677)	\$ (14,569,737)	\$ (2,200,672)	\$ (23,901,233)	\$ (19,238,820)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 23,392,377
Sales and use taxes	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	3,189,999
Telecommunication services tax	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	2,265,385
Franchise taxes	744,353	660,354	651,129	661,438	784,758	683,099	731,563	790,697	839,511	952,955
Other local taxes	404,685	414,385	378,989	404,686	346,157	448,611	431,683	400,099	426,105	520,733
Intergovernmental revenue, non-program	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	4,799,363
Unrestricted investment earnings	888,531	388,707	461,968	287,289	82,174	17,896	245,858	172,268	287,570	1,465,960
Miscellaneous	21,425	26,779	41,832	77,326	41,105	60,404	70,507	70,126	187,331	181,612
Gain (Loss) on sale of capital assets	81,725	16,241	-	191,139	280,593	208,563	213,336	245,261	(21,047)	-
Transfers	(5,822,903)	506,290	(7,463,594)	752,404	521,522	7,983,567	1,157,742	981,364	832,828	4,610,797
Total governmental activities	23,429,266	26,652,581	17,327,211	27,030,498	26,931,230	35,329,679	29,882,297	30,604,208	33,732,016	41,379,181
Business-type activities:										
Property Taxes	-	-	1,686,100	245,750	275,133	316,403	363,863	418,442	502,590	520,000
Unrestricted investment earnings	647,219	467,954	224,542	6,552	182,978	409,685	460,402	411,102	612,838	1,880,936
Other income	-	-	1,641	-	-	15,346	21,765	-	-	-
Transfers	5,822,903	(506,290)	7,463,594	(752,404)	(521,522)	(7,983,567)	(1,157,742)	(981,364)	(832,828)	(4,610,797)
Total business-type activities	6,470,122	(38,336)	9,375,877	(500,102)	(63,411)	(7,242,133)	(311,712)	(151,820)	282,600	(2,209,861)
Total primary government	\$ 29,899,388	\$ 26,614,245	\$ 26,703,088	\$ 26,530,396	\$ 26,867,819	\$ 28,087,546	\$ 29,570,585	\$ 30,452,388	\$ 34,014,616	\$ 39,169,320
<b>Change in Net Position</b>										
Governmental activities	\$ 277,171	\$ 397,756	\$ (5,803,938)	\$ 6,916,672	\$ 4,102,096	\$ 12,574,399	\$ 3,433,997	\$ 14,594,378	\$ (6,854)	\$ 9,284,485
Business-type activities	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	10,646,015
Total primary government	\$ 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	\$ 19,930,500

**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									
	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	5,975,576	5,979,178	5,982,244	5,986,187	186,156	274,551	233,082	190,280	193,824	182,786
Restricted	-	-	55,221	55,221	55,221	55,221	33,918	11,596	11,695	7,398
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	2,861,815
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	10,338,267
Total general fund	\$ 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	\$ 13,390,266
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	-	-	-	-	-	-	-
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	20,207,946
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	3,399,168
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)	(3,679,073)
Total all other governmental funds	\$ 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	\$ 19,928,041

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 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	\$ 32,568,291
Licenses and permits	391,479	160,742	210,196	229,590	252,150	221,940	211,822	196,332	179,458	194,762
Intergovernmental revenues	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	6,756,429
Charges for services	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	5,849,169
Special assessments	219,391	250,342	129,899	-	248,079	247,559	327,571	333,148	333,494	333,120
Fines and forfeitures	1,043,095	656,694	739,411	1,578,139	1,556,456	854,187	574,371	614,849	589,441	669,127
Impact fees	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	3,792,555
Contributions	14,348	6,603	58,949	2,217	4,801	5,739	5,492	-	-	-
Rental income	-	-	-	-	-	-	-	-	-	-
Investment Earnings	833,589	371,817	421,111	287,289	82,174	12,505	176,120	129,682	189,814	1,019,437
Miscellaneous	21,425	26,779	38,946	77,326	41,105	60,404	70,507	70,126	187,331	181,612
<b>Total revenues</b>	<b>\$ 41,279,168</b>	<b>\$ 36,506,728</b>	<b>\$ 36,471,530</b>	<b>\$ 37,894,615</b>	<b>\$ 40,482,272</b>	<b>\$ 44,344,123</b>	<b>\$ 43,407,918</b>	<b>\$ 46,862,015</b>	<b>\$ 48,682,624</b>	<b>\$ 51,364,502</b>
<b>Expenditures</b>										
Current:										
General government	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	9,710,617
Public safety	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	12,290,526
Transportation and physical environment	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	6,744,326
Culture and recreation	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	5,686,109
Capital outlay	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	4,650,191
Debt Service:										
Principal	267,623	225,930	210,000	393,000	605,000	623,000	641,000	660,000	680,000	701,000
Interest and Other	545,416	698,126	652,050	519,669	676,742	604,034	578,231	523,790	484,548	461,489
<b>Total expenditures</b>	<b>54,391,677</b>	<b>37,436,995</b>	<b>33,178,135</b>	<b>32,442,389</b>	<b>44,542,932</b>	<b>51,616,754</b>	<b>42,513,392</b>	<b>47,406,668</b>	<b>45,274,202</b>	<b>40,244,258</b>
Excess of revenues over (under) expenditures	(13,112,509)	(930,267)	3,293,395	5,452,226	(4,060,660)	(7,272,631)	894,526	(544,653)	3,408,422	11,120,244
<b>Other Financing Sources (Uses)</b>										
Sale of capital assets	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	5,270,599	1,649,068	5,451,278	2,036,171	9,348,861	4,390,060	2,747,133	3,209,669	2,980,417	6,618,206
Transfers Out	(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)	(4,684,845)
<b>Total other financing sources (uses)</b>	<b>(128,913)</b>	<b>451,789</b>	<b>(7,463,594)</b>	<b>2,758,089</b>	<b>6,112,244</b>	<b>1,596,242</b>	<b>802,742</b>	<b>778,774</b>	<b>1,181,058</b>	<b>1,933,361</b>
<b>Net change in fund balances</b>	<b>\$ (13,241,422)</b>	<b>\$ (478,478)</b>	<b>\$ (4,170,199)</b>	<b>\$ 8,210,315</b>	<b>\$ 2,051,584</b>	<b>\$ (5,676,389)</b>	<b>\$ 1,697,268</b>	<b>\$ 234,121</b>	<b>\$ 4,589,480</b>	<b>\$ 13,053,605</b>
Debt Service as a percentage of noncapital expenditures	2.78	3.30	3.27	3.28	4.57	3.98	3.78	3.21	3.07	3.27

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
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
2019	6,482,155,876	540,186,903	31,529,807	67,713,554	86,874,285	294,835,011	425,166,935	1,182,729,178	924,441,920	825,639,991	4,995,651,282	4.69

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
2010	3.1500	0.3500	3.5000	7.7680	5.2479	0.2038	0.4158	0.0345
2011	3.5000	-	3.5000	8.0130	6.0550	0.2038	0.4158	0.0345
2012	3.5400	0.4500	3.9900	8.0310	6.7814	0.2390	0.3313	0.0345
2013	4.1502	0.1456	4.2958	7.9430	7.6620	0.2540	0.3313	0.0345
2014	4.1932	0.0773	4.2705	7.4420	8.5753	0.2533	0.3283	0.0345
2015	4.1608	0.0842	4.2450	7.4460	8.5390	0.2423	0.3164	0.0345
2016	4.0828	0.1622	4.2450	7.2550	8.4668	0.2376	0.3023	0.0320
2017	4.1120	0.1330	4.2450	6.9520	8.6317	0.2395	0.2885	0.0320
2018	4.3461	0.2476	4.5937	6.6390	8.6117	0.2403	0.2724	0.0320
2019	4.5912	0.1077	4.6989	6.4100	8.7247	0.2518	0.2562	0.0320

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	2019			2010		
	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	\$86,746,976	1	1.736%	\$87,827,823	1	1.290%
EBSCO INTEGRA WOODS LLC	25,200,000	2	0.504%	-	-	-
PALM COAST LANDING LLC	23,884,501	3	0.478%	-	-	-
BRANCH ISLAND WALK ASSOCIATES	19,896,000	4	0.398%	-	-	-
SUNBELT PALM COAST MARINA LLC	15,181,425	5	0.304%	-	-	-
PINE LAKES ACQUISITIONS LLC	14,700,000	6	0.294%	-	-	-
TUSCAN GARDENS	13,527,403	7	0.271%	-	-	-
PALM COAST MEDICAL SPECIALISTS	12,820,580	8	0.257%	12,377,228	6	0.240%
BRIGHTHOUSE NETWORKS	11,588,339	9	0.232%	11,922,528	10	0.230%
BROOKHAVEN DEVELOPMENT LAND	10,569,562	10	0.212%	-	-	-
BELLSOUTH TELECOMMUNICATIONS	-	-	-	21,338,896	2	0.410%
PALM COAST HOLDINGS INC	-	-	-	12,071,991	9	0.230%
FLORIDA LANDMARK COMMUNITIES	-	-	-	20,966,473	3	0.400%
PALM COAST CENTER LLC	-	-	-	16,412,956	4	0.310%
INTEGRA WOODS LLC	-	-	-	12,572,255	5	0.240%
CELEBRITY RESORTS OF PALM COAST	-	-	-	12,225,600	8	0.230%
GINN-LA HAMMOCK BEACH LTD LLP	-	-	-	12,300,597	7	0.230%
	<b>\$234,114,786</b>		<b>4.686%</b>	<b>\$ 220,016,347</b>		<b>3.810%</b>

Source: Flagler County Property Appraiser

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy (1)		Amount	Percentage of Levy
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
2019	23,507,564	22,629,676	96.27	6,072	22,635,748	96.29

**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							
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
2019	-	6,984,000	-	78,923,071	76,780,625	6,839,265	-	169,526,961	4,995,651,282	3.39	5,179,684	86,768	3.27	1,954

**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

Fiscal Year	General Bonded Debt Outstanding		Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Estimated Population	Per Capita
	Local Government Pooled Loan	Total				
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	-
2019	-	-	4,995,651,282	-	86,768	-

**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, 2019

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Flagler County General Obligation Bonds, Series 2015	\$ 21,715,000	58.81	\$ 12,770,548
Flagler County Refunding Limited Tax General Obligation Bonds, Series 2016	10,345,000	58.81	6,083,874
<b>Other debt</b>			
Flagler County School Board District Certificates of Participation	48,015,000	58.81	28,237,524
Flagler County School Board District State School Bonds	301,000	58.81	177,017
Flagler County School Board District Revenue Bonds	1,455,000	58.81	855,683
Flagler County Tourist Development Revenue Bonds, Series 2017	5,336,000	58.81	3,138,091
Flagler County Notes Payable	6,106,000	58.81	3,590,926
Flagler County Refunding Capital Improvement Revenue Bonds, Series 2015	38,525,000	58.81	<u>22,656,475</u>
Subtotal, overlapping debt			77,510,137
<b>City Direct Debt</b>			<u>7,685,000</u>
<b>Total Direct and overlapping debt</b>			<u>\$ 85,195,137</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, Florida**  
**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	Net Available Revenue	Debt Service		Coverage	
			Stabilization Transfers To/(From) (3)		Principal	Interest		
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	
2019	42,364,833	22,393,666	-	19,971,167	4,780,000	4,376,556	2.18	

**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
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%
2018	86,768	5,179,684	46,220	12,829	4.00%
2019	89,018	5,588,273	49,173	12,844	3.85%

**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. Estimated 2019 based on 2018 amounts.

(a) Personal income data is for Flagler County.

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

<u>Employer</u>	<u>2019</u>			<u>2010</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (a)</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment (a)</u>
Flagler County Schools	1,750	1	3.90%	1,756	1	4.15%
Advent Health Palm Coast	1,115	2	2.48%	780	3	1.84%
Palm Coast Data	750	3	1.67%	1,100	2	2.60%
Hammock Beach Resort	505	4	1.13%	557	5	1.32%
Publix Supermarkets	491	5	1.09%	560	4	1.32%
City of Palm Coast	510	6	1.14%	415	7	0.98%
Insurance Services Office, inc.	326	7	0.73%	-	-	-
Walmart	300	8	0.67%	500	6	1.18%
Florida Healthcare	300	9	0.67%	-	-	-
Flagler County Sheriffs Office	300	10	0.67%	257	10	0.60%
Sea Ray Boats	-	-	0.00%	400	8	0.95%
Ocean Hammock Resort	-	-	0.00%	320	9	0.76%
<b>Total</b>	<b>6,347</b>		<b>14.14%</b>	<b>6,645</b>		<b>15.70%</b>

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

**Note:**

(a) Statistics relating to total city employment are unavailable. The City of Palm Coast represents approximately 78% 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	2010	2011 (a)	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
City Administration	15	15	15	13	15	15	15	15	17	19
City Attorney	1	1	1	1	1	1	1	1	1	1
City Clerk	-	1	1	2	2	2	2	2	2	2
Financial Services	8	8	8	8	8	8	8	9	9	9
Information Tech & Communications	12	-	-	-	-	-	-	-	-	-
Community Development	16	40	40	41	42	42	40	40	41	41
Building and Code Enforcement	41	-	-	-	-	-	-	-	-	-
Fire	66	62	62	59	59	58	58	58	58	58
Law Enforcement	-	-	-	-	-	-	-	-	-	-
Streets and Facilities	54	59	59	65	65	68	67	70	75	77
Engineering	9	7	7	6	6	4	-	-	-	-
Construction Management & Engineering	-	-	-	-	-	-	16	19	20	11
Recreation and Athletics	19	19	19	20	20	20	21	21	21	19
Water and Wastewater Utility (1)	113	115	115	118	118	121	120	125	128	143
Stormwater Management (2)	37	30	30	30	30	32	27	27	27	37
Golf Course	-	-	-	-	-	-	-	-	10	10
Building Permits	-	15	15	14	15	17	17	17	18	20
Information Technology Operations	-	13	13	11	11	11	11	11	13	14
Information Technology Enterprise	-	-	-	-	-	-	-	-	-	1
Tennis Center	3	-	-	-	-	-	-	-	4	4
Pool	-	-	-	-	-	-	-	-	-	8
Fleet Management	3	3	3	4	4	6	6	7	7	10
Facilities Management	-	-	-	-	-	-	4	2	2	4
<b>Total</b>	<b>397</b>	<b>388</b>	<b>388</b>	<b>392</b>	<b>396</b>	<b>405</b>	<b>413</b>	<b>424</b>	<b>453</b>	<b>488</b>

Source: City Budget

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

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

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

(a) 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Building Permits Issued										
Residential	127	96	108	248	340	359	484	633	777	905
Commercial	26	15	12	145	370	531	114	84	66	108
Other	5,260	5,410	6,743	7,351	6,753	8,239	9,269	12,432	13,447	12,064
Total	5,413	5,521	6,863	7,744	7,463	9,129	9,867	13,149	14,290	13,077
Building Inspections	16,006	16,441	15,989	19,012	25,040	18,258	28,912	37,611	43,502	43,365
Code Violations										
Total Code Violations	23,749	21,261	23,201	22,287	19,123	17,632	16,135	17,079	17,769	18,145
Code Violations Cleared	16,500	19,995	22,907	20,671	18,516	17,321	15,473	16,677	17,372	17,785
Expenditures per Cleared Violation	\$125	\$105	\$143	\$104	\$118	\$125	\$129	\$145	\$143	\$149
Fire and Rescue										
Total Fire Calls (6)	186	278	213	179	149	185	166	154	129	144
Total EMS Calls	5,404	5,300	5,365	5,503	5,760	6,192	6,204	6,873	6,808	5,775
% Responses under 5 Minutes (5)	61%	55%	56%	42%	41%	38%	-	-	-	45%
% Responses under 7 Minutes (5)	-	-	-	-	-	-	66%	61%	61%	77%
Public Works										
Refuse Collection (Annual Tons)	31,134	30,144	31,316	26,300	27,077	28,481	32,058	32,981	35,732	35,169
Recycle Collection (Annual Tons)(3)	3,982	3,960	4,038	4,840	5,857	11,453	5,188	5,037	4,735	4,640
Street Rehabilitation (Expenditures per capita)	\$52	\$70	\$66	\$68	\$70	\$68	\$69	\$72	\$40	\$17
Potholes Repaired	86	24	36	65	61	39	38	40	174	229
Parks and Recreation										
Developed Park Acres/1000 population	5.05	4.84	4.6	4.52	6.82	9.48	9.33	9.15	8.95	8.95
Recreation Program Expenditures/1000 population(4)	\$12,263	\$16,397	\$17,353	\$13,538	\$16,989	\$40,481	\$40,762	\$37,762	\$37,682	\$41,581
Total Recreation Revenues/1000 population(4)	\$2,145	\$2,271	\$2,277	\$2,152	\$2,153	\$20,554	\$20,741	\$19,061	\$19,082	\$21,224
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	6%	-	-	-	-	5%	4%	4%	4%	2%
Hazardous Drainage Conditions Resolved -										
100% Repaired in 24 Hours	86%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	481	201	229	114	163	525	618	715	932	950
Peak Daily Water Demand (Million gallons per day)	10.4	10.1	9.7	11.1	9.4	9.4	10.25	9.22	9.71	11.15
Wastewater (2)										
Peak Daily Wastewater Treated (Million gallons per day)	6.9	11.8	6.83	6.83	6.83	6.83	6.83	7.14	13.5	10.14

Sources: Various City departments

Notes:

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

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire and Rescue										
Stations	5	5	5	5	5	5	5	5	5	5
Apparatus	17	16	20	20	20	20	20	20	20	20
Public Works										
Streets (miles)	1,138	1,169	1,169	1,169	1,169	1,169	1,169	1,176	1,176	1,176
Traffic Signals	47	50	52	52	54	50	53	53	53	53
Fleet Size	246	242	235	235	241	215	220	231	235	248
Parks and Recreation										
Acreage	746	1,278	1,265	1,265	1,275	1,275	1,275	1,275	1,302	1,302
Playgrounds	7	7	8	8	8	8	8	8	8	8
Athletic Fields	19	20	20	20	22	25	22	25	25	25
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	1,200	1,100	1,100	1,100	1,200	1,222	1,222	1,222	1,222	1,222
Drainage ditches (miles)	150	154	154	154	154	154	172	172	177	177
Canals (miles)	80	84	84	84	84	84	84	84	84	84
Water control structures	19	31	31	31	31	31	31	31	31	31
Water (2)										
Water Mains (miles)	679	714	714	714	714	716	721	721	733	733
Fire Hydrants	3,772	3,772	3,784	3,784	3,780	3,805	3,826	3,826	3,860	3,860
Capacity (millions of gallons per day)	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	16.58	16.58
Wastewater (2)										
Sewers (miles)	613	613	620	620	622	623	633	633	635	635
Treatment Capacity (millions of gallons per day)	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	8.83	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, 2019, 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 26, 2020.

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

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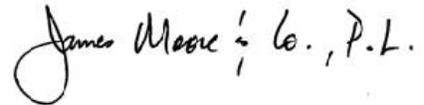
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### ***Compliance and Other Matters***

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, C.A., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
February 26, 2020

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Federal Agency, Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Program Expenditures</u>
<b>FEDERAL AWARDS</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Direct:			
Community Development Block Grants			
Total Entitlement Grants Cluster and U.S. Department of Housing and Urban Development	14.218	B-18-MC-12-0060	<u>\$ 373,710</u>
<b>U.S. Department of Transportation</b>			
Passed Through Florida Department of Transportation:			
Highway Planning and Construction	20.205	G0064	466,174
Highway Planning and Construction	20.205	G0U39	166,505
Highway Planning and Construction	20.205	G0V42	252,590
Highway Planning and Construction	20.205	G1418	<u>51,231</u>
Total Highway Planning and Construction Cluster and U.S. Department of Transportation			<u>936,500</u>
<b>U.S. Department of Health and Human Services</b>			
Direct:			
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			
Total U.S. Department of Health and Human Services	93.354	N/A	<u>2,941</u>
<b>U.S. Department of Homeland Security - Federal Emergency Management Agency</b>			
Passed through State of Florida, Division of Emergency Management			
Disaster Grants - Public Assistance Hurricane Matthew Declaration	97.036	17-PA-U5-04-28-01-080	1,211,000
Disaster Grants - Public Assistance Hurricane Irma Declaration	97.036	17-PA-U5-04-28-01-346	<u>2,948,913</u>
Total U.S. Department of Homeland Security			4,159,913
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 5,473,064</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, 2019**

(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, 2019.

(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, 2019, only \$6,420,385 of the City of Palm Coast, Florida's PWs from these storms had been approved by FEMA. \$4,159,913 is recognized on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2019, \$2,256,722 was 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. \$469,808 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, 2019**

**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:

<b>CFDA Number</b>	<b>Program Name</b>
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 is required as there were no findings for the year ended September 30, 2019.

**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, 2019. 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, 2019.

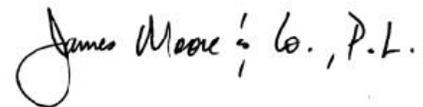
### **Report on Internal Control over Compliance**

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 26, 2020

**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, 2019, and have issued our report thereon dated February 26, 2020.

**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 26, 2020, 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, 2019.

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## **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 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.b. 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.

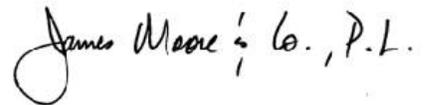
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

## **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 & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Daytona Beach, Florida  
February 26, 2020

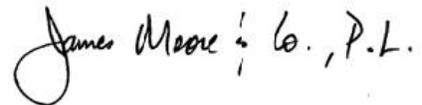
**INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT**

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, 2019. 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, 2019, 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, 2019.



Daytona Beach, Florida  
February 26, 2020



# city of PALM COAST

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

## AFFIDAVIT OF IMPACT FEE COMPLIANCE

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

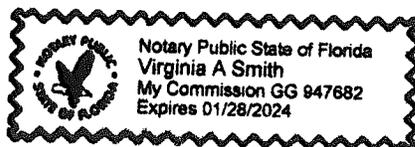
Mathew Morton, City Manager

Helena Alves, Financial Services Director

### STATE OF FLORIDA COUNTY OF FLAGLER

The foregoing instrument was acknowledged before me by means of  physical presence or  online notarization, this 28 day of February 2020 by Matthew Morton, City Manager and Helena Alves, Financial Services Director, who are personally known to me or who produced the following identification \_\_\_\_\_ and who did / did not take an oath.

WITNESS my hand and official seal this 28 day of February, 2020

  
Virginia A. Smith  
Notary Public - State of Florida



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