

city of
PALM COAST
FLORIDA

Comprehensive
Annual Financial Report

For the Fiscal Year Ending September 30, 2016



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CITY OF PALM COAST, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2016

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, 2016**

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LETTER OF TRANSMITTAL



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CITY MANAGER'S OFFICE

March 7, 2017

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, 2016, 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 81,184 residents and covers an area of approximately 81 square miles. For fiscal year 2017, property within the City has a taxable value of \$4,346,135,923. This was an increase of approximately five percent from 2016. The City's property tax rate for fiscal year 2016 is set at \$4.2450 per \$1,000 of taxable value. Approximately three percent of the property taxes levied have been committed to capital projects for fiscal year 2017.

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

Economic Outlook

The City's economy continues to steadily improve. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2016 with the median sales price up 9.2% and with values expected to continue to appreciate in 2017. Single-family permits are up again with 481 permits issued in 2016, the fifth straight year of increased permit activity. Population projections are positioning Palm Coast to be the second fastest growing area over the next five years. In addition, the labor market has healed from the high unemployment rate of 11.4% five years ago, with the unemployment rate hitting 5.5% at the end of 2016. Palm Coast has 5,086 more people employed than five years ago.

A particular bright spot has been taxable sales within the City. We have seen over a 37% increase in taxable sales since 2010, which represents an increase of \$188 million. This is mainly due to the addition of several shopping centers since 2007 and increases in tourists and related spending. Previously vacant commercial plazas, such as City Marketplace and European Village, have seen renewed activity with many new businesses opening. Taxable sales should continue to grow in 2017 with continued commercial growth, especially the commercial development along State Road 100.

Long-term Financial Planning

The City Council continues to focus on carrying out its Strategic Action Plan and the related goals, projects, and programs. Economic development is guided by the City's Prosperity 2021 plan, which is integrated within the Strategic Action Plan. This plan takes an inside out approach, by strengthening our existing neighborhoods and commercial areas. This past fiscal year, the City's taxable value appreciated approximately 5%. As all major economic indicators are now trending in a positive direction, we expect the local economy's improvement to accelerate in the coming year and have a positive impact on City revenue sources.

While we continue to conservatively estimate revenues, the improving economy will likely lead to revenue sources coming in slightly higher than expectations. In the future, growth in our revenue sources should afford the City with the ability to keep up with rising costs to provide existing services and programs. Without additional revenue sources, increased fees or tax rates, or shifting funding from existing projects, programs, or services, the City will be limited in its ability to fund additional projects, programs, or services that might be desired by the community.

Future Projects and Programs

The need for infrastructure projects continues to grow as existing infrastructure ages, new development occurs, and the population continues to increase. During the upcoming year, the City will invest in infrastructure improvements necessary to maintain the past and prepare for the future. In 2017, the City will undertake the following major projects: Community Center Renovation and Expansion (multi-year), Restrooms at Town Center and Indian Trails Sports Complex, Seminole Woods Path, Old Kings Road Widening Design, Belle Terre Safety Improvements, Bridge Rehab and Renewal, Wastewater Treatment Plant #2 Design and Construction, and various Utility and Stormwater Projects.

The City will continue its efforts to expand the local economy through the Palm Coast Business Assistance Center (BAC) and by attracting sports tournaments and tourism. Both efforts have already seen much success. Since its inception, the BAC has helped businesses invest approximately \$28.5 million in our local economy through capital investment, increased sales, and salaries. The City in partnership with our local sports clubs and the Flagler County Tourist Development Council continues to attract sports tournaments and the associated visitor spending (2.8% increase in bed tax collections over last year) to our local economy. This increase represents the fifth straight year of increased visitor spending. In the coming year, the City will also focus efforts to increase shopping and dining opportunities for local residents, so they do not leave our community and spend their dollars in communities north and south of Palm Coast. These efforts should result in increased construction activity, capital investment, job creation, and taxable sales.

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, 2015. This is the fifteenth 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 2015 Popular Annual Financial Report. This is the third 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 2016 budget document. This is the thirteenth 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 2016 performance measurement document. This is the third consecutive year that Palm Coast has received this award.

Acknowledgements

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

Respectfully submitted,



Jim Landon
City Manager



Christopher M. Quinn
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Palm Coast
Florida**

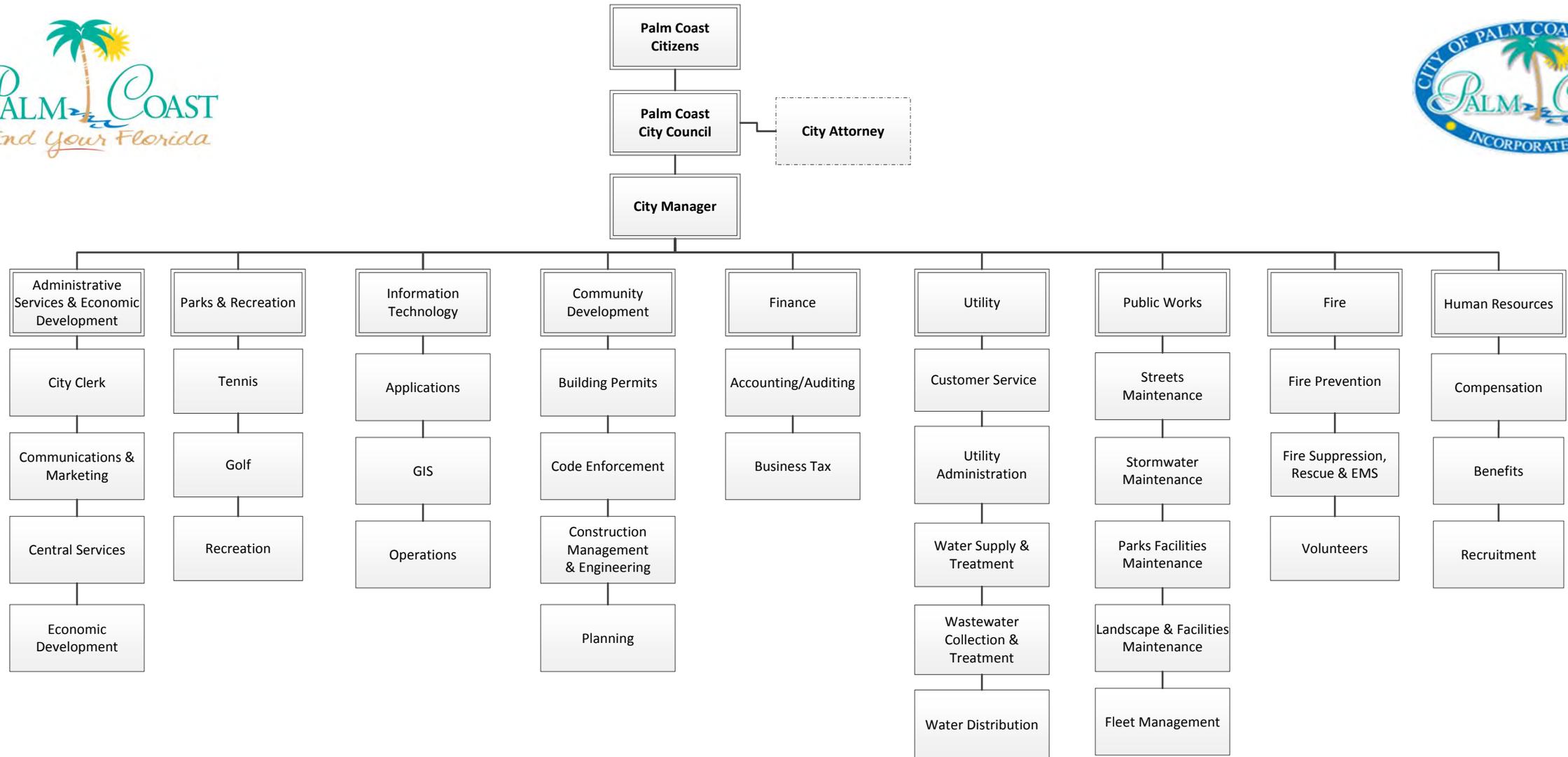
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO



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LIST OF PRINCIPAL OFFICIALS

September 30, 2016

ELECTED OFFICIALS

Mayor

Honorable Jon Netts

City Council Members:

Jason Delorenzo

Robert Cuff

Steve Nobile

Heidi Shipley

CITY OFFICIALS

City Manager

James S. Landon

City Attorney

William Reischmann

City Auditor

James Moore & Co., P.L.

Finance Director

Christopher M. Quinn

FINANCIAL SECTION

This section contains the following subsections:

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



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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of and for the year ended September 30, 2016, 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, 2016, 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.

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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Other Matters

Required Supplementary Information

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

Other Information

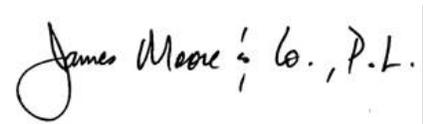
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Palm Coast, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, fiduciary fund schedules, and statistical section, and the Schedule of Expenditures of Federal Awards as listed in the table of contents, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the City of Palm Coast, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palm Coast, Florida's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
March 7, 2017

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, 2016. 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 2016 by \$451,691,176. Of this amount, \$41,907,933 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$15,000,848. Over \$9.7 million of the increase was the result of increased utility revenue due to planned rate increases and customer growth as well as related impact fee collections. The balance was primarily due to increased transportation impact fee collections and planned increases in self-insured health plan reserves.
- As of the close of fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$15,441,101 an increase of \$1,697,268 over the prior year. The increase in combined ending fund balances was primarily due to increased revenues from development related impact fees.
- At the end of fiscal year 2016, unassigned fund balance in the general fund was \$6,398,133 or 21.9% of total general fund expenditures.
- The City of Palm Coast's total debt decreased by \$4,623,109 during the current fiscal year. This was primarily due to annual principal payments on outstanding debt.
- The application of GASB Statement No. 68 resulted in recording of a Net Pension Liability and Asset, as well as related Deferred Inflow and Outflows. The net result of these transactions was a decrease in unrestricted net position of \$884,026.

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 22-23 of this report.

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

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

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

The City of Palm Coast maintains twelve individual governmental funds. Seven of the governmental funds are classified as nonmajor and are summarized under this heading in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, transportation impact fee fund, streets improvement fund, and SR100 CRA fund, which are considered 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 24-27 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 28-33 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 34-35 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 38-89 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters, select public safety employees, and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 92-104 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 \$451,691,176 at the close of the most recent fiscal year.

Of the net position, 9.28% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 4.33% of net position represents resources that are subject to external restrictions. By far, the largest portion of the City of Palm Coast's net position (86.39%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt used to acquire the assets, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Table I
City of Palm Coast's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 39,882,122	\$ 38,033,299	\$ 51,603,840	\$ 51,473,311	\$ 91,485,962	\$ 89,506,610
Capital assets	326,499,371	325,257,311	227,070,014	221,865,685	553,569,385	547,122,996
Total assets	366,381,493	363,290,610	278,673,854	273,338,996	645,055,347	636,629,606
Total deferred outflows of resources	1,627,351	531,576	1,326,959	-	2,954,310	531,576
Long-term liabilities	14,683,427	13,460,258	164,192,951	168,585,870	178,876,378	182,046,128
Other liabilities	13,384,595	13,553,480	3,109,475	3,558,087	16,494,070	17,111,567
Total liabilities	28,068,022	27,013,738	167,302,426	172,143,957	195,370,448	199,157,695
Total deferred inflows of resources	329,388	631,011	618,645	682,148	948,033	1,313,159
Net position:						
Net investment in capital assets						
assets	317,474,371	315,591,311	72,761,895	67,519,973	390,236,266	383,111,284
Restricted	5,537,610	5,649,144	14,009,367	12,845,451	19,546,977	18,494,595
Unrestricted	16,599,453	14,936,982	25,308,480	20,147,467	41,907,933	35,084,449
Total net position	\$ 339,611,434	\$ 336,177,437	\$ 112,079,742	\$ 100,512,891	\$ 451,691,176	\$ 436,690,328

Governmental Activities

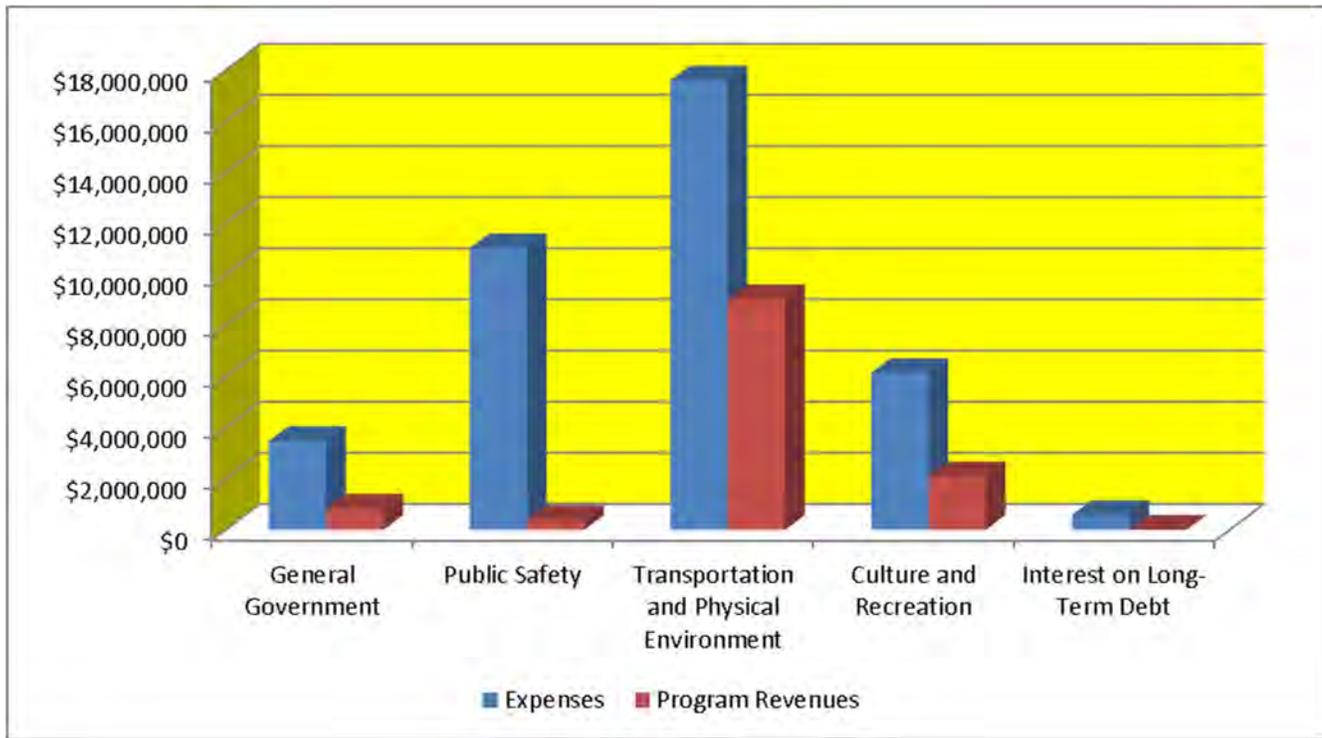
Governmental activities increased the City of Palm Coast's net position by \$3,433,997 during the current fiscal year. Factors include revenues in excess of expenditures in the general fund, and accumulation of impact fees due to increased development in the community. Long-term liabilities increased \$1,223,169 primarily due to an increase in the FRS net pension liability for the year. Governmental activities unrestricted net position increased by \$1,662,471. The primary driver for this was a planned

program to increase reserves in the self-insured health fund coupled with an increase in the transportation impact fee fund due to accumulation of fees to offset prior year revenue shortages. Capital grants and contributions decreased \$1,693,385 primarily due to a number of grant funded road projects being completed during the fiscal year. Operating grants and contributions decreased \$785,862 primarily due to several CDBG projects that were rescheduled to fiscal year 2017. Property taxes increased \$982,542 due to a 6% increase in taxable value throughout the City. The millage rate remained flat. Changes in general government and transportation and physical environment expenses offset due to a reorganization during the fiscal year. Culture and recreation expenses increased \$673,079, which is attributable to needed increases in annual maintenance from ongoing park expansion projects and related costs for recreational activities.

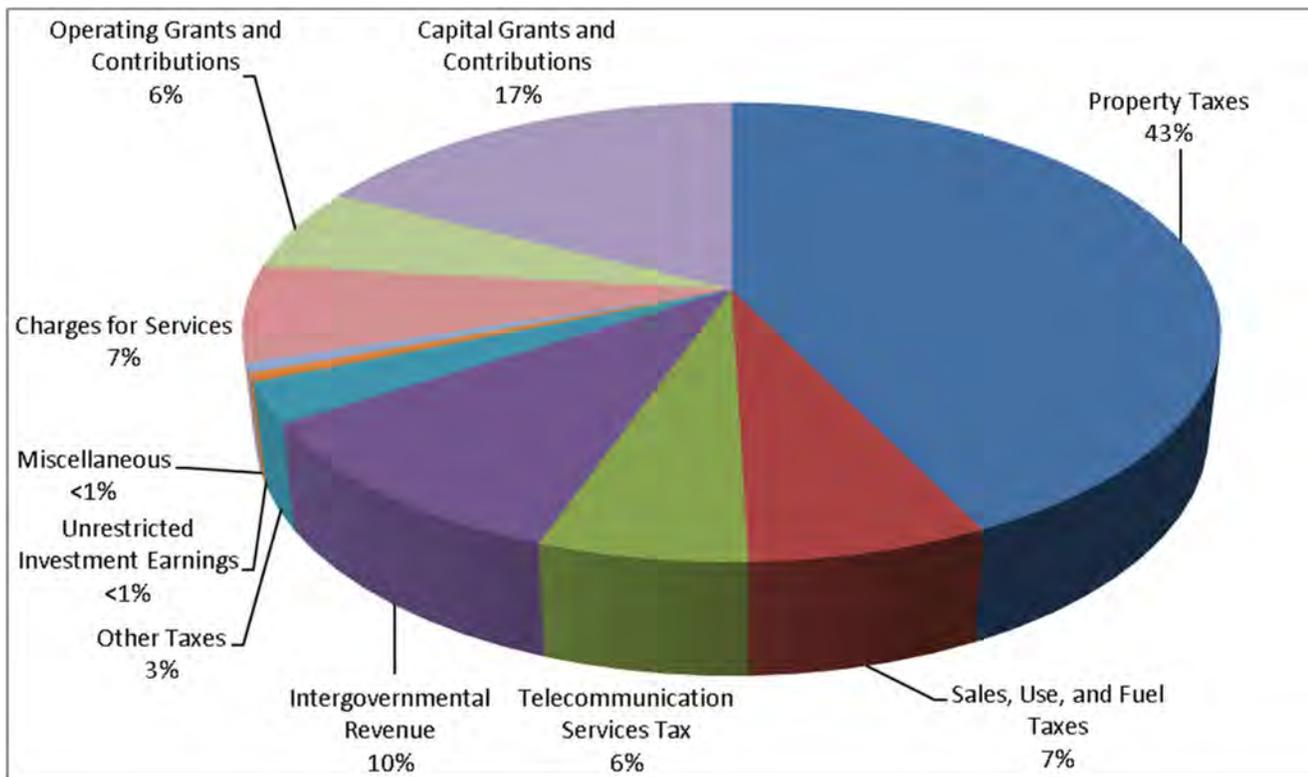
Table II
City of Palm Coast's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 2,776,765	\$ 2,932,768	\$ 54,645,631	\$ 51,821,703	\$ 57,422,396	\$ 54,754,471
Operating grants and contributions	2,411,183	3,197,045	-	-	2,411,183	3,197,045
Capital grants and contributions	7,143,389	8,836,774	5,121,164	2,870,187	12,264,553	11,706,961
General revenues:						
Property taxes	17,592,210	16,609,668	363,863	316,403	17,956,073	16,926,071
Other taxes	6,303,559	6,249,418	-	-	6,303,559	6,249,418
Intergovernmental	4,299,085	4,200,163	-	-	4,299,085	4,200,163
Other	529,701	286,863	482,167	425,031	1,011,868	711,894
Total revenues	41,055,892	42,312,699	60,612,825	55,433,324	101,668,717	97,746,023
Expenses:						
General government	3,471,694	5,380,359	-	-	3,471,694	5,380,359
Public safety	11,013,862	10,522,359	-	-	11,013,862	10,522,359
Transportation and physical environment	17,579,791	15,752,135	-	-	17,579,791	15,752,135
Culture & recreation	6,136,059	5,462,980	-	-	6,136,059	5,462,980
Utility	-	-	31,562,957	30,760,793	31,562,957	30,760,793
Solid waste	-	-	7,349,686	7,239,055	7,349,686	7,239,055
Stormwater	-	-	6,473,450	4,842,145	6,473,450	4,842,145
Building permits	-	-	1,516,413	1,284,030	1,516,413	1,284,030
Information technology	-	-	985,726	382,264	985,726	382,264
Interest on long-term debt	578,231	604,034	-	-	578,231	604,034
Total expenses	38,779,637	37,721,867	47,888,232	44,508,287	86,667,869	82,230,154
Increase (decrease) in net position before transfers	2,276,255	4,590,832	12,724,593	10,925,037	15,000,848	15,515,869
Transfers	1,157,742	7,983,567	(1,157,742)	(7,983,567)	-	-
Increase (decrease) in net position	3,433,997	12,574,399	11,566,851	2,941,470	15,000,848	15,515,869
Net position - beginning	336,177,437	323,603,038	100,512,891	97,571,421	436,690,328	421,174,459
Net position - ending	\$ 339,611,434	\$ 336,177,437	\$ 112,079,742	\$ 100,512,891	\$ 451,691,176	\$ 436,690,328

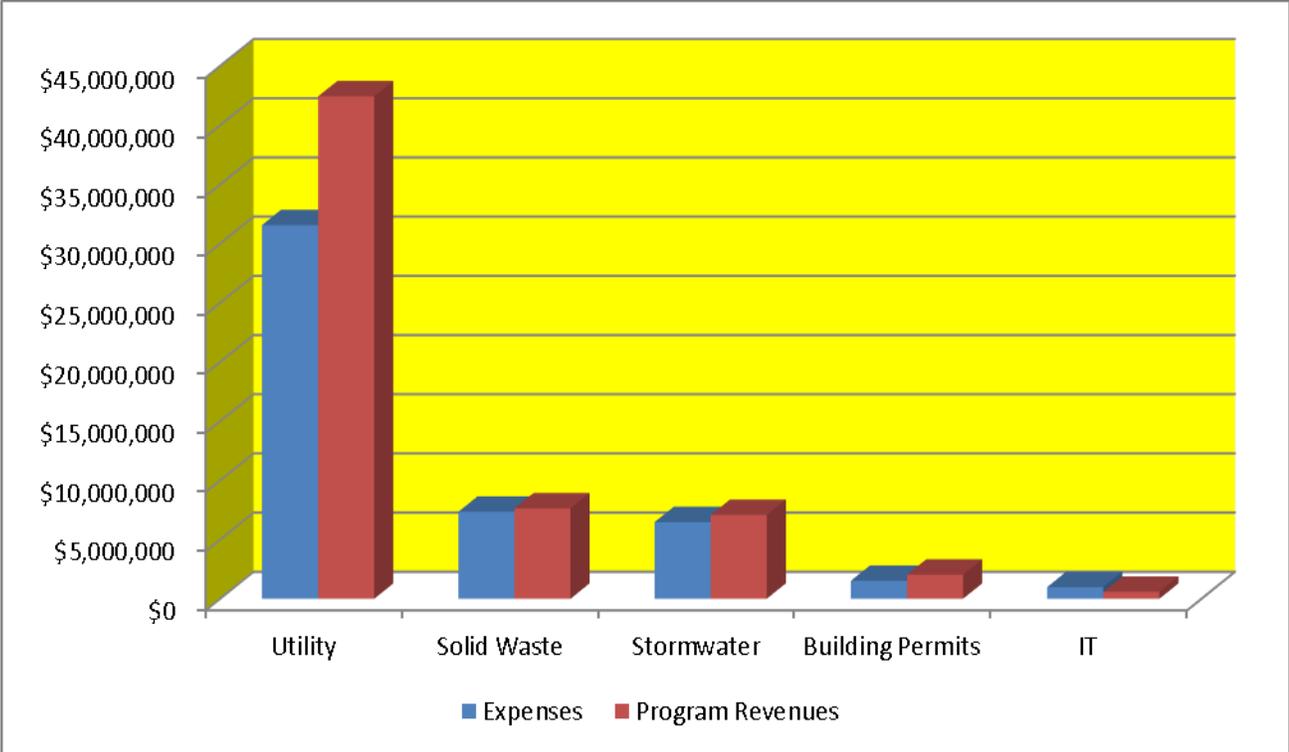
Expenses and Program Revenues – Governmental Activities



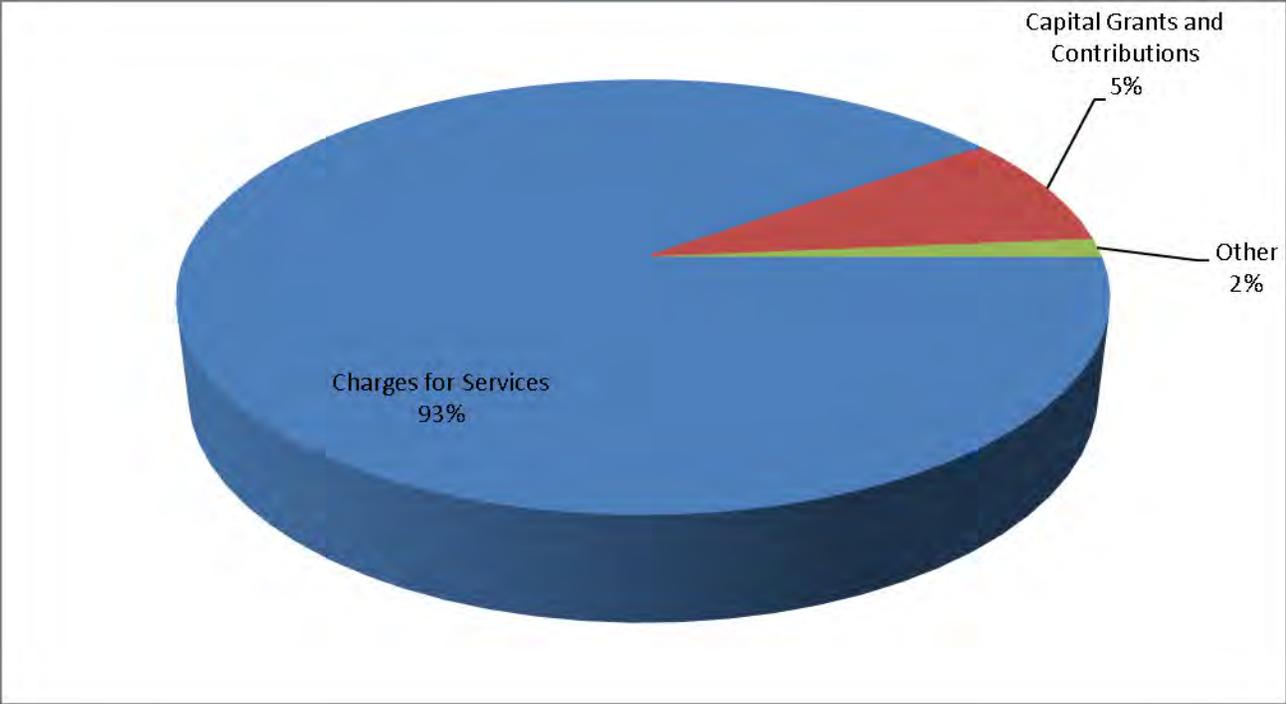
Revenues by Source – Governmental Activities



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 \$11,566,851. The increase in net position was attributable to an approximately \$9.7 million increase in the utility fund. The continuing effect of a multi-year rate increase designed to improve reserves and allocate additional amounts for capital projects, and increased revenues due to development contributed to the change. Utility expenses also increased due to the increasing customer base, but at a slower rate than revenues. Approximately \$5 million of the increase was due to impact fee collections from development activities. Stormwater expenses increased \$1,631,305 for the year due to the results of a study that determined certain previously capitalized expenses to be ongoing maintenance. The net results of these activities above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$4.2 million, as well as the approximately \$3.4 million increase in expenses. The decrease of over \$3 million in restricted net position for debt service was primarily related to the advanced refunding of the 2007 series bonds.

Financial Analysis of the Government's Funds

Governmental funds. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$6,398,133, with an additional \$2,244,922 committed for a disaster reserve. The total fund balance stood at \$8,910,055. 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 22% of total general fund expenditures for fiscal year 2016 and 22% for fiscal year 2015. Total fund balance represents approximately 30% of the total general fund expenditures versus 31% for fiscal year 2015.

The fund balance of the City of Palm Coast's general fund increased by \$188,482 during the current fiscal year. Key factors in this increase are as follows:

The primary driver for the overall increase in the fund balance is related to 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 \$5,432,117, an increase of \$671,524. This increase is primarily due to the accumulation of funds for future projects. The transportation impact fee total fund balance was \$1,405,990, an increase of \$2,140,099. This is due to the accumulation of impact fee collections to offset past expenditures in excess of available revenues. The streets improvement fund balance was \$2,819,225 representing a decrease of \$1,710,339. This decrease is a budgeted use of the fund balance for various street projects. The SR100 CRA fund balance was \$165,965, a decrease of \$32,878. Project expenditures for a Community Wing related to the new City Hall were drivers of the decrease. The other governmental funds have a total fund balance of (\$3,292,251). This represents an increase of \$440,380 during the current fiscal year. The increase is primarily due to the accumulation of impact fees in the various funds.

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

Unrestricted net position of the utility fund was \$16,131,950 at the end of the year, with the total fund balance at \$81,227,087. The unrestricted net position increased \$3,644,699 for the year. This was partially due to increased income before capital contributions and transfers of approximately \$1 million. This was the result of increased customer sales and the effects of a recent rate adjustment program. The balance was primarily due to the bond refinancing noted above.

The unrestricted net position of the solid waste fund was \$1,410,454, which represents an increase of \$291,690. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$1,427,175, which represents an increase of \$117,382. This increase was due to the deferral of certain expenditures until fiscal year 2017.

Unrestricted net position in the building permits fund was \$2,268,676, which represents an increase of \$474,145. This increase is primarily due increased revenues from development within the City.

Unrestricted net position in the information technology fund (IT) was \$489,004, which represents a decrease of \$325,780. This decrease is primarily due a planned use of reserves for equipment replacement for the year.

Fund Balance Policy Compliance

Governmental funds. The general fund adjusted unassigned fund balance exceeds the policy minimum of ten percent of the following year's budgeted expenditures. The City Council has chosen to leave this excess in place to hedge against unanticipated future revenue decreases, and the need for future infrastructure investment. In October 2016, Hurricane Matthew affected the City. It is anticipated that a portion of the adjusted unassigned fund balance may be needed to replenish disaster reserve funds not reimbursable by insurance or FEMA.

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

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

Additional information relating to the fund balance policy can be found in Note 19 on pages 88-89 of this report.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budgeted expenses and transfers out totaled an increase of \$592,142. The change was due to the transfer of excess fund balance to the capital projects fund (\$500,000) and the net effect of various minor operational increases and decreases across the different departments. During the year, final amended expenditures exceeded the revenues budget by \$2,793,408. This was the result of budgeted utilization of accumulated fund balance, primarily from the disaster reserve. Actual expenditures were less than the final amended budget by \$3,253,101. The overall cost reduction program, as well as not utilizing accumulated disaster reserve funds, are the primary reasons for this difference.

Final Budget Compared to Actual Results

A review of actual expenditures compared to appropriations in the final budget yielded no significant unexpected variances.

Capital Asset and Debt Administration

Capital assets. The City of Palm Coast's investment in capital assets as of September 30, 2016, amounts to \$553,569,385 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, equipment and construction in progress. This investment increased \$6,446,389 for the current fiscal year. The overall increase is due to road expansions, bridge rehabilitation, utility infrastructure, and park expansions. Many of these projects remain in progress as of the end of the fiscal year.

Table III
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 90,808,604	\$ 90,787,054	\$ 13,889,568	\$ 13,879,691	\$ 104,698,172	\$ 104,666,745
Buildings and improvements						
other than buildings	43,180,480	35,129,687	62,582,869	63,624,458	105,763,349	98,754,145
Infrastructure	175,598,406	162,619,521	141,833,249	137,155,672	317,431,655	299,775,193
Equipment	8,551,187	7,505,862	446,433	452,449	8,997,620	7,958,311
Construction in progress	8,360,694	29,215,187	8,317,895	6,753,415	16,678,589	35,968,602
Total	\$ 326,499,371	\$ 325,257,311	\$ 227,070,014	\$ 221,865,685	\$ 553,569,385	\$ 547,122,996

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

Long-term debt. The City of Palm Coast owes \$89,473,487 in revenue bonds, including premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$73,078,426 primarily for utility and stormwater improvements. The City also has two CRA revenue loans for redevelopment costs with a balance of \$9,025,000 at year end. The

remainder of the long-term debt is made up of compensated absences, an unfunded net OPEB liability, and a net pension liability. The total long-term debt of the City is \$178,876,378.

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

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Loans from other governments	\$ -	\$ -	\$ 28,128,909	\$ 24,207,237	\$ 28,128,909	\$ 24,207,237
Loans from financial institutions	9,025,000	9,666,000	44,949,517	6,357,974	53,974,517	16,023,974
Revenue bonds, net	-	-	89,473,487	136,396,216	89,473,487	136,396,216
Capital leases	-	-	-	34,967	-	34,967
Net pension liability	3,032,226	1,578,867	-	-	3,032,226	1,578,867
Net OPEB liability	599,132	524,088	429,850	377,608	1,028,982	901,696
Compensated absences	2,027,069	1,691,303	1,211,188	1,211,868	3,238,257	2,903,171
Total	\$ 14,683,427	\$ 13,460,258	\$ 164,192,951	\$ 168,585,870	\$ 178,876,378	\$ 182,046,128

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on pages 57-66 of this report.

Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund increased to \$6,398,133. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 21%.

The City Council approved a millage rate of 4.2450 mills for fiscal year 2017. Of the total millage, 0.1330 mills will be dedicated to the stormwater and capital projects funds for capital improvements. The balance of 4.1120 mills is assigned to the general fund. Market values of properties have increased for only the fourth consecutive year. The increase in taxable value was approximately 5%. New construction added approximately 2% to the taxable value; therefore, the City had a net 3% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2016 as a result of a rate study performed as part of the 2003 bond refinancing. The water and sewer rates increased by an average of .1% for all customers effective October 1, 2015. Annual C.P.I. adjustments will take place annually starting in fiscal year 2016. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of having new development help fund its impact on infrastructure in the community through impact fees. These fees are annually indexed and will increase approximately two percent for fiscal year 2017. One exception to this policy are recreation impact fees. These fees are based on a study of expected recreation enhancements and population growth as outlined in the park master plan for the City as of fiscal year 2014. These fees will remain static until this plan is updated in the future.

The fiscal year 2017 budget includes over \$59 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, bridge rehabilitation, stormwater control structure replacements, a new wastewater treatment plant, and utility infrastructure expansion and replacements.

Requests for Information

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

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

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

BASIC FINANCIAL STATEMENTS

City of Palm Coast, Florida
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 28,642,669	\$ 19,881,978	\$ 48,524,647
Accounts receivable - net	5,552,802	8,364,791	13,917,593
Due from other governments	4,560,307	4,161,326	8,721,633
Prepaid items	221,817	81,430	303,247
Inventories	54,290	536,296	590,586
Restricted assets:			
Equity in pooled cash and investments	-	18,578,019	18,578,019
Net pension asset	850,237	-	850,237
Capital assets not being depreciated			
Land	90,808,604	13,889,568	104,698,172
Construction in progress	8,360,694	8,317,895	16,678,589
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	43,180,480	62,582,869	105,763,349
Infrastructure	175,598,406	141,833,249	317,431,655
Equipment	8,551,187	446,433	8,997,620
Total Assets	366,381,493	278,673,854	645,055,347
Deferred outflows of resources:			
Deferred outflows related to pensions	1,627,351	-	1,627,351
Deferred loss on refunding	-	1,326,959	1,326,959
Total Deferred Outflows of Resources	1,627,351	1,326,959	2,954,310
LIABILITIES			
Accounts payable and other current liabilities	3,573,056	1,678,144	5,251,200
Due to other governments	1,068,170	20,238	1,088,408
Internal balances	8,369,879	(8,369,879)	-
Customer deposits	324,727	3,668,857	3,993,584
Unearned revenue	48,763	128,959	177,722
Payable from restricted assets:			
Accrued bond interest payable	-	1,965,125	1,965,125
Accrued loan interest payable	-	145,627	145,627
Accounts payable	-	3,375,212	3,375,212
Contracts payable	-	497,192	497,192
Noncurrent liabilities:			
Due within one year	750,553	5,139,854	5,890,407
Due in more than one year	10,900,648	159,053,097	169,953,745
Net pension liability	3,032,226	-	3,032,226
Total Liabilities	28,068,022	167,302,426	195,370,448
Deferred inflows of resources:			
Deferred gain on refunding	-	618,645	618,645
Deferred inflows relating to pensions	329,388	-	329,388
Total Deferred Inflows of Resources	329,388	618,645	948,033
NET POSITION			
Net investment in capital assets	317,474,371	72,761,895	390,236,266
Restricted for:			
Construction	-	4,622,867	4,622,867
Debt service	-	4,744,094	4,744,094
Renewal and replacements	-	4,642,406	4,642,406
Public safety	526,653	-	526,653
Parks and recreation	569,452	-	569,452
Transportation construction and maintenance	4,225,215	-	4,225,215
Redevelopment	165,965	-	165,965
Grants	50,325	-	50,325
Unrestricted	16,599,453	25,308,480	41,907,933
Total Net Position	\$ 339,611,434	\$ 112,079,742	\$ 451,691,176

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, 2016

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	Business-type Activities	Total
Primary Government:							
General government	\$ 3,471,694	\$ 687,827	\$ 139,546	\$ -	\$ (2,644,321)	\$ -	\$ (2,644,321)
Public safety	11,013,862	232,048	-	146,925	(10,634,889)	-	(10,634,889)
Transportation and physical environment	17,579,791	173,143	2,246,036	6,605,064	(8,555,548)	-	(8,555,548)
Culture and recreation	6,136,059	1,683,747	25,601	391,400	(4,035,311)	-	(4,035,311)
Interest on long-term debt	578,231	-	-	-	(578,231)	-	(578,231)
Total governmental activities	38,779,637	2,776,765	2,411,183	7,143,389	(26,448,300)	-	(26,448,300)
Business-Type Activities							
Utility	31,562,957	37,357,134	-	5,081,652	-	10,875,829	10,875,829
Solid waste	7,349,686	7,634,486	-	-	-	284,800	284,800
Stormwater	6,473,450	7,038,305	-	39,512	-	604,367	604,367
Building permits	1,516,413	2,031,003	-	-	-	514,590	514,590
Information technology	985,726	584,703	-	-	-	(401,023)	(401,023)
Total Business-Type Activities	47,888,232	54,645,631	-	5,121,164	-	11,878,563	11,878,563
Total Primary Government	\$ 86,667,869	\$ 57,422,396	\$ 2,411,183	\$ 12,264,553	(26,448,300)	11,878,563	(14,569,737)

General revenues:

Property taxes	17,592,210	363,863	17,956,073
Sales and use taxes	2,749,805	-	2,749,805
Telecommunication services tax	2,390,508	-	2,390,508
Franchise taxes	731,563	-	731,563
Other local taxes	431,683	-	431,683
Intergovernmental revenue, non-program	4,299,085	-	4,299,085
Unrestricted investment earnings	245,858	460,402	706,260
Miscellaneous	70,507	21,765	92,272
Gain on sale of capital assets	213,336	-	213,336
Transfers	1,157,742	(1,157,742)	-
Total General Revenues	29,882,297	(311,712)	29,570,585
Change in net position	3,433,997	11,566,851	15,000,848
Net position - beginning of year	336,177,437	100,512,891	436,690,328
Net position - end of year	\$ 339,611,434	\$ 112,079,742	\$ 451,691,176

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

City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 9,433,371	\$ 5,404,529	\$ 1,410,080	\$ 1,241,969	\$ 166,354	\$ 1,424,194	\$ 19,080,497
Accounts receivable - net	682,078	-	-	81,897	-	-	763,975
Special assessment receivable - net	-	-	-	-	-	4,788,658	4,788,658
Inventories	32,685	-	-	-	-	-	32,685
Prepaid items	200,397	-	-	-	-	-	200,397
Due from other governments	856,454	627,807	-	2,993,662	-	77,027	4,554,950
Due from other funds	5,000	-	-	-	-	-	5,000
Total Assets	\$ 11,209,985	\$ 6,032,336	\$ 1,410,080	\$ 4,317,528	\$ 166,354	\$ 6,289,879	\$ 29,426,162
LIABILITIES							
Accounts payable	\$ 483,624	\$ 600,219	\$ 4,090	\$ 1,416,406	\$ 389	\$ 87,856	\$ 2,592,584
Accrued liabilities	338,423	-	-	-	-	-	338,423
Due to other governments	451,413	-	-	-	-	-	451,413
Unearned revenue	48,763	-	-	-	-	-	48,763
Customer deposits	324,727	-	-	-	-	-	324,727
Due to other funds	-	-	-	-	-	5,000	5,000
Advances from other funds	-	-	-	-	-	4,788,658	4,788,658
Total Liabilities	1,646,950	600,219	4,090	1,416,406	389	4,881,514	8,549,568
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - Special assessments	-	-	-	-	-	4,700,616	4,700,616
Unavailable revenue - Taxes	3,855	-	-	-	-	-	3,855
Unavailable revenue - Charges for services	3,325	-	-	-	-	-	3,325
Unavailable revenue - Fines & forfeitures	645,800	-	-	81,897	-	-	727,697
Total Deferred Inflows of Resources	652,980	-	-	81,897	-	4,700,616	5,435,493
FUND BALANCES							
Nonspendable							
Inventories	32,685	-	-	-	-	-	32,685
Prepaid items	200,397	-	-	-	-	-	200,397
Restricted for							
Public safety	-	-	-	-	-	526,653	526,653
Parks and recreation	-	-	-	-	-	569,452	569,452
Transportation construction and maintenance	-	-	1,405,990	2,819,225	-	-	4,225,215
Grants	-	-	-	-	-	16,407	16,407
Redevelopment	-	-	-	-	165,965	-	165,965
Business assistance	33,918	-	-	-	-	-	33,918
Committed for							
Disaster reserve	2,244,922	-	-	-	-	-	2,244,922
Construction	-	5,432,117	-	-	-	-	5,432,117
Unassigned	6,398,133	-	-	-	-	(4,404,763)	1,993,370
Total Fund Balances (deficits)	8,910,055	5,432,117	1,405,990	2,819,225	165,965	(3,292,251)	15,441,101
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,209,985	\$ 6,032,336	\$ 1,410,080	\$ 4,317,528	\$ 166,354	\$ 6,289,879	\$ 29,426,162

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, 2016

Fund balances - total governmental funds	\$	15,441,101
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.		318,377,011
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)		1,080,964
Florida Retirement System (FRS)		(1,964,990)
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.		5,435,493
Internal services funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		12,811,691
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(11,569,836)
		(11,569,836)
Net Position of Governmental Activities	\$	339,611,434

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, 2016

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 20,117,720	\$ 3,034,405	\$ -	\$ 1,818,678	\$ 1,017,131	\$ -	\$ 25,987,934
Licenses and permits	211,822	-	-	-	-	-	211,822
Intergovernmental revenue	3,945,542	162,913	-	4,143,342	-	139,546	8,391,343
Charges for services	4,872,149	-	-	-	-	-	4,872,149
Special assessments	-	-	-	-	-	327,571	327,571
Fines and forfeitures	363,852	-	-	206,303	-	4,216	574,371
Impact fees	-	-	2,252,284	-	-	538,325	2,790,609
Contributions	5,492	-	-	-	-	-	5,492
Investment earnings	101,096	37,533	6,719	13,063	5,587	12,122	176,120
Miscellaneous	70,507	-	-	-	-	-	70,507
Total Revenues	29,688,180	3,234,851	2,259,003	6,181,386	1,022,718	1,021,780	43,407,918
EXPENDITURES							
Current:							
General government	8,280,123	-	-	-	-	178,971	8,459,094
Transportation and physical environment	5,599,303	-	4,090	1,561,233	70,400	12,738	7,247,764
Public safety	10,546,903	-	-	-	-	10,000	10,556,903
Culture and recreation	4,798,642	-	-	-	-	-	4,798,642
Capital outlay:							
General government	14,834	1,314,788	-	-	-	-	1,329,622
Public safety	14,629	92,390	-	-	-	-	107,019
Transportation and physical environment	14,583	168,930	-	6,330,492	-	-	6,514,005
Culture and recreation	-	2,262,219	-	-	-	18,893	2,281,112
Debt service:							
Principal	-	-	-	-	641,000	-	641,000
Interest and other	-	-	-	-	338,196	240,035	578,231
Total Expenditures	29,269,017	3,838,327	4,090	7,891,725	1,049,596	460,637	42,513,392
Excess (deficiency) of revenues over (under) expenditures	419,163	(603,476)	2,254,913	(1,710,339)	(26,878)	561,143	894,526
OTHER FINANCING SOURCES (USES)							
Transfers in	813,319	1,275,000	-	-	544,000	114,814	2,747,133
Transfers out	(1,044,000)	-	(114,814)	-	(550,000)	(235,577)	(1,944,391)
Total Other Financing Sources (Uses)	(230,681)	1,275,000	(114,814)	-	(6,000)	(120,763)	802,742
Net change in fund balances	188,482	671,524	2,140,099	(1,710,339)	(32,878)	440,380	1,697,268
Fund balances (deficits) - beginning	8,721,573	4,760,593	(734,109)	4,529,564	198,843	(3,732,631)	13,743,833
Fund balances (deficits) - ending	\$ 8,910,055	\$ 5,432,117	\$ 1,405,990	\$ 2,819,225	\$ 165,965	\$ (3,292,251)	\$ 15,441,101

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, 2016

Net change in fund balances - total governmental funds \$ 1,697,268

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

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

Expenditures for capital assets	10,231,758	
Less current year depreciation	<u>(10,450,897)</u>	(219,139)

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

Contributed capital assets		358,979
Change in revenue collections expected after 60 days		(270,087)

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

(18,378)

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.

641,000

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

Volunteer Firefighter Pension Fund (VFFP)		36,972
Florida Retirement System (FRS)		(110,555)

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		(300,515)
Annual OPEB Cost		(65,956)

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

1,684,408

Change in net position of governmental activities.

\$ 3,433,997

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, 2016

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
ASSETS						
Current assets:						
Equity in pooled cash and investments	\$ 15,494,198	\$ 814,431	\$ 179,903	\$ 3,393,446	\$ 19,881,978	\$ 9,562,172
Accounts receivable - net	5,503,927	1,164,767	1,654,409	41,688	8,364,791	169
Inventories	536,296	-	-	-	536,296	21,605
Prepaid Items	46,175	-	23,130	12,125	81,430	21,420
Restricted current assets:						
Cash with fiscal agent	4,835,125	-	-	-	4,835,125	-
Due from other governments	4,161,326	-	-	-	4,161,326	5,357
Total current assets	30,577,047	1,979,198	1,857,442	3,447,259	37,860,946	9,610,723
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	1,752,418	-	267,303	-	2,019,721	-
Impact fees	820,323	-	-	-	820,323	-
Renewal and replacements	4,819,091	-	-	-	4,819,091	-
Bond proceeds	6,083,759	-	-	-	6,083,759	-
Advances to other funds	4,788,658	-	-	-	4,788,658	-
Land	12,927,925	-	961,643	-	13,889,568	-
Building and improvements other than buildings	101,842,602	-	-	-	101,842,602	1,097,144
Infrastructure	164,287,657	-	40,192,012	4,650,118	209,129,787	-
Equipment	878,579	-	468,207	1,273,238	2,620,024	16,438,537
Less accumulated depreciation	(92,867,324)	-	(13,458,191)	(2,404,347)	(108,729,862)	(9,926,677)
Construction in progress	8,317,895	-	-	-	8,317,895	513,356
Total noncurrent assets	213,651,583	-	28,430,974	3,519,009	245,601,566	8,122,360
Deferred outflows of resources						
Deferred loss on refunding	1,326,959	-	-	-	1,326,959	-
Total deferred outflows of resources	1,326,959	-	-	-	1,326,959	-
Total assets and deferred outflows	\$ 245,555,589	\$ 1,979,198	\$ 30,288,416	\$ 6,966,268	\$ 284,789,471	\$ 17,733,083

City of Palm Coast, Florida
Statement of Net Position (continued)
Proprietary Funds
September 30, 2016

Business-type Activities-Enterprise Funds

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 548,990	\$ 568,744	\$ 196,372	\$ 183,418	\$ 1,497,524	\$ 426,405
Claims payable	-	-	-	-	-	206,624
Due to other governments	4,606	-	-	15,632	20,238	616,757
Loans payable	1,440,137	-	358,033	16,970	1,815,140	-
Compensated absences	327,982	-	43,720	83,012	454,714	20,383
Accrued liabilities	124,213	-	24,179	32,228	180,620	9,020
Customer deposits	3,668,857	-	-	-	3,668,857	-
Unearned revenue	-	-	-	128,959	128,959	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	2,870,000	-	-	-	2,870,000	-
Accrued bond interest payable	1,965,125	-	-	-	1,965,125	-
Accrued loan interest payable	134,544	-	11,083	-	145,627	-
Accounts payable	3,375,212	-	-	-	3,375,212	-
Contract payable	497,192	-	-	-	497,192	-
Total current liabilities	<u>14,956,858</u>	<u>568,744</u>	<u>633,387</u>	<u>460,219</u>	<u>16,619,208</u>	<u>1,279,189</u>
Noncurrent liabilities:						
Compensated absences	524,933	-	51,604	179,937	756,474	41,810
Net OPEB obligation	249,065	-	114,392	66,393	429,850	19,172
Bonds payable	86,603,487	-	-	-	86,603,487	-
Loans payable	61,375,514	-	9,854,226	33,546	71,263,286	-
Total noncurrent liabilities	<u>148,752,999</u>	<u>-</u>	<u>10,020,222</u>	<u>279,876</u>	<u>159,053,097</u>	<u>60,982</u>
Deferred inflows of resources						
Deferred gain on refunding	618,645	-	-	-	618,645	-
Total deferred inflows of resources	<u>618,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,645</u>	<u>-</u>
Total liabilities and deferred inflows	<u>164,328,502</u>	<u>568,744</u>	<u>10,653,609</u>	<u>740,095</u>	<u>176,290,950</u>	<u>1,340,171</u>
NET POSITION						
Net investment in capital assets	51,341,990	-	17,951,412	3,468,493	72,761,895	8,122,360
Restricted for construction	4,622,867	-	-	-	4,622,867	-
Restricted for renewal & replacements	4,642,406	-	-	-	4,642,406	-
Restricted for debt service	4,487,874	-	256,220	-	4,744,094	-
Unrestricted	16,131,950	1,410,454	1,427,175	2,757,680	21,727,259	8,270,552
Total net position	<u>\$ 81,227,087</u>	<u>\$ 1,410,454</u>	<u>\$ 19,634,807</u>	<u>\$ 6,226,173</u>	<u>108,498,521</u>	<u>\$ 16,392,912</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					3,581,221	
					<u>\$112,079,742</u>	

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



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City of Palm Coast, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	<u>Business-type Activities - Enterprise Funds</u>					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 21,459,228	\$ -	\$ -	\$ -	\$ 21,459,228	\$ -
Sewer charges	14,702,822	-	-	-	14,702,822	-
Garbage charges	-	7,634,486	-	-	7,634,486	-
Stormwater charges	-	-	7,038,305	-	7,038,305	-
Building permit and inspection charges	-	-	-	2,031,003	2,031,003	-
Information technology charges	-	-	-	2,231,178	2,231,178	-
Miscellaneous	1,195,084	-	-	-	1,195,084	-
Risk management	-	-	-	-	-	4,421,394
Fleet management	-	-	-	-	-	4,555,902
Total operating revenues	<u>37,357,134</u>	<u>7,634,486</u>	<u>7,038,305</u>	<u>4,262,181</u>	<u>56,292,106</u>	<u>8,977,296</u>
OPERATING EXPENSES						
Administrative	4,625,055	-	-	-	4,625,055	5,555,204
Water system	4,911,304	-	-	-	4,911,304	-
Sewer system	7,100,399	-	-	-	7,100,399	-
Solid waste system	-	7,349,686	-	-	7,349,686	-
Stormwater system	-	-	4,329,794	-	4,329,794	-
Building permits and inspections	-	-	-	1,575,210	1,575,210	-
Information technology	-	-	-	2,295,315	2,295,315	-
Depreciation	10,258,896	-	2,117,488	382,328	12,758,712	1,416,881
Total operating expenses	<u>26,895,654</u>	<u>7,349,686</u>	<u>6,447,282</u>	<u>4,252,853</u>	<u>44,945,475</u>	<u>6,972,085</u>
Operating income (loss)	<u>10,461,480</u>	<u>284,800</u>	<u>591,023</u>	<u>9,328</u>	<u>11,346,631</u>	<u>2,005,211</u>
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	417,485	6,890	10,278	25,749	460,402	69,738
Interest/amortization expense	(5,281,842)	-	(266,267)	-	(5,548,109)	-
Property Taxes	-	-	363,863	-	363,863	-
Other	(2,338)	-	-	24,103	21,765	213,336
Total nonoperating revenues (expenses)	<u>(4,866,695)</u>	<u>6,890</u>	<u>107,874</u>	<u>49,852</u>	<u>(4,702,079)</u>	<u>283,074</u>
Income (loss) before capital contributions and transfers	<u>5,594,785</u>	<u>291,690</u>	<u>698,897</u>	<u>59,180</u>	<u>6,644,552</u>	<u>2,288,285</u>
TRANSFERS AND CONTRIBUTIONS						
Capital grants and contributions	5,081,652	-	39,512	-	5,121,164	-
Transfers in	-	-	-	-	-	355,000
Transfers out	(926,849)	-	(216,241)	(14,652)	(1,157,742)	-
Total transfers and contributions	<u>4,154,803</u>	<u>-</u>	<u>(176,729)</u>	<u>(14,652)</u>	<u>3,963,422</u>	<u>355,000</u>
Change in net position	<u>9,749,588</u>	<u>291,690</u>	<u>522,168</u>	<u>44,528</u>	<u>10,607,974</u>	<u>2,643,285</u>
Net position - beginning	<u>71,477,499</u>	<u>1,118,764</u>	<u>19,112,639</u>	<u>6,181,645</u>		<u>13,749,627</u>
Net position - ending	<u>\$ 81,227,087</u>	<u>\$ 1,410,454</u>	<u>\$ 19,634,807</u>	<u>\$ 6,226,173</u>		<u>\$ 16,392,912</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					<u>958,877</u>	
					<u>\$11,566,851</u>	

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

City of Palm Coast, Florida
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

**Business-type Activities -
Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Cash flows from operating activities						
Cash received from customers	\$ 36,430,016	\$ 7,491,647	\$ 7,268,494	\$ 2,608,407	\$ 53,798,564	\$ 2,537
Cash from interfund charges	-	-	-	1,646,475	1,646,475	9,008,545
Cash paid to suppliers	(11,357,947)	(7,340,397)	(3,856,310)	(3,055,640)	(25,610,294)	(4,225,804)
Cash paid to employees	(5,428,788)	-	(590,421)	(1,431,733)	(7,450,942)	(375,476)
Net cash provided by (used in) operating activities	19,643,281	151,250	2,821,763	(232,491)	22,383,803	4,409,802
Cash flow from noncapital financing activities						
Transfers in from other funds	-	-	-	-	-	355,000
Transfers out to other funds	(926,849)	-	(216,241)	(14,652)	(1,157,742)	-
Advances to other funds	-	-	(70,000)	-	(70,000)	-
Advances from other funds	-	70,000	-	-	70,000	-
Net cash provided by (used in) noncapital financing activities	(926,849)	70,000	(286,241)	(14,652)	(1,157,742)	355,000
Cash flow from capital and related financing activities						
Proceeds from issuance of long-term debt	41,819,135	-	-	-	41,819,135	-
Loan Principal Payments	(49,999,516)	-	(1,070,427)	(68,424)	(51,138,367)	-
Interest paid	(6,817,419)	-	(267,157)	(2,283)	(7,086,859)	-
Acquisition and construction of property, plant and equipment	(12,055,182)	-	(1,411,686)	(185,961)	(13,652,829)	(2,537,479)
Proceeds from the sale of capital assets	-	-	-	-	-	213,336
Property Tax Proceeds	-	-	363,863	-	363,863	-
Impact fees and contributions	3,744,430	-	1,685	-	3,746,115	-
Net cash provided by (used in) capital and related financing activities	(23,308,552)	-	(2,383,722)	(256,668)	(25,948,942)	(2,324,143)
Cash flow from investing activities						
Interest on investments	417,485	6,890	10,278	25,749	460,402	69,738
Net cash provided by (used in) investing activities	417,485	6,890	10,278	25,749	460,402	69,738
Net increase (decrease) in cash and cash equivalents	(4,174,635)	228,140	162,078	(478,062)	(4,262,479)	2,510,397
Beginning cash and cash equivalents	37,979,549	586,291	285,128	3,871,508	42,722,476	7,051,775
Ending cash and cash equivalents	\$ 33,804,914	\$ 814,431	\$ 447,206	\$ 3,393,446	\$ 38,459,997	\$ 9,562,172

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2016

**Business-type Activities -
Enterprise Funds**

	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 10,461,480	\$ 284,800	\$ 591,023	\$ 9,328	\$ 11,346,631	\$ 2,005,211
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	10,258,896	-	2,117,488	382,328	12,758,712	1,416,881
Change in assets and liabilities:						
Accounts receivable	(998,575)	(142,839)	230,189	23,532	(887,693)	33,786
Inventories	(36,072)	-	-	-	(36,072)	(6,666)
Prepays	120,542	-	(1,988)	2,284	120,838	1,882
Accounts payable	(71,018)	9,289	(95,354)	(626,391)	(783,474)	920,616
Accrued liabilities	(155,298)	-	10,770	(30,557)	(175,085)	2,841
Customer deposits	71,457	-	-	(30,831)	40,626	-
Compensated absences	(8,131)	-	(30,365)	37,816	(680)	35,251
Net cash provided by (used in) operating activities	<u>\$ 19,643,281</u>	<u>\$ 151,250</u>	<u>\$ 2,821,763</u>	<u>\$ (232,491)</u>	<u>\$ 22,383,803</u>	<u>\$ 4,409,802</u>
Cash and cash equivalents classified as:						
Equity in pooled cash and investments						
In current assets	\$ 15,494,198	\$ 814,431	\$ 179,903	\$ 3,393,446	\$ 19,881,978	\$ 9,562,172
Restricted equity in pooled cash and investments						
Cash with fiscal agent	4,835,125	-	-	-	4,835,125	-
Debt service	1,752,418	-	267,303	-	2,019,721	-
Impact Fees	820,323	-	-	-	820,323	-
Renewal and replacements	4,819,091	-	-	-	4,819,091	-
Bond proceeds	6,083,759	-	-	-	6,083,759	-
Total restricted equity in pooled cash and investments	<u>18,310,716</u>	<u>-</u>	<u>267,303</u>	<u>-</u>	<u>18,578,019</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 33,804,914</u>	<u>\$ 814,431</u>	<u>\$ 447,206</u>	<u>\$ 3,393,446</u>	<u>\$ 38,459,997</u>	<u>\$ 9,562,172</u>
Noncash capital and related financing activities:						
Developer contributions of capital assets	\$ 1,603,137	\$ -	\$ 37,827	\$ -	\$ 1,640,964	\$ -

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, 2016

	<u>Volunteer Firefighter Pension Fund</u>
ASSETS	
Pension Investments	
External investment pools	\$ 3,537,093
Total assets	<u>3,537,093</u>
LIABILITIES	
Accounts payable	<u>79</u>
Total liabilities	<u>79</u>
NET POSITION	
Net position restricted for pensions	<u><u>\$ 3,537,014</u></u>

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

City of Palm Coast, Florida
Statement of Changes in Fiduciary Net Position
For the fiscal year ended September 30, 2016

	<u>Volunteer Firefighter Pension Fund</u>
ADDITIONS	
Contributions:	
State contributions	\$ 273,487
Total contributions	<u>273,487</u>
Investment earnings:	
Interest	<u>269,272</u>
Total investment earnings	<u>269,272</u>
Total additions	<u>542,759</u>
DEDUCTIONS	
Administrative expenses	32,713
Benefit distributions	<u>513,703</u>
Total deductions	<u>546,416</u>
Change in net position	(3,657)
 Net position - beginning	 <u>3,540,671</u>
Net position - ending	<u>\$ 3,537,014</u>

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2016

City of Palm Coast, Florida
Notes to Financial Statements
September 30, 2016

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

The proprietary and pension funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Cash, cash equivalents, and investments

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

Receivables and payables

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

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, stormwater, and fiber optic system usage billings. All general fund receivables are deemed collectible, and an allowance for doubtful accounts has been set up in the utility, solid waste, stormwater, and IT funds for 8%, 8%, 17% and 9%, 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 general, fleet management fund, and the utility fund. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time inventory is used. No required minimum levels of inventory are maintained.

Prepaid Items

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Capital Assets

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

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

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

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

Interfund Transactions

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

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

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

Net position flow assumption

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

Fund balance flow assumptions

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund balance

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

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

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

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

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

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by the City Council through adoption or amendment of the budget and through delegation to the City Manager 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, 2016**

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes (Continued)

Valuation Date January 1, 2015

Property Appraiser prepares the assessment roll with values as of January 1, 2015, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2015

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2015

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2015

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2015 through March 2016, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	
January	2	
February	1	
March	0	
		November 1, 2015 through March 31, 2016

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2016

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2016

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2016

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, 2016

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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:

(a) GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 74 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

(b) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.

(c) GASB issued Statement No. 82, *Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in GASB 82 are effective for periods beginning after either June 15, 2016 or June 15, 2017, if certain assumptions are met.

(d) 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.

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 \$318,377,011 difference are as follows:

Land	\$ 90,808,603
Construction in progress	7,847,338
Buildings and other improvements	54,728,991
Less: Accumulated depreciation	(12,378,683)
Infrastructure	249,120,069
Less: Accumulated depreciation	(73,521,663)
Equipment	6,481,796
Less: Accumulated depreciation	(4,709,440)
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	\$ 318,377,011

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$12,811,691 difference are as follows:

Net position of the internal service funds	\$ 16,392,912
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(2,622,344)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(958,877)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 12,811,691

A final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$11,569,836 difference are as follows:

Loans payable	\$ 9,025,000
Net OPEB liability	517,767
Compensated absences	2,027,069
<i>Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities</i>	\$ 11,569,836

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 \$641,000 difference are as follows:

Principal payments:	
SR100 CRA Revenue Note	\$ 641,000
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	\$ 641,000

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 3 – Stewardship, Compliance and Accountability

Compliance with Finance-Related Legal and Contractual Provision

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

Deficit Fund Balance

The OKR Special Assessment special revenue fund had a deficit fund balance of \$4,404,763. This fund incurred construction expenditures in excess of current revenues and transfers.

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was \$6,596,609 and the bank balance was \$8,418,367. 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 \$12,828 in petty cash. In addition, the City has a money market cash balance of \$3,304,356 in its investment account.

Investments

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

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 4 – Deposits and Investments (Continued)

As of September 30, 2016, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 13,299,370	25.40	50 Days
U.S. Government Agencies	16,353,464	31.24	1-3 Years
U.S. Treasuries	16,141,978	30.82	1-3 Years
Corporate Notes	4,973,304	9.50	1-3 Years
Municipal Bonds	1,598,460	3.04	1-3 Years
	\$ 52,366,576		

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016:

- *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 basis as of September 30, 2016:

Investment Type	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
U.S. Government Agencies	\$ 16,353,464	\$ -	\$ 16,353,464	\$ -	\$ 16,353,464
U.S. Treasuries	16,141,978	-	16,141,978	-	16,141,978
Corporate Notes	4,973,304	-	4,973,304	-	4,973,304
Municipal Bonds	1,598,460	-	1,598,460	-	1,598,460
Total investments by fair value level	\$ 39,067,206	\$ -	\$ 39,067,206	\$ -	\$ 39,067,206
<i>Investments measured at the net asset value (NAV)</i>					
External Investment Pool:					
SBA Florida Prime	\$ 13,299,370				
Total investments measured at NAV	13,299,370				
<i>Total investments measured at fair value</i>	\$ 52,366,576				

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 4 – Deposits and Investments (Continued)

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, 2016, 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.

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

Credit Risk. The City's investment policy allows investment in high-grade corporate notes and government sponsored agencies with a minimum A rating by Standard and Poor's. Commercial paper is required to have a rating of A-1 by Standard and Poor's. As of September 30, 2016, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1, and corporate and municipal bonds rated between A- and AAA by Standard & Poor's.

Concentrations of Credit Risk. The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2016, the City's largest agency investment is in the Federal Home Loan Bank (FHLB). These securities represent 17 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2016 totaled \$4,835,125. 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, 2016

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	\$ 682,078	\$ -	\$ -	\$ 682,078
Streets Improvement Fund	81,897	-	-	81,897
Nonmajor Governmental Funds	-	4,788,658	-	4,788,658
Utility Fund	5,950,349	-	(446,422)	5,503,927
Solid Waste Fund	1,267,022	-	(102,255)	1,164,767
Stormwater Fund	1,989,481	-	(335,072)	1,654,409
Nonmajor Enterprise Funds	45,796	-	(4,108)	41,688
Fleet Management Fund	169	-	-	169
Totals	<u>\$ 10,016,792</u>	<u>\$ 4,788,658</u>	<u>\$ (887,857)</u>	<u>\$ 13,917,593</u>

The special assessments receivable is the amount due from property owners within the Old Kings Road Special Assessment District (see Note 15). The amount due as of September 30, 2016 represents the balance remaining on the financing of the expansion and realignment of Old Kings Road.

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City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 90,787,054	\$ 21,550	\$ -	\$ 90,808,604
Construction in progress	29,215,187	10,701,069	(31,555,562)	8,360,694
Total capital assets, not being depreciated	<u>120,002,241</u>	<u>10,722,619</u>	<u>(31,555,562)</u>	<u>99,169,298</u>
Capital assets, being depreciated:				
Buildings and improvements other than buildings	45,977,624	9,848,511	-	55,826,135
Infrastructure	227,667,355	21,452,713	-	249,120,068
Equipment	20,971,294	2,657,209	(708,171)	22,920,332
Total capital assets, being depreciated	<u>294,616,273</u>	<u>33,958,433</u>	<u>(708,171)</u>	<u>327,866,535</u>
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(10,847,937)	(1,797,718)	-	(12,645,655)
Infrastructure	(65,047,834)	(8,473,828)	-	(73,521,662)
Equipment	(13,465,432)	(1,596,232)	692,519	(14,369,145)
Total accumulated depreciation	<u>(89,361,203)</u>	<u>(11,867,778)</u>	<u>692,519</u>	<u>(100,536,462)</u>
Total capital assets, being depreciated, net	<u>205,255,070</u>	<u>22,090,655</u>	<u>(15,652)</u>	<u>227,330,073</u>
Governmental activities capital assets, net	<u>\$ 325,257,311</u>	<u>\$ 32,813,274</u>	<u>\$ (31,571,214)</u>	<u>\$ 326,499,371</u>
	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 13,879,691	\$ 9,877	\$ -	\$ 13,889,568
Construction in progress	6,753,415	16,082,983	(14,518,503)	8,317,895
Total capital assets, not being depreciated	<u>20,633,106</u>	<u>16,092,860</u>	<u>(14,518,503)</u>	<u>22,207,463</u>
Capital assets, being depreciated:				
Buildings and improvements other than buildings	98,810,791	3,031,811	-	101,842,602
Infrastructure	195,955,618	13,174,169	-	209,129,787
Equipment	2,458,756	182,703	(21,435)	2,620,024
Total capital assets, being depreciated	<u>297,225,165</u>	<u>16,388,683</u>	<u>(21,435)</u>	<u>313,592,413</u>
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(35,186,333)	(4,073,400)	-	(39,259,733)
Infrastructure	(58,799,944)	(8,496,594)	-	(67,296,538)
Equipment	(2,006,307)	(188,718)	21,434	(2,173,591)
Total accumulated depreciation	<u>(95,992,584)</u>	<u>(12,758,712)</u>	<u>21,434</u>	<u>(108,729,862)</u>
Total capital assets, being depreciated, net	<u>201,232,581</u>	<u>3,629,971</u>	<u>(1)</u>	<u>204,862,551</u>
Business-type activities capital assets, net	<u>\$ 221,865,687</u>	<u>\$ 19,722,831</u>	<u>\$ (14,518,504)</u>	<u>\$ 227,070,014</u>

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 6 – Capital Assets (Continued)

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

Governmental activities:		
General government	\$ 15,180	
Public safety	268,344	
Transportation and physical environment	8,852,357	
Culture and recreation	1,315,016	
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,416,881	
Total depreciation expense - governmental activities	\$ 11,867,778	
Business activities:		
Utility	\$ 10,258,896	
Stormwater	2,117,488	
Information Technology (IT)	382,328	
Total depreciation expense - business activities	\$ 12,758,712	

Note 7 - Accrued Liabilities

Accrued liabilities totaling \$338,423 reported by the general fund as of September 30, 2016 represent accrued salaries and related employee benefits.

Note 8 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2016, is as follows:

Due from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Nonmajor Governmental Fund	Working capital	\$ 5,000
			\$ 5,000

The General Fund loan is to provide temporary working capital pending grant reimbursements.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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

Advances from/to other funds:

Receivable Fund	Payable Fund	Purpose	Amount
Utility Fund	OKR Special Assessment Fund	Expansion and realignment of road	\$ 4,788,658
			<u>\$ 4,788,658</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.

Interfund transfers

Transfer out:	Transfer In:					Total
	General Fund	Capital Projects Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 500,000	\$ 544,000	\$ -	\$ -	\$ 1,044,000
Utility Fund	692,849	-	-	234,000	-	926,849
Transportation Impact Fee Fund	-	-	-	-	114,814	114,814
SR100 CRA Fund	-	550,000	-	-	-	550,000
Stormwater Fund	95,241	-	-	121,000	-	216,241
Nonmajor Governmental	10,577	225,000	-	-	-	235,577
Nonmajor Proprietary	14,652	-	-	-	-	14,652
Total transfers out	\$ 813,319	\$ 1,275,000	\$ 544,000	\$ 355,000	\$ 114,814	\$ 3,102,133

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 the Community Wing at City Hall, and for the renovations of the Community Center expected to commence in fiscal year 2017. 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. These do not include amounts for replacements.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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 countywide basis. For 2016, the total cost was \$2,702,136 and provided 27 additional personnel.

The City entered into an interlocal agreement with Flagler County to provide funding for a road expansion project. The estimated funding available is \$3.5 million, payable on a cost reimbursement basis. As of September 30, 2016, \$3.5 million has been expended per this agreement with \$2 million pending reimbursement.

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 2016, the total amount of these lease payments were \$283,145.

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 <u>September 30,</u>	Principal	Interest
2017	\$ -	\$ 86,906
2018	438,000	76,875
2019	447,000	66,639
2020	461,000	56,082
2021	468,000	45,365
2022-2026	1,981,000	69,456
	<u>\$ 3,795,000</u>	<u>\$ 401,323</u>

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

SR100 CRA Redevelopment Revenue Note, Series 2014

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

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

Year Ending September 30,	Principal	Interest
2017	\$ -	\$ 232,212
2018	222,000	222,355
2019	233,000	212,010
2020	240,000	201,354
2021	254,000	190,076
2022-2026	1,871,000	743,833
2027-2031	2,410,000	110,068
	\$ 5,230,000	\$ 1,911,908

The 2017 principal payment was made on both loans during the year ended September 30, 2016, leaving a principal balance of \$3,795,000 and \$5,230,000 payable respectively at the end of the fiscal year.

B. Business Activities

Utility System Long-term Debt

Utility System Revenue Bonds, Series 2007, Advanced Refunding

In April 2016, the City obtained a bank loan with an aggregate principal amount of \$40,193,000 at a fixed interest rate of 2.48% to advance refund \$42.2 million of outstanding 2007 Series bonds with an average interest rate of 4.43%. The advanced refunding net proceeds of \$40,031,449 (after the payment of \$25,000 in lenders fees and \$136,551 in other issuance costs) plus an additional \$3,763,431 from the Series 2007 Debt Service Reserve, were deposited with an escrow agent to purchase U.S. government securities in an irrevocable trust to provide all future debt service payments on the 2007 Series bonds. As a result of this transaction, the Series 2007 bonds are considered defeased and the liability for those bonds has been removed from long-term debt. Although the advanced refunding resulted in the recognition of an accounting loss in the amount of \$1.4 million for the year ended September 30, 2016, the City reduced its aggregate debt payments by \$12.4 million over the next 20 years and obtained an economic gain of \$6.5 million (the difference between present values of old and new debt service payments).

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

Utility System Improvement and Refunding Revenue Bonds, Series 2013

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

Disposition of Revenue in order of Priority

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

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

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

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

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

Early Optional Redemption

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

Debt Service

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,870,000	\$ 3,786,750
2018	3,010,000	3,636,250
2019	3,160,000	3,478,250
2020	3,320,000	3,312,250
2021	3,485,000	3,138,000
2022-2026	20,240,000	12,752,500
2027-2031	25,770,000	7,042,169
2032-2036	20,895,000	1,491,988
2037-2041	1,370,000	-
	<hr/> <hr/> \$ 84,120,000	<hr/> <hr/> \$ 38,638,157

Bank Loan

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ -	\$ 975,806
2018	1,544,000	937,514
2019	1,581,000	898,306
2020	1,620,000	858,130
2021	1,663,000	816,887
2022-2026	8,947,000	3,429,518
2027-2031	10,111,000	2,234,982
2032-2036	11,425,000	885,007
2037-2041	2,456,000	-
	<hr/> <hr/> \$ 39,347,000	<hr/> <hr/> \$ 11,036,150

The 2017 principal payment was made during the year ended September 30, 2016, leaving a principal balance of \$39,347,000 payable at the end of the fiscal year.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans

During the year ended September 30, 2016, the City executed an agreement with the Florida Department of Environmental Protection to borrow through the State Revolving Fund loan program, for the purpose of constructing a second wastewater treatment plant and related infrastructure (WW180420). The agreement allows the City to borrow up to \$30,100,000 at an interest rate of .67%. The loan is payable semi-annually in the amount of \$828,515 commencing in October 2018 for a period of 20 years. The total amount of funding received during the fiscal year was \$1,781,104 with \$3,855,996 pending as of year-end.

Description	Interest Rate	Disburseable Amount	Amount Funded	Repayment Date	Semi-Annual Payment	Term (Years)
Wastewater Treatment Plant #2	0.67%	\$ 30,100,000	\$ 1,781,104	10/15/2018	\$ 828,515	20

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

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

Year Ending September 30,	Principal	Interest
2017	\$ 138,124	\$ 39,048
2018	141,893	35,280
2019	145,764	31,408
2020	149,741	27,431
2021	153,826	23,346
2022-2026	745,838	51,437
	\$ 1,475,186	\$ 207,950

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 659,757	\$ 118,985
2018	677,020	171,687
2019	694,738	153,970
2020	712,919	135,790
2021	731,575	117,113
2022-2026	3,955,263	288,279
	<u>\$ 7,431,272</u>	<u>\$ 985,824</u>

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

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

Year Ending <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 365,085	\$ 126,031
2018	374,417	116,699
2019	383,987	107,129
2020	393,803	97,313
2021	403,869	87,247
2022-2026	2,179,575	276,006
2027-2031	951,821	30,411
	<u>\$ 5,052,557</u>	<u>\$ 840,836</u>

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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

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

Year Ending <u>September 30,</u>	Principal	Interest
2017	\$ 277,172	\$ 95,683
2018	284,257	88,598
2019	291,523	81,332
2020	298,975	73,880
2021	306,617	66,238
2022-2026	1,654,733	209,544
2027-2031	722,623	23,088
	<u>\$ 3,835,900</u>	<u>\$ 638,363</u>

Stormwater System Long-Term Debt

State Revolving Fund Loans

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

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

Year Ending <u>September 30,</u>	Principal	Interest
2017	\$ 237,166	\$ 66,004
2018	243,215	59,955
2019	249,418	53,752
2020	255,779	47,391
2021	262,303	40,867
2022-2026	1,415,341	100,508
	<u>\$ 2,663,222</u>	<u>\$ 368,477</u>

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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

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

Year Ending	Principal	Interest
<u>September 30,</u>		
2017	\$ 120,866	\$ 61,766
2018	124,691	57,941
2019	128,637	53,995
2020	132,708	49,924
2021	136,908	45,724
2022-2026	752,338	160,821
2027-2031	600,888	38,324
	\$ 1,997,036	\$ 468,495

Bank Loan

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

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

Year Ending	Principal	Interest
<u>September 30,</u>		
2017	\$ -	\$ 130,472
2018	739,000	113,106
2019	756,000	95,340
2020	774,000	77,151
2021	792,000	58,539
2022-2026	2,491,000	59,455
	\$ 5,552,000	\$ 534,063

The 2017 principal payment of \$722,000 was made during the year ended September 30, 2016, leaving a principal balance of \$5,552,000 payable at the end of the fiscal year.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

Information Technology (IT) Long-Term Debt

Loans

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

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

Year Ending September 30,	Principal	Interest
2017	\$ 16,970	\$ -
2018	17,649	-
2019	15,898	-
	\$ 50,517	\$ -

Changes in long-term debt

During the year ended September 30, 2016, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
SR100 CRA Loans	\$ 9,666,000	\$ -	\$ (641,000)	\$ 9,025,000	\$ -
Net OPEB Liability	524,088	75,044	-	599,132	-
Net Pension Liability	1,578,867	1,453,359	-	3,032,226	-
Compensated Absences	1,691,303	1,089,151	(753,385)	2,027,069	750,553
Long-term debt	\$ 13,460,258	\$ 2,617,554	\$ (1,394,385)	\$ 14,683,427	\$ 750,553
Business Type Activities:					
Utility Revenue Bonds	\$ 130,275,000	\$ -	\$ (46,155,000)	\$ 84,120,000	\$ 2,870,000
Premiums	6,121,216	-	(767,729)	5,353,487	-
Total Revenue Bonds	136,396,216	-	(46,922,729)	89,473,487	2,870,000
State Revolving Fund Loans	24,207,237	5,673,736	(1,752,064)	28,128,909	1,798,170
Bank and Other Loans	6,357,974	40,193,000	(1,601,457)	44,949,517	16,970
Net OPEB Liability	377,608	52,242	-	429,850	-
Capital Leases	34,967	-	(34,967)	-	-
Compensated Absences	1,211,868	764,929	(765,609)	1,211,188	454,714
Long-term debt	\$ 168,585,870	\$ 46,683,907	\$ (51,076,826)	\$ 164,192,951	\$ 5,139,854

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 10 – Long-Term Debt (Continued)

Changes in long-term debt (Continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year-end, \$62,194 of internal service fund compensated absences and \$19,172 of net OPEB liability are included in the above amounts. For governmental activities, compensated absences and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

Note 11 – Retirement Plans

Defined Contribution Plan

The City maintains a single employer defined contribution plan. All full-time employees are eligible to participate. The name of the plan is the City of Palm Coast 401(a) Pension Plan. The plan is administered by a third party administrator, Great West Retirement Services. The authority to establish and amend benefits rests with the City Council. Under this plan, the City contributes a certain percentage of employees' eligible wages based upon their job classification as determined by City Council. For the fiscal year ended September 30, 2016, 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, 2016, contributions to this plan totaled \$2,006,126, 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, 2016, 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 \$271,579.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

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.

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. A Board of Trustees administers the plan. 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.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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.

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, 2016, the following volunteers were covered by the benefit terms:

Inactive plan members and beneficiaries currently receiving benefits	22
Inactive plan members entitled to but not receiving benefits	1
Active plan members	<u>31</u>
	<u><u>54</u></u>

Contributions

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

Contributions from the State to the plan are reported as revenues and expenditures in the general fund before being reported in the pension fund. The amount recorded for the period ended September 30, 2016 was \$273,487. There were no required City contributions.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of September 30, 2016, 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, 2016 were as follows:

Total Pension Liability	\$ 2,686,856
Plan Fiduciary Net Position	<u>(3,537,093)</u>
Net Pension Liability (Asset)	<u>\$ (850,237)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>131.64%</u>

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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, 2015 updated to September 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2016.

The actuarial valuation utilized the entry age normal 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. 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, 2016 (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	39%	6.00%
U.S. Small Cap Equity	11%	6.75%
International Equity	10%	6.75%
Core Bonds	16%	0.50%
Core Plus	24%	1.00%
Total	100%	

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Discount Rate

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2015	\$ 2,676,283	\$ 3,544,142	\$ (867,859)
Changes for the year:			
Service Cost	97,464	-	97,464
Interest	169,505	-	169,505
Share Plan Allocation	129,180	-	129,180
Differences between expected and actual experience	(57,517)	-	(57,517)
Changes of assumptions	185,644	-	185,644
Contributions - State	-	273,487	(273,487)
Net investment income (loss)	-	262,259	(262,259)
Benefit payments	(513,703)	(513,703)	-
Administrative expenses	-	(29,092)	29,092
Net Changes	10,573	(7,049)	17,622
Balances at September 30, 2016	\$ 2,686,856	\$ 3,537,093	\$ (850,237)

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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)	\$ (681,967)	\$ (850,237)	\$ (988,705)

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 34-35 of this report.

Pension Expense, Deferred Outflows and Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense (benefit) of \$236,515. On September 30, 2016, 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	\$ -	\$ 89,673
Changes of assumptions	148,516	-
Net difference between projected and actual earnings on pension plan investments	171,884	-
Total	\$ 320,400	\$ 89,673

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:	
2017	\$ 72,101
2018	72,101
2019	72,101
2020	14,424
2021	-
Thereafter	-

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters’ Pension Plan (Continued)

Investment Policy

The Plan’s policy concerning 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, 2016:

Asset Class	Target Allocation
U.S. Large Cap Equity	39%
U.S. Small Cap Equity	11%
International Equity	10%
Core Bonds	16%
Core Plus	24%
Total	100%

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, 2016 was \$3,537,093. The Plan's investment in the Florida Municipal Pension Trust Fund (FMTPF), a Securities and Exchange Commission rule 2a7-like external investment pool, are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

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

Fixed Income Fund	Effective Duration (Years)	Weighted Average Maturity (Years)
FMIvT Broad Market High Quality Bond	4.45	5.90
FMIvT Core Plus Fixed Income	2.04	6.84

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Investment (Continued)

Credit Risk. The Broad Market High Quality Bond fund is rated AAf/S4 by Fitch, and the Core plus Fixed Income Find is not rated. There are also a number of equity portfolios within the investment pool that 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, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense, was 8.02 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. The Plan as the following recurring fair value measurements as of September 30, 2016:

The following table summarizes the assets and liabilities of the Plan for which fair values are determined on a recurring basis as of September 30, 2016:

Investment Type	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
Broad Market High Quality Bond	\$ 551,787	\$ -	\$ 551,787	\$ -	\$ 551,787
Core Plus Fixed Income	841,828	-	-	841,828	841,828
High Quality Growth	268,819	-	268,819	-	268,819
Diversified Value	290,042	-	290,042	-	290,042
Russell 1000 Enhanced Index	809,994	-	809,994	-	809,994
Diversified Small to Mid Cap	399,691	-	399,691	-	399,691
International Blend	346,635	-	346,635	-	346,635
Total investments by fair value level	\$ 3,508,796	\$ -	\$ 2,666,968	\$ 841,828	\$ 3,508,796
Uninvested Cash	28,297				
Total investments at fair value	\$3,357,093				

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Reserves

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

Florida Retirement System

General Information

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

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

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees. Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Florida Retirement System (Continued)

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.

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, 2016

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 contribute to the FRS based on statewide 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, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular—7.26% and 7.52%; Special Risk Administrative Support—32.95% and 28.06%; Special Risk—22.04% and 22.57%; Senior Management Service—21.43% and 21.77%; Elected Officers’—42.27% and 42.47%; and DROP participants—12.88% and 12.99%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$306,073 for the fiscal year ended September 30, 2016.

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

At September 30, 2016, the City reported a liability of \$2,521,655 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016.

The City’s proportionate share of the net pension liability was based on the City’s 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City’s proportionate share was .009986723 percent, which was an increase of 13.31 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$89,735. 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, 2016

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	\$ 193,077	\$ 23,478
Change of assumptions	152,553	-
Changes in proportion and differences between City pension plan contributions and proportionate share contributions	139,444	214,535
City pension plan contributions subsequent to measurement date	73,847	-
Net difference between projected and actual earnings on pension plan Investments	651,817	-
Total	<u>\$ 1,210,738</u>	<u>\$ 238,013</u>

The deferred outflows of resources related to the Pension Plan, totaling \$73,847 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$ 97,548
2018	97,548
2019	351,667
2020	266,876
2021	62,358
Thereafter	22,880

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Investment Rate of Return	7.60 percent, net of pension plan expense, including inflation

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

Florida Retirement System (Continued)

Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Real Estate (property)	10.0%	6.4%	5.8%	12.0%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.60%	1.9%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's net pension liability	\$ 4,642,538	\$ 2,521,655	\$ 756,300

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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, 2016, 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, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$23,373 for the fiscal year ended September 30, 2016.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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, 2016, the City reported a liability of \$510,571 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .0043808161 percent, which was an increase of 1.43 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$20,820. 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	\$ -	\$ 1,163
Change of assumptions	80,122	-
Changes in proportion and differences between City pension plan contributions and proportionate share contributions	9,511	539
City pension plan contributions subsequent to measurement date	6,322	-
Net difference between projected and actual earnings on pension plan investments	258	-
Total	\$ 96,213	\$ 1,702

The deferred outflows of resources related to the Pension Plan, totaling \$6,322 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$15,963
2018	15,963
2019	15,914
2020	15,890
2021	13,125
Thereafter	11,334

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 11 – Retirement Plans (Continued)

HIS Plan (Continued)

Actuarial Assumptions

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

Inflation	2.6 percent
Salary Increase	3.25%, average, including inflation
Municipal Bond Rate	2.85 percent

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 2.85%. 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 2.85%, 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 (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's net pension liability	\$ 585,741	\$ 510,571	\$ 448,184

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, 2016

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	\$ 850,237	\$ 320,400	\$ 89,673	\$ -
Florida Retirement System (FRS)	-	1,210,738	238,013	2,521,655
FRS HIS Plan	-	96,213	1,702	510,571
Totals	\$ 850,237	\$ 1,627,351	\$ 329,388	\$ 3,032,226

Note 12 – Other Post Employment Benefits (OPEB)

Plan Description and Summary of Benefits

The City provides retirees with the option to purchase health insurance from the City's single employer, experience rated health insurance plan (Plan) that provides medical benefits to active and eligible retirees at the City's group rate as mandated by Florida Statute 112.0801. This requirement creates an implicit rate subsidy benefit for the retirees' participation. Retirees are required to pay the full amount of the health insurance premium during their eligibility period. As of the valuation dated October 1, 2015, the Plan had approximately 377 active participants and 2 retirees receiving benefits. The plan does not issue a separate publicly available financial report.

Transition Year

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

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 and any addition to the reserve for accrued costs incurred but not 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.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a closed period of 30 years using the level percentage of payroll method. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 8% in 2016, to the ultimate rate of 4.5% in 2021. The economic rates are based on an assumed inflation rate of 2.5% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2016, based on the above assumptions and cost method, and applied to member data current at October 1, 2015. Liabilities were developed based on age-adjusted costs for retirees currently receiving plan benefits as of October 1, 2015, with an AAL calculated to be \$478,359, which is unfunded (or 0% funded). The annual covered payroll is \$17.82 million, resulting in an unfunded AAL of 5.8%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 1, 2015.

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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

Plan Obligation:	
Annual Required Contribution (ARC)	\$ 137,054
Interest on Plan Obligation	36,068
Adjustment to ARC	<u>(36,812)</u>
Annual Plan OPEB Cost	136,310
Contributions Made	<u>(9,024)</u>
Change in OPEB Obligation	127,286
Net OPEB Obligation Beginning of year	<u>901,696</u>
Net OPEB Obligation End of year	<u><u>\$ 1,028,982</u></u>

As of September 30, 2016, the City accrued \$1,028,982 in the Government-Wide Statement of Net Position, with \$429,850 in the Proprietary Funds Statement of Net Position.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

Fiscal Year ended September 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net ending OPEB Obligation (Asset)
2016	\$ 136,310	\$ 9,024	6.60%	\$ 1,028,982
2015	\$ 166,254	\$ 17,352	10.40%	\$ 901,696
2014	\$ 206,709	\$ 34,723	16.80%	\$ 752,794

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

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

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, 2016, the amount of prepaid impact fees for undeveloped lots is estimated to be \$20,331,517.

Note 14 – Risk Management

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

The City is also a defendant in several lawsuits arising in the normal course of business. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable loss to the City; such loss has been accrued in the accompanying financial statements. No such losses have been accrued for as of September 30, 2016. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2016. 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 \$206,624 is reported in the fund at September 30, 2016.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 14 – Risk Management (Continued)

Self Insurance Program (Continued)

Changes in the fund's claims liability amount for fiscal years 2015 and 2016 were:

<u>Changes in Claims Liability</u>	<u>2015</u>	<u>2016</u>
Beginning fiscal year liability	\$ 358,912	\$ 142,240
Current year claims and changes in estimates	2,669,359	2,445,531
Claim payments	<u>(2,886,031)</u>	<u>(2,381,147)</u>
Balance at fiscal year end	<u>\$ 142,240</u>	<u>\$ 206,624</u>

Note 15 - Old Kings Road Special Assessment

During the fiscal year ended September 30, 2013, property owners within the Old King's Road Special Assessment District agreed to a repayment schedule for an interfund loan used to realign and widen a portion of Old King's Road. The interfund loan will be repaid from amounts levied against property owners within the district starting in fiscal year 2014. Those amounts, including interest, are 100 percent pledged to pay the scheduled principal and interest payments on the special assessment interfund loan. In the event that a deficiency exists because of unpaid or delinquent special assessments, the City can only utilize foreclosure proceeds to satisfy the special assessment. No other government resources can be used to cover any deficiencies. The interfund loan has an interest rate of 5%, with a 30-year amortization. The first three years of the agreement call for interest only, with the principal amortized over the remaining 27 years. The principal and any interest accrued can be paid in full at any time. The balance on the interfund loan was \$4,788,658 as of September 30, 2016.

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, 2016, the fund received \$1,017,131 in property tax revenue, a \$544,000 transfer from the general fund, and \$5,587 in miscellaneous income. The transfer included the City portion of the tax increment. Expenditures for the fiscal year were \$70,400 in administrative costs, and \$979,196 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 \$550,000.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 17 – Construction Commitments

The City has an active construction project as of September 30, 2016 for a new wastewater treatment plant. The commitments with the contractors as of year-end are as follows:

	Spent-to-Date	Remaining Commitment
Wastewater Treatment Plant #2	\$ 5,816,747	\$ 24,283,253

Note 18 – Subsequent Events

Refinancing Utility SRF Loans

In January 2016, the City executed a loan with CenterState Bank to refinance four SRF loans for debt service savings. The amount of the refinancing totaled \$17,163,000 at an interest rate of 2.350%, for the remaining term of the existing loans. Total debt service savings over the remaining life of the loan is approximately \$150,000.

Modification of SR100 CRA Loan

In January 2016, the City executed an amendment to an existing loan with Ameris bank in the SR100 CRA. The interest rate was decreased to 3.45% resulting in a debt service saving of approximately \$400,000 over the remaining existing life of the loan.

Hurricane Matthew

In October 2016, the City was effected by Hurricane Matthew. This hurricane was primarily a wind event, causing significant debris and power outages. City facilities received only minimal damage from the storm. Debris removal and clean-up costs are estimated at \$2 million, to be funded by the City's disaster reserve. Expected reimbursements of approximately 85% are expected from FEMA, state, and insurance proceeds.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 19 – Fund Balance Policy

The City has enacted a policy establishing minimum levels of unassigned fund balance and unrestricted net position. The policy was revised and updated during fiscal year 2016. 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.

City of Palm Coast, Florida
Notes to Financial Statements - Continued
September 30, 2016

Note 19 – Fund Balance Policy (Continued)

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.

Disaster Reserve

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

Self Insured Health Fund

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

Fleet Fund

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

Other Funds

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



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REQUIRED SUPPLEMENTARY INFORMATION

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

	9/30/2016	9/30/2015	9/30/2014	9/30/2013
Total pension liability				
Service Cost	\$ 97,464	\$ 104,091	\$ 113,712	\$ 105,631
Interest	169,505	94,316	103,447	95,623
Change in Excess State Money	-	-	237,659	-
Share Plan Allocation	129,180	180,335	-	-
Differences Between Expected and Actual Experience	(57,517)	(65,491)	-	-
Changes of Assumptions	185,644	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(513,703)	(543,000)	(110,810)	(103,288)
Net Change in Total Pension Liability	10,573	(229,749)	344,008	97,966
Total Pension Liability - beginning	2,676,283	2,906,032	2,562,024	2,464,058
Total Pension Liability - ending (a)	<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	\$ 273,487	\$ 324,642	\$ 381,967	\$ 364,571
Net Investment Income	262,259	(6,801)	270,512	324,552
Benefit Payments, including Refunds of Employee Contributions	(513,703)	(543,000)	(110,810)	(103,288)
Administrative Expenses	(29,092)	(41,443)	(60,987)	(25,630)
Net Change in Fiduciary Net Position	(7,049)	(266,602)	480,682	560,205
Plan Fiduciary Net Position - beginning	3,544,142	3,810,744	3,330,062	2,769,857
Plan Fiduciary Net Position - ending (b)	<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>\$ (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	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 Four Fiscal Years**

	2016	2015	2014	2013
Actuarially Determined Contribution	\$ 117,326	\$ 127,816	\$ 130,671	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	144,307	127,816	130,671	120,718
Contribution Deficiency (Excess)	\$ (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: 10/01/2014

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:

Entry Age Normal Actuarial Cost Method. An interest load of 1.5 years (at the current valuation assumption of 7.65%) has been applied for the determination of Sponsor funding requirement.

Amortization Method: Level Dollar

Remaining Amortization Period: 30 years (as of 10/1/2014)

Asset Valuation Method:

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return.

It is possible that over time this technique will produce insignificant bias above or below Market Value.

Inflation: 3.0%

Interest Rate:

7.65% per year, compounded annually, net of investment related expenses.

Normal Retirement:

The earlier of attainment of age 55 with 10 years of credited service, age 52 with 25 years of credited service, or age 62 with 5 years of credited service.

Also, any members who have reached Normal Retirement age are assumed to continue employment for one additional year.

Early Retirement:

Commencing with the attainment of Early Retirement Status (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.

Mortality Rates:

RP-2000 Table with no projection. Disabled lives set forward 5 years.

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

	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	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 Three Fiscal Years

	2016	2015	2014
City's proportion of the net pension liability (asset)	0.009986723%	0.008813455%	0.009156791%
City's proportionate share of the net pension liability (asset)	\$ 2,521,655	\$ 1,138,376	\$ 558,699
City's covered-employee payroll	\$ 1,352,403	\$ 1,310,373	\$ 1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	186.46%	86.87%	43.30%
Plan fiduciary net position as a percentage of the total pension liability	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 Contributions
Florida Retirement System
Last Three Fiscal Years**

	2016		2015		2014
Contractually required contribution	\$ 306,073	\$	272,830	\$	257,211
Contributions in relation to the contractually required contribution	(306,073)		(272,830)		(257,211)
Contribution deficiency (excess)	\$ -	\$	-	\$	-
City's covered-employee payroll	\$ 1,408,009	\$	1,336,518	\$	1,301,010
Contributions as a percentage of covered-employee payroll	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 Three Fiscal Years

	2016	2015	2014
City's proportion of the net pension liability (asset)	0.004380861%	0.004319202%	0.004327487%
City's proportionate share of the net pension liability (asset)	\$ 510,571	\$ 440,491	\$ 404,631
City's covered-employee payroll	\$ 1,352,403	\$ 1,310,373	\$ 1,290,250
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.75%	33.62%	31.36%
Plan fiduciary net position as a percentage of the total pension liability	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 Contributions
Health Insurance Subsidy Program (HIS)
Last Three Fiscal Years

	<u>2016</u>		<u>2015</u>		<u>2014</u>
Contractually required contribution	\$ 23,373	\$	18,141	\$	15,792
Contributions in relation to the contractually required contribution	(23,373)		(18,141)		(15,792)
Contribution deficiency (excess)	\$ -	\$	-	\$	-
Covered-employee payroll	\$ 1,408,009	\$	1,336,518	\$	1,301,010
Contributions as a percentage of covered-employee payroll	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, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2015	\$ -	\$ 478,359	\$ 478,359	0%	\$ 17,824,363	2.70%
10/1/2014	-	992,548	992,548	0%	16,149,589	6.10%
10/1/2012	-	1,027,559	1,027,559	0%	15,163,229	6.80%
3/1/2011	-	724,000	724,000	0%	14,792,000	4.90%
3/1/2008	-	319,000	319,000	0%	14,671,000	2.20%

The actuarial valuation dated March 2008 was the first OPEB valuation completed. The next valuation will be dated October 2016.

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2016	\$ 137,054	\$ 9,024	6.58	0.80%
2015	166,874	17,352	10.40	1.10%
2014	208,138	34,723	16.68	2.30%
2013	194,157	32,003	16.48	2.10%
2012	145,000	31,000	21.38	2.10%
2011	137,000	25,000	18.25	1.70%
2010	105,000	9,000	8.57	0.10%
2009	98,000	-	-	0.00%

City of Palm Coast, Florida
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 20,308,630	\$ 20,175,130	\$ 20,117,720	\$ (57,410)
Licenses and permits	240,500	225,500	211,822	(13,678)
Intergovernmental revenue	3,770,625	3,886,606	3,945,542	58,936
Charges for services	4,924,488	4,902,344	4,872,149	(30,195)
Fines and forfeitures	557,000	441,000	363,852	(77,148)
Contributions	5,000	9,325	5,492	(3,833)
Investment earnings	-	25,125	101,096	75,971
Miscellaneous	50,000	63,680	70,507	6,827
Total Revenues	<u>29,856,243</u>	<u>29,728,710</u>	<u>29,688,180</u>	<u>(40,530)</u>
EXPENDITURES				
Current:				
General government:				
Mayor and Council	105,506	105,024	100,494	4,530
City administration	2,064,794	2,019,603	1,895,859	123,744
City attorney	449,037	448,054	426,679	21,375
Financial services	779,118	778,620	778,120	500
Community development	5,200,531	5,083,820	4,790,881	292,939
Nondepartmental	384,163	530,819	302,924	227,895
Total general government	<u>8,983,149</u>	<u>8,965,940</u>	<u>8,294,957</u>	<u>670,983</u>
Public safety:				
Fire	7,750,317	7,866,839	7,859,396	7,443
Law enforcement	2,720,287	2,720,287	2,702,136	18,151
Total public safety	<u>10,470,604</u>	<u>10,587,126</u>	<u>10,561,532</u>	<u>25,594</u>
Transportation & physical environment:				
Streets and drainage	7,898,466	7,863,672	5,613,886	2,249,786
Total transportation & physical environment	<u>7,898,466</u>	<u>7,863,672</u>	<u>5,613,886</u>	<u>2,249,786</u>
Culture and recreation	5,077,757	5,105,380	4,798,642	306,738
Total expenditures	<u>32,429,976</u>	<u>32,522,118</u>	<u>29,269,017</u>	<u>3,253,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,573,733)</u>	<u>(2,793,408)</u>	<u>419,163</u>	<u>3,212,571</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	812,742	813,319	813,319	-
Transfers out	(544,000)	(1,044,000)	(1,044,000)	-
Total other financing sources (uses)	<u>268,742</u>	<u>(230,681)</u>	<u>(230,681)</u>	<u>-</u>
Net change in fund balance*	<u>(2,304,991)</u>	<u>(3,024,089)</u>	<u>188,482</u>	<u>3,212,571</u>
Fund balance - beginning	<u>8,721,573</u>	<u>8,721,573</u>	<u>8,721,573</u>	<u>-</u>
Fund balance - ending	<u>\$ 6,416,582</u>	<u>\$ 5,697,484</u>	<u>\$ 8,910,055</u>	<u>\$ 3,212,571</u>

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

City of Palm Coast, Florida
Required Supplementary Information
Transportation Impact Fee Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 1,274,000	\$ 1,819,525	\$ 2,252,284	\$ 432,759
Investment earnings	-	425	6,719	6,294
Total revenues	<u>1,274,000</u>	<u>1,819,950</u>	<u>2,259,003</u>	<u>439,053</u>
EXPENDITURES				
Current:				
Transportation and physical environment	1,340,599	1,704,950	4,090	1,700,860
Total expenditures	<u>1,340,599</u>	<u>1,704,950</u>	<u>4,090</u>	<u>1,700,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(66,599)</u>	<u>115,000</u>	<u>2,254,913</u>	<u>2,139,913</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(160,000)	(115,000)	(114,814)	186
Total other financing sources (uses)	<u>(160,000)</u>	<u>(115,000)</u>	<u>(114,814)</u>	<u>186</u>
Net change in fund balance*	(226,599)	-	2,140,099	2,140,099
Fund balance - beginning	<u>(734,109)</u>	<u>(734,109)</u>	<u>(734,109)</u>	<u>-</u>
Fund balance - ending	<u>\$ (960,708)</u>	<u>\$ (734,109)</u>	<u>\$ 1,405,990</u>	<u>\$ 2,140,099</u>

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

City of Palm Coast, Florida
Required Supplementary Information
Streets Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,670,000	\$ 1,660,000	\$ 1,818,678	\$ 158,678
Intergovernmental revenue	4,887,460	4,840,759	4,143,342	(697,417)
Fines and forfeitures	120,000	175,000	206,303	31,303
Investment earnings	-	5,000	13,063	8,063
Total revenues	<u>6,677,460</u>	<u>6,680,759</u>	<u>6,181,386</u>	<u>(499,373)</u>
EXPENDITURES				
Current:				
Transportation and physical environment	108,000	1,720,000	1,561,233	158,767
Capital Outlay:				
Transportation and physical environment	<u>9,478,216</u>	<u>6,511,617</u>	<u>6,330,492</u>	<u>181,125</u>
Total expenditures	<u>9,586,216</u>	<u>8,231,617</u>	<u>7,891,725</u>	<u>339,892</u>
Net change in fund balance*	(2,908,756)	(1,550,858)	(1,710,339)	(159,481)
Fund balance - beginning	<u>4,529,564</u>	<u>4,529,564</u>	<u>4,529,564</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,620,808</u>	<u>\$ 2,978,706</u>	<u>\$ 2,819,225</u>	<u>\$ (159,481)</u>

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

City of Palm Coast, Florida
Required Supplementary Information
SR100 CRA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,010,000	\$ 1,017,125	\$ 1,017,131	\$ 6
Investment earnings	-	2,200	5,587	3,387
Total revenues	<u>1,010,000</u>	<u>1,019,325</u>	<u>1,022,718</u>	<u>3,393</u>
EXPENDITURES				
Current:				
Transportation and physical environment	65,000	72,100	70,400	1,700
Capital Outlay:				
Debt service:				
Principal	641,000	641,000	641,000	-
Interest and Other	338,355	338,355	338,196	159
Total expenditures	<u>1,044,355</u>	<u>1,051,455</u>	<u>1,049,596</u>	<u>1,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,355)</u>	<u>(32,130)</u>	<u>(26,878)</u>	<u>5,252</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	544,000	544,000	544,000	-
Transfers out	(550,000)	(550,000)	(550,000)	-
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance*	(40,355)	(38,130)	(32,878)	5,252
Fund balance - beginning	<u>198,843</u>	<u>198,843</u>	<u>198,843</u>	<u>-</u>
Fund balance - ending	<u>\$ 158,488</u>	<u>\$ 160,713</u>	<u>\$ 165,965</u>	<u>\$ 5,252</u>

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

City of Palm Coast, Florida
Notes to Required Supplementary Information

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

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



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CAPITAL PROJECTS FUNDS

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

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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.

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.



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City of Palm Coast, Florida
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 2,784,600	\$ 2,934,600	\$ 3,034,405	\$ 99,805
Intergovernmental revenue	546,000	400,000	162,913	(237,087)
Investment earnings	-	8,000	37,533	29,533
Total revenues	3,330,600	3,342,600	3,234,851	(107,749)
EXPENDITURES				
Capital Outlay:				
General government	884,600	1,315,000	1,314,788	212
Public Safety	25,000	100,000	92,390	7,610
Transportation and physical environment	1,250,000	395,000	168,930	226,070
Culture and recreation	4,613,000	3,610,000	2,262,219	1,347,781
Total expenditures	6,772,600	5,420,000	3,838,327	1,581,673
Excess (deficiency) of revenues over (under) expenditures	(3,442,000)	(2,077,400)	(603,476)	1,473,924
OTHER FINANCING SOURCES (USES)				
Transfers in	1,074,160	1,275,000	1,275,000	-
Total other financing sources (uses)	1,074,160	1,275,000	1,275,000	-
Net change in fund balance*	(2,367,840)	(802,400)	671,524	1,473,924
Fund balance - beginning	4,760,593	4,760,593	4,760,593	-
Fund balance - ending	\$ 2,392,753	\$ 3,958,193	\$ 5,432,117	\$ 1,473,924

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

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Total Nonmajor Governmental Funds
ASSETS								
Equity in pooled cash and investments	\$ 8,324	\$ -	\$ 582,127	\$ 518,329	\$ 16,407	\$ 298,607	\$ 400	\$ 1,424,194
Special Assessment receivable - net	-	-	-	-	-	4,788,658	-	4,788,658
Due from other governments	-	-	-	-	-	-	77,027	77,027
Total assets	\$ 8,324	\$ -	\$ 582,127	\$ 518,329	\$ 16,407	\$ 5,087,265	\$ 77,427	\$ 6,289,879
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 12,675	\$ -	\$ -	\$ 2,754	\$ 72,427	\$ 87,856
Due to other funds	-	-	-	-	-	-	5,000	5,000
Advances from other funds	-	-	-	-	-	4,788,658	-	4,788,658
Total liabilities	-	-	12,675	-	-	4,791,412	77,427	4,881,514
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - Special assessments	-	-	-	-	-	4,700,616	-	4,700,616
Total deferred inflows of resources	-	-	-	-	-	4,700,616	-	4,700,616
FUND BALANCES								
Restricted for								
Public safety	8,324	-	-	518,329	-	-	-	526,653
Parks and Recreation	-	-	569,452	-	-	-	-	569,452
Grants	-	-	-	-	16,407	-	-	16,407
Unassigned	-	-	-	-	-	(4,404,763)	-	(4,404,763)
Total fund balances (deficits)	8,324	-	569,452	518,329	16,407	(4,404,763)	-	(3,292,251)
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,324	\$ -	\$ 582,127	\$ 518,329	\$ 16,407	\$ 5,087,265	\$ 77,427	\$ 6,289,879

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

Special Revenue Funds

	Police Education Fund	Police Automation Fund	Recreation Impact Fee Fund	Fire Impact Fee Fund	Neighborhood Stabilization Fund	OKR Special Assessment Fund	CDBG Fund	Total Nonmajor Governmental Funds
REVENUES								
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	139,546	139,546
Special assessments	-	-	-	-	-	327,571	-	327,571
Fines and forfeitures	4,216	-	-	-	-	-	-	4,216
Impact fees	-	-	391,400	146,925	-	-	-	538,325
Investment earnings	123	-	4,451	3,776	-	3,772	-	12,122
Total revenues	4,339	-	395,851	150,701	-	331,343	139,546	1,021,780
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	178,971	178,971
Transportation and physical environment	-	-	-	-	-	12,738	-	12,738
Public safety	10,000	-	-	-	-	-	-	10,000
Capital Outlay:								
Culture and recreation	-	-	18,893	-	-	-	-	18,893
Debt Service:								
Interest and Other	-	-	-	-	-	240,035	-	240,035
Total expenditures	10,000	-	18,893	-	-	252,773	178,971	460,637
Excess (deficiency) of revenues over (under) expenditures	(5,661)	-	376,958	150,701	-	78,570	(39,425)	561,143
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	114,814	-	114,814
Transfers out	-	(10,577)	(225,000)	-	-	-	-	(235,577)
Total other financing sources (uses)	-	(10,577)	(225,000)	-	-	114,814	-	(120,763)
Net change in fund balances	(5,661)	(10,577)	151,958	150,701	-	193,384	(39,425)	440,380
Fund balances (deficits) - beginning	13,985	10,577	417,494	367,628	16,407	(4,598,147)	39,425	(3,732,631)
Fund balances (deficits) - ending	\$ 8,324	\$ -	\$ 569,452	\$ 518,329	\$ 16,407	\$ (4,404,763)	\$ -	(3,292,251)

City of Palm Coast, Florida
 Police Education
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 10,000	\$ 5,000	\$ 4,216	\$ (784)
Investment earnings	-	50	123	73
Total revenues	<u>10,000</u>	<u>5,050</u>	<u>4,339</u>	<u>(711)</u>
EXPENDITURES				
Current:				
Public safety	<u>26,000</u>	<u>19,035</u>	<u>10,000</u>	<u>9,035</u>
Total expenditures	<u>26,000</u>	<u>19,035</u>	<u>10,000</u>	<u>9,035</u>
Net change in fund balance*	(16,000)	(13,985)	(5,661)	8,324
Fund balance - beginning	<u>13,985</u>	<u>13,985</u>	<u>13,985</u>	<u>-</u>
Fund balance - ending	<u>\$ (2,015)</u>	<u>\$ -</u>	<u>\$ 8,324</u>	<u>\$ 8,324</u>

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

City of Palm Coast, Florida
 Police Automation
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (10,000)	\$ (10,577)	\$ (10,577)	\$ -
Total other financing sources (uses)	(10,000)	(10,577)	(10,577)	-
Net change in fund balance*	(10,000)	(10,577)	(10,577)	-
Fund balance - beginning	10,577	10,577	10,577	-
Fund balance - ending	\$ 577	\$ -	\$ -	\$ -

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

City of Palm Coast, Florida
Recreation Impact Fee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 353,600	\$ 353,600	\$ 391,400	\$ 37,800
Investment earnings	-	1,200	4,451	3,251
Total revenues	<u>353,600</u>	<u>354,800</u>	<u>395,851</u>	<u>41,051</u>
EXPENDITURES				
Capital Outlay:				
Culture and recreation	525,000	129,800	18,893	110,907
Total expenditures	<u>525,000</u>	<u>129,800</u>	<u>18,893</u>	<u>110,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(171,400)</u>	<u>225,000</u>	<u>376,958</u>	<u>151,958</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(225,000)</u>	<u>(225,000)</u>	<u>(225,000)</u>	<u>-</u>
Net change in fund balance*	(396,400)	-	151,958	151,958
Fund balance - beginning	<u>417,494</u>	<u>417,494</u>	<u>417,494</u>	<u>-</u>
Fund balance - ending	<u>\$ 21,094</u>	<u>\$ 417,494</u>	<u>\$ 569,452</u>	<u>\$ 151,958</u>

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

City of Palm Coast, Florida
 Fire Impact Fee
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 109,200	\$ 114,000	\$ 146,925	\$ 32,925
Investment earnings	-	800	3,776	2,976
Total revenues	<u>109,200</u>	<u>114,800</u>	<u>150,701</u>	<u>35,901</u>
EXPENDITURES				
Public safety	<u>109,200</u>	<u>114,800</u>	-	114,800
Total expenditures	<u>109,200</u>	<u>114,800</u>	-	114,800
Net change in fund balance*	-	-	150,701	150,701
Fund balance - beginning	<u>367,628</u>	<u>367,628</u>	<u>367,628</u>	-
Fund balance - ending	<u>\$ 367,628</u>	<u>\$ 367,628</u>	<u>\$ 518,329</u>	<u>\$ 150,701</u>

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

City of Palm Coast, Florida
 Neighborhood Stabilization
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
EXPENDITURES				
Current:				
General government	\$ 12,000	\$ 16,407	\$ -	\$ 16,407
Total expenditures	12,000	16,407	-	16,407
Net change in fund balance*	(12,000)	(16,407)	-	16,407
Fund balance - beginning	16,407	16,407	16,407	-
Fund balance - ending	\$ 4,407	\$ -	\$ 16,407	\$ 16,407

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

City of Palm Coast, Florida
 OKR Special Assessment Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ 239,435	\$ 239,435	\$ 327,571	\$ 88,136
Investment earnings	-	900	3,772	2,872
Total revenues	<u>239,435</u>	<u>240,335</u>	<u>331,343</u>	<u>91,008</u>
EXPENDITURES				
Current:				
Transportation and physical environment	160,000	90,294	12,738	77,556
Debt Service:				
Interest and Other	239,435	240,041	240,035	6
Total expenditures	<u>399,435</u>	<u>330,335</u>	<u>252,773</u>	<u>77,562</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(160,000)</u>	<u>(90,000)</u>	<u>78,570</u>	<u>168,570</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	160,000	90,000	114,814	24,814
Total other financing sources (uses)	<u>160,000</u>	<u>90,000</u>	<u>114,814</u>	<u>24,814</u>
Net change in fund balance*	-	-	193,384	193,384
Fund balance - beginning	<u>(4,598,147)</u>	<u>(4,598,147)</u>	<u>(4,598,147)</u>	<u>-</u>
Fund balance - ending	<u>\$ (4,598,147)</u>	<u>\$ (4,598,147)</u>	<u>\$ (4,404,763)</u>	<u>\$ 193,384</u>

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

City of Palm Coast, Florida
CDBG Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2016

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 669,500	\$ 174,445	\$ 139,546	\$ (34,899)
Total revenues	<u>669,500</u>	<u>174,445</u>	<u>139,546</u>	<u>(34,899)</u>
EXPENDITURES				
Current:				
General government	419,765	223,870	178,971	44,899
Total expenditures	<u>419,765</u>	<u>223,870</u>	<u>178,971</u>	<u>44,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>249,735</u>	<u>(49,425)</u>	<u>(39,425)</u>	<u>10,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(299,160)</u>	-	-	-
Total other financing sources (uses)	<u>(299,160)</u>	-	-	-
Net change in fund balance*	(49,425)	(49,425)	(39,425)	10,000
Fund balance - beginning	<u>39,425</u>	<u>39,425</u>	<u>39,425</u>	<u>-</u>
Fund balance - ending	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ -</u>	<u>\$ 10,000</u>

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

**COMBINING NONMAJOR ENTERPRISE
FUND STATEMENTS**



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NONMAJOR ENTERPRISE FUNDS

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

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

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

City of Palm Coast, Florida
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2016

	Business-type Activities-Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 2,474,666	\$ 918,780	\$ 3,393,446
Accounts receivable - net	-	41,688	41,688
Prepaid Items	5,663	6,462	12,125
Total current assets	<u>2,480,329</u>	<u>966,930</u>	<u>3,447,259</u>
Noncurrent assets:			
Capital assets:			
Infrastructure	-	4,650,118	4,650,118
Equipment	-	1,273,238	1,273,238
Less accumulated depreciation	-	(2,404,347)	(2,404,347)
Total noncurrent assets	<u>-</u>	<u>3,519,009</u>	<u>3,519,009</u>
Total assets	<u>\$ 2,480,329</u>	<u>\$ 4,485,939</u>	<u>\$ 6,966,268</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 7,924	\$ 175,494	\$ 183,418
Due to other governments	15,632	-	15,632
Loans payable	-	16,970	16,970
Compensated absences	41,776	41,236	83,012
Accrued liabilities	18,680	13,548	32,228
Unearned revenue	-	128,959	128,959
Total current liabilities	<u>84,012</u>	<u>376,207</u>	<u>460,219</u>
Noncurrent liabilities:			
Compensated absences	88,324	91,613	179,937
Net OPEB obligation	39,317	27,076	66,393
Loans payable	-	33,546	33,546
Total noncurrent liabilities	<u>127,641</u>	<u>152,235</u>	<u>279,876</u>
Total liabilities	<u>211,653</u>	<u>528,442</u>	<u>740,095</u>
NET POSITION			
Net investment in capital assets	-	3,468,493	3,468,493
Unrestricted	2,268,676	489,004	2,757,680
Total net position	<u>\$ 2,268,676</u>	<u>\$ 3,957,497</u>	<u>\$ 6,226,173</u>

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
Operating Revenues:			
Charges for services:			
Building permit and inspection charges	\$ 2,031,003	\$ -	\$ 2,031,003
Information technology charges	-	2,231,178	2,231,178
Total operating revenues	2,031,003	2,231,178	4,262,181
Operating Expenses:			
Building permits and inspections	1,575,210	-	1,575,210
Information technology	-	2,295,315	2,295,315
Depreciation	-	382,328	382,328
Total operating expenses	1,575,210	2,677,643	4,252,853
Operating income (loss)	455,793	(446,465)	9,328
Nonoperating Revenues (Expenses):			
Investment revenue	18,352	7,397	25,749
Other	-	24,103	24,103
Total nonoperating revenues (expenses)	18,352	31,500	49,852
Income (loss) before capital contributions and transfers	474,145	(414,965)	59,180
TRANSFERS AND CONTRIBUTIONS			
Transfers out	-	(14,652)	(14,652)
Total transfers and contributions	-	(14,652)	(14,652)
Change in net position	474,145	(429,617)	44,528
NET POSITION			
Net position - beginning	1,794,531	4,387,114	6,181,645
Net position - ending	\$ 2,268,676	\$ 3,957,497	\$ 6,226,173

**City of Palm Coast, Florida
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2016**

Business-Type Activities – Enterprise Funds

	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities			
Cash received from customers	\$ 2,031,704	\$ 576,703	\$ 2,608,407
Cash received from interfund charges	-	1,646,475	1,646,475
Cash paid to suppliers	(732,067)	(2,323,573)	(3,055,640)
Cash paid to employees	(833,828)	(597,905)	(1,431,733)
Net cash provided by (used in) operating activities	465,809	(698,300)	(232,491)
Cash flow from noncapital financing activities			
Transfers in from other funds	-	-	-
Transfers out to other funds	-	(14,652)	(14,652)
Advances to other funds	-	-	-
Advances from other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	(14,652)	(14,652)
Cash flow from capital and related financing activities			
Proceeds from issuance of long-term debt	-	-	-
Loan principal payments	-	(68,424)	(68,424)
Interest paid	-	(2,283)	(2,283)
Acquisition and construction of property, plant and equipment	-	(185,961)	(185,961)
Net cash provided by (used in) capital and related financing activities	-	(256,668)	(256,668)
Cash flow from investing activities			
Interest on investments	18,352	7,397	25,749
Net cash provided by (used in) investing activities	18,352	7,397	25,749
Net increase (decrease) in cash and cash equivalents	484,161	(962,223)	(478,062)
Beginning cash and cash equivalents	1,990,505	1,881,003	3,871,508
Ending cash and cash equivalents	\$ 2,474,666	\$ 918,780	\$ 3,393,446

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds
For the Year Ended September 30, 2016

	Business-Type Activities – Enterprise Funds		
	Building Permits Fund	Information Technology Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 455,793	\$ (446,465)	\$ 9,328
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	382,328	382,328
Change in assets and liabilities:			
Accounts receivable	701	22,831	23,532
Inventories	-	-	-
Prepays	860	1,424	2,284
Accounts payable	10,273	(636,664)	(626,391)
Accrued liabilities	(19,991)	(10,566)	(30,557)
Customer Deposits	-	(30,831)	(30,831)
Compensated absences	18,173	19,643	37,816
Net cash provided by (used in) operating activities	<u>\$ 465,809</u>	<u>\$ (698,300)</u>	<u>\$ (232,491)</u>
Cash and cash equivalents classified as:			
Equity in pooled cash and investments in current assets	<u>2,474,666</u>	<u>918,780</u>	<u>3,393,446</u>
Total cash and cash equivalents	<u>\$ 2,474,666</u>	<u>\$ 918,780</u>	<u>\$ 3,393,446</u>



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INTERNAL SERVICE FUNDS



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INTERNAL SERVICE FUNDS

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

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

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

City of Palm Coast, Florida
Combining Statement of Net Position
Internal Service Funds
September 30, 2016

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 2,313,928	\$ 7,248,244	\$ 9,562,172
Accounts receivable - net	-	169	169
Inventories	-	21,605	21,605
Prepaid Items	-	21,420	21,420
Due from other governments	-	5,357	5,357
Total current assets	<u>2,313,928</u>	<u>7,296,795</u>	<u>9,610,723</u>
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	16,438,537	16,438,537
Less accumulated depreciation	-	(9,926,677)	(9,926,677)
Construction in progress	-	513,356	513,356
Total noncurrent assets	<u>-</u>	<u>8,122,360</u>	<u>8,122,360</u>
Total assets	<u>\$ 2,313,928</u>	<u>\$ 15,419,155</u>	<u>\$ 17,733,083</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 35,092	\$ 391,313	\$ 426,405
Claims payable	206,624	-	206,624
Due to other governments	16,757	600,000	616,757
Compensated absences	-	20,383	20,383
Accrued liabilities	-	9,020	9,020
Total current liabilities	<u>258,473</u>	<u>1,020,716</u>	<u>1,279,189</u>
Noncurrent liabilities:			
Compensated absences	-	41,810	41,810
Net OPEB obligation	-	19,172	19,172
Total noncurrent liabilities	<u>-</u>	<u>60,982</u>	<u>60,982</u>
Total liabilities	<u>258,473</u>	<u>1,081,698</u>	<u>1,340,171</u>
NET POSITION			
Net investment in capital assets	-	8,122,360	8,122,360
Unrestricted	<u>2,055,455</u>	<u>6,215,097</u>	<u>8,270,552</u>
Total net position	<u>\$ 2,055,455</u>	<u>\$ 14,337,457</u>	<u>\$ 16,392,912</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, 2016

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services:			
Risk management	\$ 4,421,394	\$ -	\$ 4,421,394
Fleet management	-	4,555,902	4,555,902
Total operating revenues	4,421,394	4,555,902	8,977,296
Operating Expenses:			
Administrative	3,219,812	2,335,392	5,555,204
Depreciation	-	1,416,881	1,416,881
Total operating expenses	3,219,812	3,752,273	6,972,085
Operating income (loss)	1,201,582	803,629	2,005,211
Nonoperating Revenues (Expenses):			
Investment revenue	15,473	54,265	69,738
Other	-	213,336	213,336
Total nonoperating revenues (expenses)	15,473	267,601	283,074
Income (loss) before capital contributions and transfers	1,217,055	1,071,230	2,288,285
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	355,000	355,000
Total transfers and contributions	-	355,000	355,000
Change in net position	1,217,055	1,426,230	2,643,285
NET POSITION			
Net position - beginning	838,400	12,911,227	13,749,627
Net position - ending	\$ 2,055,455	\$ 14,337,457	\$ 16,392,912

City of Palm Coast, Florida
Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2016

Internal Service Funds

	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Cash flows from operating activities			
Cash received from customers	\$ -	\$ 2,537	\$ 2,537
Cash received interfund charges	4,458,041	4,550,504	9,008,545
Cash paid to suppliers	(3,132,751)	(1,093,053)	(4,225,804)
Cash paid to employees	-	(375,476)	(375,476)
Net cash provided by (used in) operating activities	1,325,290	3,084,512	4,409,802
Cash flow from noncapital financing activities			
Transfer in from other funds	-	355,000	355,000
Net cash provided by (used in) noncapital financing activities	-	355,000	355,000
Cash flow from capital and related financing activities			
Acquisition and construction of property, plant and equipment	-	(2,537,479)	(2,537,479)
Proceeds from the sale of capital assets	-	213,336	213,336
Net cash provided by (used in) capital and related financing activities	-	(2,324,143)	(2,324,143)
Cash flow from investing activities			
Interest on investments	15,473	54,265	69,738
Net cash provided by (used in) investing activities	15,473	54,265	69,738
Net increase (decrease) in cash and cash equivalents	1,340,763	1,169,634	2,510,397
Beginning cash and cash equivalents	973,165	6,078,610	7,051,775
Ending cash and cash equivalents	\$ 2,313,928	\$ 7,248,244	\$ 9,562,172

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended September 30, 2016

Internal Service Funds			
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 1,201,582	\$ 803,629	\$ 2,005,211
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,416,881	1,416,881
Change in assets and liabilities:			
Accounts receivable	36,647	(2,861)	33,786
Inventories	-	(6,666)	(6,666)
Prepays	-	1,882	1,882
Accounts payable	87,061	833,555	920,616
Accrued liabilities	-	2,841	2,841
Compensated absences	-	35,251	35,251
Net cash provided by (used in) operating activities	\$ 1,325,290	\$ 3,084,512	\$ 4,409,802
Cash and cash equivalents classified as:			
Equity in pooled cash and investments in current assets	\$ 2,313,928	\$ 7,248,244	\$ 9,562,172
Total cash and cash equivalents	\$ 2,313,928	\$ 7,248,244	\$ 9,562,172



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Statistical Section

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	137
Revenue Capacity These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	142
Debt Capacity 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.	146
Demographic and Economic Information 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	151
Operating Information 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.	154

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									
	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 228,447,143	\$ 267,361,577	\$ 291,330,417	\$ 307,069,337	\$ 306,530,353	\$ 303,986,665	\$ 298,779,350	\$ 298,494,964	\$ 315,591,311	\$ 317,474,371
Restricted	32,324,411	21,477,931	8,201,392	919,709	1,097,652	840,001	1,184,424	1,130,224	5,649,144	5,537,610
Unrestricted	15,686,738	16,811,638	19,321,526	11,141,460	11,900,257	8,897,658	20,677,222	25,117,904	14,936,982	16,599,453
Total governmental activities net position	\$ 276,458,292	\$ 305,651,146	\$ 318,853,335	\$ 319,130,506	\$ 319,528,262	\$ 313,724,324	\$ 320,640,996	\$ 324,743,092	\$ 336,177,437	\$ 339,611,434
Business-type activities										
Invested in capital assets, net of related debt	\$ 36,693,625	\$ 49,857,685	\$ 60,854,530	\$ 72,856,080	\$ 68,014,427	\$ 68,131,604	\$ 69,651,643	\$ 68,945,922	\$ 67,519,973	\$ 72,761,895
Restricted	15,436,579	12,965,853	6,051,501	4,024,083	13,716,132	13,833,001	6,755,775	11,786,243	12,845,451	14,009,367
Unrestricted	11,234,724	11,746,111	11,977,264	5,771,497	(1,025,888)	10,224,350	11,992,822	16,839,256	20,147,467	25,308,480
Total business-type activities net position	\$ 63,364,928	\$ 74,569,649	\$ 78,883,295	\$ 82,651,660	\$ 80,704,671	\$ 92,188,955	\$ 88,400,240	\$ 97,571,421	\$ 100,512,891	\$ 112,079,742
Primary government										
Invested in capital assets, net of related debt	\$ 265,140,768	\$ 317,219,262	\$ 352,184,947	\$ 379,925,417	\$ 374,544,780	\$ 372,118,269	\$ 368,430,993	\$ 367,440,886	\$ 383,111,284	\$ 390,236,266
Restricted	47,760,990	34,443,784	14,252,893	4,943,792	14,813,784	14,673,002	7,940,199	12,916,467	18,494,595	19,546,977
Unrestricted	26,921,462	28,557,749	31,298,790	16,912,957	10,874,369	19,122,008	32,670,044	41,957,160	35,084,449	41,907,933
Total primary government net position	\$ 339,823,220	\$ 380,220,795	\$ 397,736,630	\$ 401,782,166	\$ 400,232,933	\$ 405,913,279	\$ 409,041,236	\$ 422,314,513	\$ 436,690,328	\$ 451,691,176

Note:

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

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

	Fiscal Year									
	2007	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016
Governmental activities:										
General government	\$ 8,358,244	\$ 8,222,494	\$ 9,089,652	\$ 7,291,611	\$ 6,910,244	\$ 5,867,359	\$ 6,683,303	\$ 5,898,666	\$ 5,380,359	\$ 3,471,694
Public safety	7,749,060	8,270,787	9,558,547	11,029,379	10,653,813	10,144,341	10,874,585	11,032,501	10,522,359	11,013,862
Transportation and physical environment	9,535,259	10,580,806	12,035,335	11,552,570	13,325,228	13,333,183	13,932,669	14,212,159	15,752,135	17,579,791
Culture and recreation	2,535,047	2,692,254	2,710,434	2,874,115	2,904,535	3,072,489	3,092,100	3,191,985	5,462,980	6,136,059
Interest on long-term debt	291,244	264,240	314,337	545,416	698,126	652,050	519,669	676,742	604,034	578,231
Total governmental activities expenses	\$ 28,468,854	\$ 30,030,581	\$ 33,708,305	\$ 33,293,091	\$ 34,491,946	\$ 33,069,422	\$ 35,102,326	\$ 35,012,053	\$ 37,721,867	\$ 38,779,637
Business-type activities:										
Utility	24,748,547	27,047,807	32,873,576	32,414,733	31,205,110	30,545,189	33,363,682	30,399,474	30,760,793	31,562,957
Solid waste	6,352,603	7,436,948	7,492,553	7,557,209	7,631,425	7,533,852	7,154,429	7,290,268	7,239,055	7,349,686
Stormwater	3,469,901	3,419,649	3,654,793	4,339,649	4,216,027	3,904,173	4,206,765	4,646,249	4,842,145	6,473,450
Building permits	-	-	-	1,787,281	1,463,027	1,286,637	1,225,965	1,275,472	1,284,030	1,516,413
Information technology	-	-	-	157,268	182,643	351,525	490,030	379,495	382,264	985,726
Golf Course (a)	-	31,989	84,219	1,876,394	1,910,096	1,806,088	1,753,323	1,778,396	-	-
Tennis Center (a)	-	226,646	242,969	284,483	353,796	267,918	295,279	309,891	-	-
Total business-type activities expenses	34,571,051	38,163,039	44,348,110	48,417,017	46,962,124	45,695,382	48,489,473	46,079,245	44,508,287	47,888,232
Total primary government expenses	\$ 63,039,905	\$ 68,193,620	\$ 78,056,415	\$ 81,710,108	\$ 81,454,070	\$ 78,764,804	\$ 83,591,799	\$ 81,091,298	\$ 82,230,154	\$ 86,667,869
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,631,863	\$ 3,575,723	\$ 2,409,425	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910	\$ 838,828	\$ 820,158	\$ 687,827
Public safety	279,066	468,618	1,028,174	679,557	305,916	386,798	1,215,566	946,722	355,063	232,048
Transportation and physical environment	160,299	123,281	93,136	92,840	133,064	132,838	125,186	130,888	116,916	173,143
Culture and recreation	267,788	239,941	193,571	158,546	398,520	436,185	360,585	234,388	1,640,631	1,683,747
Operating grants and contributions	2,227,021	2,482,829	2,696,553	3,661,398	4,053,082	3,239,141	3,819,858	3,396,912	3,197,045	2,411,183
Capital grants and contributions	9,809,343	23,416,000	11,116,163	4,401,134	2,679,664	4,771,908	8,499,395	6,635,181	8,836,774	7,143,389
Total governmental activities program revenues	16,375,380	30,306,392	17,537,022	10,140,996	8,237,121	9,938,273	14,988,500	12,182,919	14,966,587	12,331,337
Business-type activities:										
Charges for services:										
Utility	25,893,437	24,401,358	27,690,432	27,771,725	29,190,836	29,518,612	30,730,934	33,943,464	35,038,243	37,357,134
Solid waste	6,843,240	7,278,358	7,498,306	7,667,964	7,805,956	7,655,877	7,227,081	7,420,478	7,349,016	7,634,486
Stormwater	4,046,556	3,685,785	5,112,097	5,509,260	4,778,331	5,469,298	6,316,447	7,154,416	7,048,000	7,038,305
Building permits	-	-	-	201,626	225,099	273,784	1,152,945	1,608,821	1,717,303	2,031,003
Information technology	-	-	-	246,094	322,337	659,065	639,557	677,563	669,141	584,703
Golf Course	-	-	-	1,213,334	1,501,459	1,479,063	1,364,274	1,226,184	-	-
Tennis Center	-	109,791	153,925	164,404	181,598	157,818	190,277	210,348	-	-
Operating grants and contributions	-	-	-	-	-	477,582	-	-	-	-
Capital grants and contributions	15,174,755	9,175,206	12,605,884	2,940,853	1,047,855	2,112,690	1,238,990	3,072,563	2,870,187	5,121,164
Total business-type activities program revenues	51,957,988	44,650,498	53,060,644	45,715,260	45,053,471	47,803,789	48,860,505	55,313,837	54,691,890	59,766,795
Total primary government program revenues	\$ 68,333,368	\$ 74,956,890	\$ 70,597,666	\$ 55,856,256	\$ 53,290,592	\$ 57,742,062	\$ 63,849,005	\$ 67,496,756	\$ 69,658,477	\$ 72,098,132

	Fiscal Year									
	2007	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental activities	\$ (12,093,474)	\$ 275,811	\$ (16,171,283)	\$ (23,152,095)	\$ (26,254,825)	\$ (23,131,149)	\$ (20,113,826)	\$ (22,829,134)	\$ (22,755,280)	\$ (26,448,300)
Business-type activities	17,386,937	6,487,459	8,712,534	(2,701,757)	(1,908,653)	2,108,407	371,032	9,234,592	10,183,603	11,878,563
Total primary government net expense	\$ 5,293,463	\$ 6,763,270	\$ (7,458,749)	\$ (25,853,852)	\$ (28,163,478)	\$ (21,022,742)	\$ (19,742,794)	\$ (13,594,542)	\$ (12,571,677)	\$ (14,569,737)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 19,902,970	\$ 20,620,265	\$ 18,211,813	\$ 18,614,730	\$ 15,968,937	\$ 14,180,455	\$ 15,803,692	\$ 15,911,873	\$ 16,609,668	\$ 17,592,210
Sales and use taxes	2,434,474	2,458,212	2,422,436	2,495,167	2,579,899	2,730,209	2,403,052	2,392,638	2,587,863	2,749,805
Telecommunication services tax	2,616,030	3,431,800	2,726,666	2,748,010	2,685,140	2,696,547	2,608,306	2,522,865	2,529,845	2,390,508
Franchise taxes	-	571,591	58,423	744,353	660,354	651,129	661,438	784,758	683,099	731,563
Other local taxes	-	-	-	404,685	414,385	378,989	404,686	346,157	448,611	431,683
Intergovernmental revenue, non-program	3,095,179	3,364,679	3,310,696	3,253,543	3,405,849	3,649,676	3,841,166	4,047,545	4,200,163	4,299,085
Unrestricted investment earnings	3,515,416	2,132,333	1,244,703	888,531	388,707	461,968	287,289	82,174	17,896	245,858
Rental income	-	-	102,334	-	-	-	-	-	-	-
Miscellaneous	240,871	128,620	75,211	21,425	26,779	41,832	77,326	41,105	60,404	70,507
Gain (Loss) on sale of capital assets	66,891	14,653	231,860	81,725	16,241	-	191,139	280,593	208,563	213,336
Capital contributions not restricted to specific programs	61,260	-	-	-	-	-	-	-	-	-
Transfers	1,146,535	(3,805,110)	5,756,982	(5,822,903)	506,290	(7,463,594)	752,404	521,522	7,983,567	1,157,742
Total governmental activities	33,079,626	28,917,043	34,141,124	23,429,266	26,652,581	17,327,211	27,030,498	26,931,230	35,329,679	29,882,297
Business-type activities:										
Property taxes	-	-	-	-	-	1,686,100	245,750	275,133	316,403	363,863
Unrestricted investment earnings	1,430,419	912,152	833,213	647,219	467,954	224,542	6,552	182,978	409,685	460,402
Other income	-	-	524,881	-	-	1,641	-	-	15,346	21,765
Transfers	(1,146,535)	3,805,110	(5,756,982)	5,822,903	(506,290)	7,463,594	(752,404)	(521,522)	(7,983,567)	(1,157,742)
Total business-type activities	283,884	4,717,262	(4,398,888)	6,470,122	(38,336)	9,375,877	(500,102)	(63,411)	(7,242,133)	(311,712)
Total primary government	\$ 33,363,510	\$ 33,634,305	\$ 29,742,236	\$ 29,899,388	\$ 26,614,245	\$ 26,703,088	\$ 26,530,396	\$ 26,867,819	\$ 28,087,546	\$ 29,570,585
Change in Net Position										
Governmental activities	\$ 20,986,152	\$ 29,192,854	\$ 17,969,841	\$ 277,171	\$ 397,756	\$ (5,803,938)	\$ 6,916,672	\$ 4,102,096	\$ 12,574,399	\$ 3,433,997
Business-type activities	17,670,821	11,204,721	4,313,646	3,768,365	(1,946,989)	11,484,284	(129,070)	9,171,181	2,941,470	11,566,851
Total primary government	\$ 38,656,973	\$ 40,397,575	\$ 22,283,487	\$ 4,045,536	\$ (1,549,233)	\$ 5,680,346	\$ 6,787,602	\$ 13,273,277	\$ 15,515,869	\$ 15,000,848

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									
	2007	2008	2009	2010 (1)	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 2,933,294	\$ 2,106,699	\$ 7,141,109	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,210,163	13,023,776	10,033,713	-	-	-	-	-	-	-
Nonspendable	-	-	-	5,975,576	5,979,178	5,982,244	5,986,187	186,156	274,551	233,082
Restricted	-	-	-	-	-	55,221	55,221	55,221	55,221	33,918
Committed	-	-	-	2,171,614	2,183,984	2,205,117	2,204,711	2,173,669	2,200,605	2,244,922
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	2,393,217	3,049,181	4,485,999	5,900,427	5,505,193	6,191,196	6,398,133
Total general fund	\$ 13,143,457	\$ 15,130,475	\$ 17,174,822	\$ 10,540,407	\$ 11,212,343	\$ 12,728,581	\$ 14,146,546	\$ 7,920,239	\$ 8,721,573	\$ 8,910,055
All Other Governmental Funds										
Reserved	\$ 4,129,475	\$ -	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	9,341,010	7,899,230	7,517,095	-	-	-	-	-	-	-
Special revenue funds	21,725,136	14,071,339	(2,143,495)	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	919,709	1,097,652	784,780	1,129,203	1,075,003	5,593,923	5,503,692
Committed	-	-	-	14,908,303	14,879,097	6,370,050	10,249,998	16,640,546	4,760,593	5,432,117
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)
Total all other governmental funds	\$ 35,195,621	\$ 21,970,569	\$ 9,873,600	\$ 3,266,593	\$ 2,116,179	\$ (3,570,258)	\$ 3,222,092	\$ 11,499,983	\$ 5,022,260	\$ 6,531,046

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 30,198,339	\$ 26,759,295	\$ 26,307,061	\$ 27,046,608	\$ 24,340,358	\$ 22,637,658	\$ 23,997,162	\$ 23,996,049	\$ 24,896,379	\$ 25,987,934
Licenses and permits	2,578,103	2,572,951	1,147,673	391,479	160,742	210,196	229,590	252,150	221,940	211,822
Intergovernmental revenues	828,706	9,512,770	4,843,895	7,939,669	7,191,917	8,749,022	7,895,185	9,772,192	12,247,672	8,391,343
Charges for services	4,712,369	5,295,879	4,197,416	2,552,903	2,836,649	2,740,171	2,572,727	2,712,048	4,098,519	4,872,149
Special assessments	-	-	38,701	219,391	250,342	129,899	-	248,079	247,559	327,571
Fines and forfeitures	767,936	805,046	1,398,511	1,043,095	656,694	739,411	1,578,139	1,556,456	854,187	574,371
Impact fees	4,608,972	3,270,897	1,281,486	1,216,661	664,827	746,167	1,254,980	1,817,218	1,699,219	2,790,609
Contributions	1,808,376	12,719	21,295	14,348	6,603	58,949	2,217	4,801	5,739	5,492
Rental income	-	-	102,334	-	-	-	-	-	-	-
Investment Earnings	3,449,378	2,075,610	1,203,109	833,589	371,817	421,111	287,289	82,174	12,505	176,120
Miscellaneous	249,308	118,941	75,211	21,425	26,779	38,946	77,326	41,105	60,404	70,507
Total revenues	49,201,487	50,424,108	40,616,692	41,279,168	36,506,728	36,471,530	37,894,615	40,482,272	44,344,123	43,407,918
Expenditures										
Current:										
General government	11,608,405	12,074,244	11,642,333	9,413,906	9,131,441	8,171,546	8,491,303	7,978,014	7,118,556	8,459,094
Public safety	7,530,760	8,003,618	9,820,736	10,719,389	10,058,067	9,822,084	10,524,093	10,025,107	10,581,386	10,556,903
Transportation and physical environment	6,162,459	6,530,163	7,014,650	6,401,040	5,739,492	5,314,597	5,763,838	6,547,718	7,678,390	7,247,764
Culture and recreation	2,054,595	2,097,824	1,991,501	1,878,028	2,151,306	2,186,053	2,161,053	2,209,307	4,192,350	4,798,642
Capital outlay	28,863,676	28,797,726	27,990,100	25,166,275	9,432,633	6,821,805	4,589,433	16,501,044	20,819,038	10,231,758
Debt Service:										
Principal	37,318	34,735	36,150	267,623	225,930	210,000	393,000	605,000	623,000	641,000
Interest and Other	286,954	264,240	314,337	545,416	698,126	652,050	519,669	676,742	604,034	578,231
Total expenditures	56,544,167	57,802,550	58,809,807	54,391,677	37,436,995	33,178,135	32,442,389	44,542,932	51,616,754	42,513,392
Excess of revenues over (under) expenditures	(7,342,680)	(7,378,442)	(18,193,115)	(13,112,509)	(930,267)	3,293,395	5,452,226	(4,060,660)	(7,272,631)	894,526
Other Financing Sources (Uses)										
Sale of capital assets	-	-	2,903,420	1,827,280	11,961	-	-	-	-	-
Loan and capital lease proceeds	-	-	-	4,000,000	-	-	2,088,000	5,839,000	-	-
Transfers In	1,051,078	1,112,077	5,792,243	5,270,599	1,649,068	5,451,278	2,036,171	9,348,861	4,390,060	2,747,133
Transfers Out	(641,829)	(4,971,669)	(555,170)	(11,226,792)	(1,209,240)	(12,914,872)	(1,366,082)	(9,075,617)	(2,793,818)	(1,944,391)
Total other financing sources (uses)	409,249	(3,859,592)	8,140,493	(128,913)	451,789	(7,463,594)	2,758,089	6,112,244	1,596,242	802,742
Net change in fund balances	\$ (6,933,431)	\$ (11,238,034)	\$ (10,052,622)	\$ (13,241,422)	\$ (478,478)	\$ (4,170,199)	\$ 8,210,315	\$ 2,051,584	\$ (5,676,389)	\$ 1,697,268
Debt Service as a percentage of noncapital expenditures	1.17	1.03	1.14	2.78	3.30	3.27	3.28	4.57	3.98	3.78

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
2007	\$ 7,209,873,840	\$ 395,823,530	\$ 39,036,957	\$ 22,762,740	\$ 43,289,461	\$ 212,526,036	\$ 365,126,897	\$ 486,806,902	\$ 1,075,079,176	\$ 486,558,894	\$ 6,239,994,489	\$ 3.25
2008	7,966,142,375	513,581,436	57,316,405	82,932,630	46,282,002	302,740,605	391,307,071	519,386,257	1,135,486,199	695,552,647	7,009,877,421	2.96
2009	7,048,853,617	626,574,296	56,439,734	64,271,265	63,863,079	344,342,373	425,467,243	1,153,749,410	693,792,399	650,304,629	6,131,965,169	2.96
2010	5,810,369,969	640,358,943	57,394,160	81,593,288	79,017,915	363,209,622	413,135,467	1,178,584,144	325,396,383	692,916,836	5,248,182,001	3.50
2011	4,970,838,657	513,132,872	44,840,929	84,260,704	74,519,213	323,857,469	369,655,823	1,176,726,372	111,171,325	626,703,217	4,466,504,753	3.50
2012	4,421,050,448	449,685,207	40,410,099	84,665,638	71,488,036	304,706,672	367,156,410	1,056,115,106	123,622,919	667,830,359	3,891,594,126	3.99
2013	4,208,752,204	505,252,669	35,648,257	73,437,297	71,483,536	299,076,871	365,596,411	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

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
2007	2.5000	0.7500	3.25000	7.71100	4.77160	0.16800	0.46200	0.03850
2008	2.2123	0.7500	2.96230	7.61800	4.33460	0.15500	0.41580	0.03450
2009	2.6123	0.3500	2.96230	7.31000	4.54450	0.17300	0.41580	0.03450
2010	3.1500	0.3500	3.50000	7.76800	5.24790	0.20380	0.41580	0.03450
2011	3.5000	-	3.50000	8.01300	6.05500	0.20380	0.41580	0.03450
2012	3.5400	0.4500	3.99000	8.03100	6.78140	0.23900	0.33130	0.03450
2013	4.1502	0.1456	4.29580	7.94300	7.66200	0.25400	0.33130	0.03450
2014	4.1932	0.0773	4.27050	7.44200	8.57530	0.25330	0.32830	0.03450
2015	4.1608	0.0842	4.24500	7.44600	8.53900	0.24230	0.31640	0.03450
2016	4.0828	0.1622	4.24500	7.25500	8.46680	0.23760	0.30230	0.03200

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	2016		2007		Rank	Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value	Rank	Taxable Assessed Value	Rank		
FLORIDA POWER & LIGHT COMPANY	\$ 73,684,924	1	-	-	-	-
KRG PALM COAST LANDING LLC	20,763,307	2	-	-	-	-
INTEGRA WOODS LLC	17,380,000	3	-	-	-	-
BRANCH ISLAND WALK ASSOCIATES	16,430,200	4	-	-	-	-
BELLSOUTH TELECOMMUNICATIONS	13,404,811	5	-	-	-	-
FLORIDA LANDMARK COMMUNITIES	13,259,280	6	-	-	-	-
PALM COAST MEDICAL SPECIALISTS	10,701,518	7	-	-	-	-
BRIGHTHOUSE NETWORKS	10,568,571	8	-	-	-	-
CELEBRITY RESORTS OF PALM COAST	10,346,400	9	-	-	-	-
PALM COAST WATERCHASE LLC	9,988,000	10	-	-	-	-
CENTEX HOMES	-	-	\$ 29,790,131	1	-	0.477%
PALM COAST HOLDINGS INC	-	-	27,035,202	2	-	0.433%
HARBOR CLUB OWNERS ASSOCIATION	-	-	13,564,800	3	-	0.217%
THE GRAND CLUB LLC	-	-	10,896,445	4	-	0.175%
MCW-RC-FL-PALM HARBOR LLC	-	-	10,754,327	5	-	0.172%
PALM COAST APARTMENTS LLC	-	-	10,427,527	6	-	0.167%
SEAGATE HOMES INC	-	-	9,650,985	7	-	0.155%
WAL-MART STORES, INC	-	-	9,478,622	8	-	0.152%
GINN-LA HAMMOCK BEACH LTD LLP	-	-	8,905,890	9	-	0.143%
SCOTT TERRY	-	-	8,704,205	10	-	0.139%
	\$ 196,527,011		\$ 139,208,134			1.320%

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
2007	\$ 20,279,982	\$ 19,589,267	96.59	\$ 13,873	\$ 19,603,140	96.66
2008	20,765,640	20,101,446	96.80	81,687	20,183,133	97.19
2009	18,164,720	17,521,094	96.46	117,912	17,639,006	97.11
2010	18,368,637	17,710,493	96.42	91,121	17,801,614	96.91
2011	15,632,767	15,090,032	96.53	86,923	15,176,955	97.08
2012	15,534,998	14,980,925	96.43	99,505	15,080,430	97.07
2013	15,650,967	15,093,036	96.44	35,983	15,129,019	96.67
2014	15,759,481	15,190,408	96.39	41,336	15,231,744	96.65
2015	16,523,062	15,937,197	96.45	37,803	15,975,000	96.68
2016	17,583,231	16,901,139	96.12	-	16,901,139	96.12

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)
	Capital Leases	Local Government Pooled Loan	CDGB Loan	SRF/Bank Loan (c)	Equipment Loan	Utility Revenue Bonds (a)	Utility SRF Loan (b)	Stormwater SRF/Bank Loan (b)	IT Capital Leases							
2007	\$ -	\$ -	\$ 134,437	\$ -	\$ 37,846	\$142,765,000	\$23,134,323	\$ 3,988,024	\$ -	\$ 170,059,630	\$ 6,239,994,489	2.73	\$ 2,731,000	70,376	6.23	\$ 2,416
2008	-	-	99,702	-	-	140,845,000	27,939,573	3,919,270	-	172,803,545	7,009,877,421	2.47	2,805,000	74,590	6.16	2,317
2009	-	-	63,552	-	-	138,890,000	28,386,116	6,695,806	-	174,035,474	6,131,965,169	2.84	2,832,191	73,910	6.14	2,355
2010	-	-	25,929	3,770,000	-	135,920,000	25,700,918	13,854,213	252,015	179,523,075	5,248,182,001	3.42	3,071,000	75,180	5.85	2,388
2011	-	-	-	3,570,000	-	132,860,000	24,466,247	15,291,698	447,645	176,635,590	4,466,504,753	3.95	3,229,939	75,617	5.47	2,336
2012	-	-	-	3,360,000	-	127,632,882	23,199,592	14,340,900	273,157	168,806,531	3,891,594,126	4.34	3,516,641	76,450	4.80	2,208
2013	-	-	-	5,055,000	-	142,624,496	21,899,999	13,346,756	191,770	183,118,021	3,646,122,021	5.02	3,673,655	77,068	4.98	2,376
2014	-	-	-	10,289,000	-	140,782,844	20,566,612	12,327,767	197,171	184,163,394	3,690,312,857	4.99	3,763,284	78,046	4.89	2,360
2015	-	-	-	9,666,000	-	136,396,216	19,198,551	11,282,686	118,941	176,662,394	3,892,358,641	4.54	4,230,393	79,821	4.18	2,213
2016	-	-	-	9,025,000	-	89,473,487	62,815,651	10,212,258	50,517	171,576,913	4,129,619,115	4.15	-	81,184	-	2,113

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 2016.

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

General Bonded Debt Outstanding						
Fiscal Year	Local Government Pooled Loan	Total	Taxable Assessed Value of Property	Percentage Taxable Assessed Value of Property	Estimated Population	Per Capita
2007	\$ -	\$ -	\$ 6,239,994,489	-	70,376	\$ -
2008	-	-	7,009,877,421	-	74,590	-
2009	-	-	6,131,965,169	-	73,910	-
2010	-	-	5,248,182,001	-	75,180	-
2011	-	-	4,466,504,753	-	75,617	-
2012	-	-	3,891,594,126	-	76,450	-
2013	-	-	3,646,122,021	-	77,068	-
2014	-	-	3,690,312,857	-	78,046	-
2015	-	-	3,892,358,641	-	79,821	-
2016	-	-	4,129,619,115	-	81,184	-

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, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Flagler County General Obligation Bonds, Series 2015	\$ 24,580,000	55.77	\$ 13,709,368
Flagler County Refunding Limited Tax General Obligation Bonds, Series 2016	11,380,000	55.77	6,347,136
Flagler County Limited Tax General Obligation Bonds, Series 2005	645,000	55.77	359,745
Flagler County Limited Tax General Obligation Bonds, Series 2009	1,340,000	55.77	747,378
Other debt			
Flagler County School Board District Certificates of Participation	57,785,000	49.16	28,409,002
Flagler County School Board District State School Bonds	976,000	49.16	479,834
Flagler County School Board District Revenue Bonds	1,770,000	49.16	870,190
Flagler County Notes Payable	5,704,959	55.77	3,181,911
Flagler County Refunding Capital Improvement Revenue Bonds, Series 2016	42,175,000	55.77	<u>23,522,888</u>
Subtotal, overlapping debt			77,627,452
City Direct Debt			<u>9,025,000</u>
Total Direct and overlapping debt			<u><u>\$ 86,652,452</u></u>

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

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

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

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

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

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

Utility Revenue Bonds							
Fiscal Year	Utility Service Charges (1)	Less: Operating Expenses (2)	Rate	Net Available Revenue	Debt Service		Coverage
			Stabilization Transfers To/(From) (3)		Principal	Interest	
2007	\$ 26,674,110	\$ 14,789,497	\$ 1,000,000	\$ 10,884,613	\$ 1,880,000	\$ 4,368,273	1.74
2008	24,925,712	16,496,688	-	8,429,024	1,920,000	4,329,873	1.35
2009	28,044,523	16,743,299	-	11,301,224	1,955,000	6,445,164	1.35
2010	28,132,136	17,170,763	(10,200,000)	21,161,373	2,970,000	6,352,364	2.27
2011	29,245,334	15,614,566	-	13,630,768	3,060,000	6,248,459	1.46
2012	29,586,299	15,064,742	-	14,521,557	3,170,000	6,136,499	1.56
2013	30,735,592	15,218,533	-	15,517,059	3,280,000	6,024,895	1.67
2014	33,943,464	15,431,565	4,000,000	14,511,899	1,245,000	6,128,106	1.97
2015	35,444,145	15,651,053	1,000,000	18,793,092	3,805,000	5,975,906	1.92
2016	37,487,422	16,636,758	-	20,850,664	4,801,000	5,308,376	2.06

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
2006	67,832	\$ 2,480,000	\$ 30,140	10,973	5.10%
2007	70,376	2,731,000	30,973	12,800	4.40%
2008	74,590	2,878,868	30,746	12,738	4.20%
2009	73,910	2,832,191	30,912	13,082	6.50%
2010	75,180	3,071,000	32,009	12,832	11.80%
2011	75,617	3,229,939	33,170	13,100	15.70%
2012	76,450	3,516,641	35,753	12,768	14.10%
2013	77,068	3,673,655	36,753	12,733	12.10%
2014	78,046	3,763,284	36,748	12,671	7.40%
2015	79,821	4,230,393	40,140	12,788	6.20%

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

(a) Personal income data is for Flagler County.

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

Employer	2016			2007		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,741	1	4.27	1,889	1	5.41
Florida Hospital-Flagler	1,057	2	2.59	626	3	1.79
Sea Ray Boats	740	3	1.81	-	-	-
Palm Coast Data	721	4	1.77	900	2	2.58
Publix Supermarkets	690	5	1.69	285	6	0.82
Hammock Beach Resort	467	6	1.14	-	-	-
City of Palm Coast	413	7	1.01	363	5	1.04
Bloomin' Brands	290	8	0.71	-	-	-
Flagler County	280	9	0.69	-	-	-
Flagler County Sheriff's Office	270	10	0.66	-	-	-
Walmart Stores	-	-	-	575	4	1.65
Albertson's	-	-	-	165	7	0.47
Winn-Dixie Stores	-	-	-	160	8	0.46
Grand Oaks Health & Rehabilitation	-	-	-	120	9	0.34
FAA - Center for Management Dev.	-	-	-	115	10	0.33
Total	<u>6,669</u>		<u>16.34</u>	<u>5,198</u>		<u>14.89</u>

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

Note:

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

Schedule 16
City of Palm Coast, Florida
Full-time-Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years

Full-time-Equivalent Employees as of September 30,

Function/Program	2007	2008 (a)	2009	2010	2011 (b)	2012	2013	2014	2015	2016
General Government										
City Administration	4	22	22	15	15	15	13	15	15	15
Community Relations	4	-	-	-	-	-	-	-	-	-
City Attorney	1	1	1	1	1	1	1	1	1	1
City Clerk	5	-	-	-	1	1	2	2	2	2
Financial Services	17	14	9	8	8	8	8	8	8	8
Information Tech & Communications	14	15	15	12	-	-	-	-	-	-
Community Development	19	60	17	16	40	40	41	42	42	40
Building and Code Enforcement	51	-	45	41	-	-	-	-	-	-
Fire	46	58	67	66	62	62	59	59	58	58
Law Enforcement	1	1	1	-	-	-	-	-	-	-
Streets and Facilities	55	43	64	54	59	59	65	65	68	67
Engineering	7	18	17	9	7	7	6	6	4	-
Construction Management & Engineering	-	-	-	-	-	-	-	-	-	16
Recreation and Athletics	40	31	27	19	19	19	20	20	20	21
Capital Projects	8	-	-	-	-	-	-	-	-	-
Water and Wastewater Utility (1)	112	106	116	113	115	115	118	118	121	120
Solid Waste	2	-	-	-	-	-	-	-	-	-
Stormwater Management (2)	20	16	30	37	30	30	30	30	32	27
Golf Course	-	1	-	-	-	-	-	-	-	-
Building Permits	-	-	-	-	15	15	14	15	17	17
Information Technology	-	-	-	-	13	13	11	11	11	11
Tennis Center	-	3	3	3	-	-	-	-	-	-
Fleet Management	5	3	3	3	3	3	4	4	6	6
Facilities Management	-	-	-	-	-	-	-	-	-	4
Total	411	392	437	397	388	388	392	396	405	413

Source: City Budget

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

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

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

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

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

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Building Permits Issued										
Residential	507	203	132	127	96	108	248	340	359	484
Commercial	83	100	17	26	15	12	145	370	531	114
Other	4,201	4,991	5,609	5,260	5,410	6,743	7,351	6,753	8,239	9,269
Total	4,791	5,294	5,758	5,413	5,521	6,863	7,744	7,463	9,129	9,867
Building Inspections	58,735	18,503	17,488	16,006	16,441	15,989	19,012	25,040	18,258	28,912
Code Violations										
Total Code Violations	14,775	19,789	18,775	23,749	21,261	23,201	22,287	19,123	17,632	16,135
Code Violations Cleared	12,226	14,335	13,028	16,500	19,995	22,907	20,671	18,516	17,321	15,473
Expenditures per Cleared Violation	\$168	\$140	\$143	\$125	\$ 105	\$ 143	\$ 104	\$ 118	\$ 125	\$ 129
Fire and Rescue										
Total Fire Calls	207	170	222	186	278	213	179	149	185	166
Total EMS Calls	3,311	4,501	4,860	5,404	5,300	5,365	5,503	5,760	6,192	6,204
% Responses under 5 Minutes	63.10%	61%	56%	61%	1	1	-	-	38%	66%
Public Works										
Refuse Collection (Annual Tons)	46,093	34,137	31,580	31,134	30,144	31,316	26,300	27,077	28,481	32,058
Recycle Collection (Annual Tons)(3)	4,339	3,857	3,969	3,982	3,960	4,038	4,840	5,857	11,453	5,188
Street Rehabilitation (Expenditures per capita)	\$58	\$49	\$55	\$52	\$ 70	\$ 66	\$ 68	\$ 70	\$ 68	\$ 69
Potholes Repaired	1,790	1,210	350	86	24	36	65	61	39	38
Parks and Recreation										
Developed Park Acres/1000 population	4.52	3.53	4.41	5.05	4.84	4.60	4.52	6.82	9.48	9.33
Recreation Program Expenditures/1000 population(4)	\$17,152	\$22,002	\$13,544	\$12,263	\$ 16,397	\$ 17,353	\$ 13,538	\$ 16,989	\$ 40,481	\$ 40,762
Total Recreation Revenues/1000 population(4)	\$4,130	\$3,504	\$3,769	\$2,145	\$ 2,271	\$ 2,277	\$ 2,152	\$ 2,153	\$ 20,554	\$ 20,741
Engineering and Stormwater (1)										
Freshwater Canal Maintenance -										
100% Annual Service Required	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Existing Swale Service -										
2% of Existing Swales Regraded Annually	2%	2%	2%	6%	-	-	-	-	5%	4%
Hazardous Drainage Conditions Resolved -										
100% Repaired in 24 Hours	-	-	85.70%	100%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	3,751	1,603	1,599	481	201	229	114	163	525	618
Peak Daily Water Demand (Million gallons per day)	8.73	11.33	10.9	10.4	10.1	9.7	11.1	9.4	9.4	10.25
Wastewater (2)										
Peak Daily Wastewater Treated (Million gallons per day)	7.63	6.38	10.62	6.9	11.8	6.83	6.83	6.83	6.83	6.83

Sources: Various City departments

Notes:

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

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

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire and Rescue										
Stations	3	3	5	5	5	5	5	5	5	5
Apparatus	15	15	15	17	16	20	20	20	20	20
Public Works										
Streets (miles)	1,102	1,102	1,102	1,138	1,169	1,169	1,169	1,169	1,169	1,169
Traffic Signals	41	43	47	47	50	52	52	54	50	53
Fleet Size	241	301	283	246	242	235	235	241	215	220
Parks and Recreation										
Acreage	672	672	746	746	1,278	1,265	1,265	1,275	1,275	1,275
Playgrounds	6	6	7	7	7	8	8	8	8	8
Athletic Fields	16	16	22	19	20	20	20	22	25	22
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	1,000	1,200	1,200	1,200	1,100	1,100	1,100	1,200	1,222	1,222
Drainage ditches (miles)	150	150	150	150	154	154	154	154	154	172
Canals (miles)	80	80	80	80	84	84	84	84	84	84
Water control structures	19	19	19	19	31	31	31	31	31	31
Water (2)										
Water Mains (miles)	648	648	679	679	714	714	714	714	716	721
Fire Hydrants	3,455	3,455	3,717	3,772	3,772	3,784	3,784	3,780	3,805	3,826
Capacity (millions of gallons per day)	12.38	12.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38	15.38
Wastewater (2)										
Sewers (miles)	560	560	613	613	613	620	620	622	623	633
Treatment Capacity (millions of gallons per day)	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83

Sources: Various City departments

Notes:

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

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



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OTHER REPORTS



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida as of and for the year ended September 30, 2016, and related notes to the financial statements, which collectively comprise the City of Palm Coast, Florida's basic financial statements and have issued our report thereon dated March 7, 2017.

Internal Control over Financial Reporting

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

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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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 & Co., P.L." The signature is written in a cursive style and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
March 7, 2017

**CITY OF PALM COAST, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Federal Agency, Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Program Award Amount</u>	<u>Program Expenditures</u>
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Direct:				
Community Development Block Grants	14.218	B-12-MC-12-0060	331,338	<u>\$ 134,946</u>
U.S. Department of Environmental Protection				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for Clean Water State Revolving Funds - Loan	66.458	CS12000116-0 / WW180420	30,100,000	<u>5,637,100</u>
U.S. Department of Transportation				
Passed Through Florida Department of Transportation:				
Highway Planning and Construction	20.205	G0064	1,190,000	61,500
Highway Planning and Construction	20.205	G0744	535,428	162,913
Total Department of Transportation				<u>224,413</u>
Total Expenditures of Federal Awards				<u><u>\$ 5,996,459</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, 2016

(1) **Basis of Presentation:**

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

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

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

Pass-through entity identifying numbers are presented where available.

No amounts were passed through to subrecipients during the fiscal year ended September 30, 2016.

(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) **Federal Loan Programs:**

The federal loan programs listed subsequently are passed through Florida Department of Environmental Protection, and balances and transactions relating to these programs are included in City of Palm Coast, Florida's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at September 30, 2016, consists of:

CFDA Number	Program Name	Outstanding Balance at September 30, 2016
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$5,637,100

CITY OF PALM COAST, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

I. Summary of Auditors' Results:

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

Internal control over major Federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

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

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

Identification of major Federal programs:

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

II. Financial Statement Findings:

No financial statement findings were noted.

III. Federal Programs Findings and Questioned Costs:

None.

IV. Prior Audit Findings:

None.

V. Corrective Action Plan:

No corrective action plan as there were no findings for the year ended September 30, 2016.

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Palm Coast, Florida's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2016. The City of Palm Coast, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
Fax: 850/422-2074
tlh@jmco.com

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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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

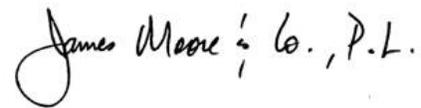
Report on Internal Control over Compliance

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

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

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

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



Daytona Beach, Florida
March 7, 2017

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386/257-4100
Fax: 386/255-3261
dab@jmco.com

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gmv@jmco.com

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**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, 2016, and have issued our report thereon dated March 7, 2017.

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*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 7, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Palm Coast, Florida was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to the City as of September 30, 2016.

121 Executive Circle
Daytona Beach, FL 32114-1180
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dab@jmco.com

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Gainesville, FL 32607-2063
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Financial Condition

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Palm Coast, Florida for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

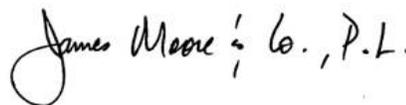
Other Matters

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.

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 and is enclosed within a thin black rectangular border.

Daytona Beach, Florida
March 7, 2017

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

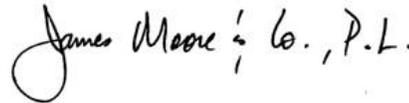
To the Honorable Mayor, City Council, and City Manager,
City of Palm Coast, Florida:

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, 2016. 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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

Daytona Beach, Florida
March 7, 2017



121 Executive Circle
Daytona Beach, FL 32114-1180
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dab@jmco.com

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Gainesville, FL 32607-2063
Telephone: 352/378-1331
Fax: 352/372-3741
gnv@jmco.com

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850/386-6184
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tlh@jmco.com

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city of PALM COAST

160 Lake Avenue
Palm Coast, FL 32164
386-986-3710

AFFIDAVIT OF IMPACT FEE COMPLIANCE

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

Jim Landon, City Manager

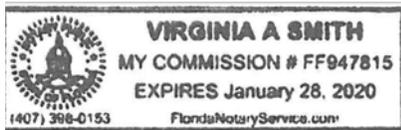
Christopher Quinn, Finance Director

STATE OF FLORIDA
COUNTY OF FLAGLER

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

WITNESS, my hand and official seal in the County and State last aforesaid this 8th day of March 2017.

Virginia A. Smith
Notary Public - State of Florida





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