

THE CITY OF PALM COAST FLORIDA



COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014

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CITY OF PALM COAST, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2014

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, 2014**

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LETTER OF TRANSMITTAL



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CITY MANAGER'S OFFICE

January 30, 2015

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, 2014, 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 78,046 residents and covers an area of approximately 81 square miles. For fiscal year 2015, property within the City has a taxable value of \$3,892,358,641. This was an increase of approximately five percent from 2014. The City's property tax rate for fiscal year 2014 is set at \$4.2450 per \$1,000 of taxable value. Approximately two percent of the property taxes levied have been committed to capital projects for fiscal year 2015.

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 is recovering from the collapse of the housing market and the national recession that occurred in 2008. All economic indicators are pointing in a positive direction. Real estate values continued to rise in 2014 and are expected to appreciate in 2015. Single-family permits are at the highest level since 2007, with 339 permits issued in 2014. Population projections are positioning Palm Coast to be the second fastest growing area over the next five years and the labor market continues to recover as well. Even with this improvement and the creation of approximately 5,200 jobs in the local economy since the recession, the unemployment rate as of September 30, 2014 was still 8.4%.

A particular bright spot has been taxable sales within the City. We have seen over a 35% increase in taxable sales since 2007. 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.

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 5%. As all major economic indicators are now trending in a positive direction, we expect the local economy to continue to improve and have a positive impact on City revenue sources.

This past fiscal year, City Council evaluated the City's Recreation Impact Fee, making changes to the methodology, and ultimately lowering the fee after reducing future capital needs in the Park Master Plan. The City's Recreation Impact Fee will ensure that new development contributes to future capital needs to develop parks and provide recreational opportunities to the citizens.

The City continued water and sewer rate increases that were enacted due to the recent rate study, which will provide funding for infrastructure expansion and replacements. With the increase in building permits and associated growth, City staff is evaluating the timing of the next Wastewater Treatment Plant. The Wastewater Treatment Plant represents a major capital funding need in the future as the City continues to grow.

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 support both the existing and future population. In 2015, the City will undertake the following major projects: City Hall & Central Park Wing, Seminole Woods Path, Holland Park Renovation, Street Resurfacing, Palm Coast Parkway Six-Lane, Palm Harbor Parkway Extension, Old Kings Road North Extension, Royal Palms Parkway Improvements, WTP 2 – Wellfield Expansion, Old Kings Road Master Pump Station and Force Main, Reclaimed Water Mains, Swale Rehab & Pipe Replacement, Modeling Improvements, Major Crossing Rehabilitation, and Weir Replacement.

The Palm Coast Business Assistance Center, or BAC, was established in May 2011 to help our existing business grow through a unique partnership with the Small Business Development Center at the University of Central Florida (SBDC at UCF). Since its inception, the BAC has helped businesses maintain or create 174 jobs and invest approximately \$22.5 million in our local economy through capital investment, increased sales, and salaries. In the upcoming year, the BAC will continue to expand its services to serve local businesses and grow the economy “one job at a time.”

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 (13% increase in bed tax collections over last year) to our local economy. This past year, through a TDC grant and partnership with the Flagler County School District, the City was able to add two additional fields at Indian Trails Sports Complex, which will assist in attracting bigger and better tournaments.

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, 2013. This is the thirteenth 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 2013 Popular Annual Financial Report. This is the first 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 2014 budget document. This is the eleventh 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 2014 performance measurement document. This is the first year that Palm Coast has received this award.

The City of Palm Coast also received the Association of Public Treasurers of the United States & Canada's Debt Policy Certificate of Excellence Award. This is the first time 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

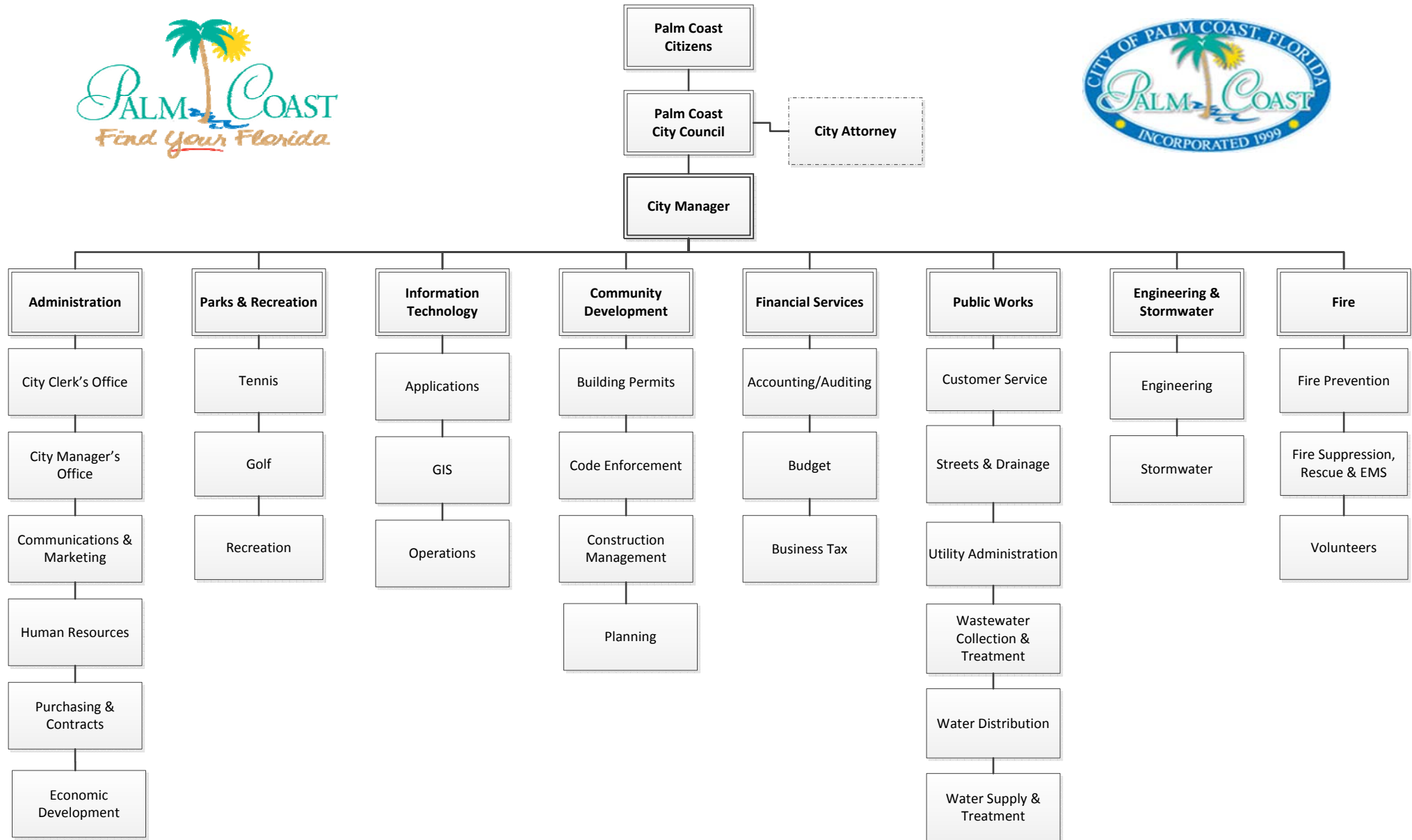
September 30, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style with a prominent 'J' and 'E'.

Executive Director/CEO



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LIST OF PRINCIPAL OFFICIALS

September 30, 2014

ELECTED OFFICIALS

Mayor

Honorable Jon Netts

City Council Members:

Jason Delorenzo
Bill McGuire
Dave Ferguson
William Lewis

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, 2014, 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Palm Coast, Florida, as of September 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Information

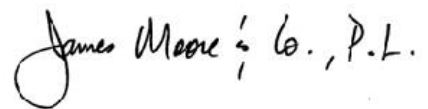
Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Palm Coast, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules,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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the City of Palm Coast, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Palm Coast, Florida's internal control over financial reporting and compliance.



Daytona Beach, Florida
January 30 2015

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii-x of this report.

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

Financial Highlights

- The assets of the City of Palm Coast exceeded its liabilities and deferred inflows at the close of fiscal year 2014 by \$422,314,513. Of this amount, \$41,957,160 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$13,273,277. Over \$2 million of the increase was due to construction transfers and refinancing an interfund loan in the SR100 CRA, and governmental impact fee collections due to increased development. Nearly \$6 million of the increase was due to planned utility rate increases and related impact fee collections. Improved stormwater fee collections accounted for approximately \$2.5 million of the increase.
- As of the close of fiscal year 2014, the City's governmental funds reported combined ending fund balances of \$19,420,222 an increase of \$2,051,584 over the prior year. The combined ending fund balances includes negative unassigned fund balance of \$710,373, which was due to capital expenditures in advance of related revenues. The increase in combined ending fund balances was primarily due to approximately \$1 million in net transportation impact fees collected, and SR100 CRA construction transfers expected to be utilized in fiscal year 2015.
- At the end of fiscal year 2014, unassigned fund balance in the general fund was \$5,505,193 or 22.0% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$1,330,142 during the current fiscal year. This was primarily due to new debt of approximately \$5.8 million in the SR100 CRA fund to repay an interfund loan, less principal payments on outstanding debt.

Overview of the Financial Statements

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

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

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

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

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

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

The government-wide financial statements can be found on pages 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 to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 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 inspections, information technology and communications (IT&C), a tennis center, and golf course. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palm Coasts various functions. The City of Palm Coast uses internal service funds to account for its fleet of vehicles and self-insured health program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

The basic proprietary fund financial statements can be found on pages 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 37-80 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This includes budget and actual comparisons for the general fund and major special revenue funds with adopted budgets. This also includes the City of Palm Coast's progress in funding its obligation to provide pension benefits to the volunteer firefighters and its Other Postemployment Benefits (OPEB) obligation. Required supplementary information can be found on pages 81-91 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Palm Coast, assets exceeded liabilities and deferred inflows by \$422,314,513 at the close of the most recent fiscal year.

Of the net position, 9.9% falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Approximately 3.1% 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 (87.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens and therefore are not available for future spending. Although the investment in capital assets is reported net of related debt used to acquire the assets, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

City of Palm Coast's Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 40,315,698	\$ 35,916,770	\$ 50,114,335	\$ 47,927,664	\$ 90,430,033	\$ 83,844,434
Capital assets	308,783,964	300,817,336	227,197,757	222,670,169	535,981,721	523,487,505
Total assets	349,099,662	336,734,106	277,312,092	270,597,833	626,411,754	607,331,939
Long-term liabilities	12,501,730	7,108,298	175,344,190	179,407,480	187,845,920	186,515,778
Other liabilities	11,854,840	8,984,812	3,648,620	1,974,839	15,503,460	10,959,651
Total liabilities	24,356,570	16,093,110	178,992,810	181,382,319	203,349,380	197,475,429
Total deferred inflows of resources	-	-	747,861	815,274	747,861	815,274
Net position:						
Net investment in capital						
assets	298,494,964	298,779,350	68,945,922	69,651,643	367,440,886	368,430,993
Restricted	1,130,224	1,184,424	11,786,243	6,755,775	12,916,467	7,940,199
Unrestricted	25,117,904	20,677,222	16,839,256	11,992,822	41,957,160	32,670,044
Total net position	\$ 324,743,092	\$ 320,640,996	\$ 97,571,421	\$ 88,400,240	\$ 422,314,513	\$ 409,041,236

Governmental Activities

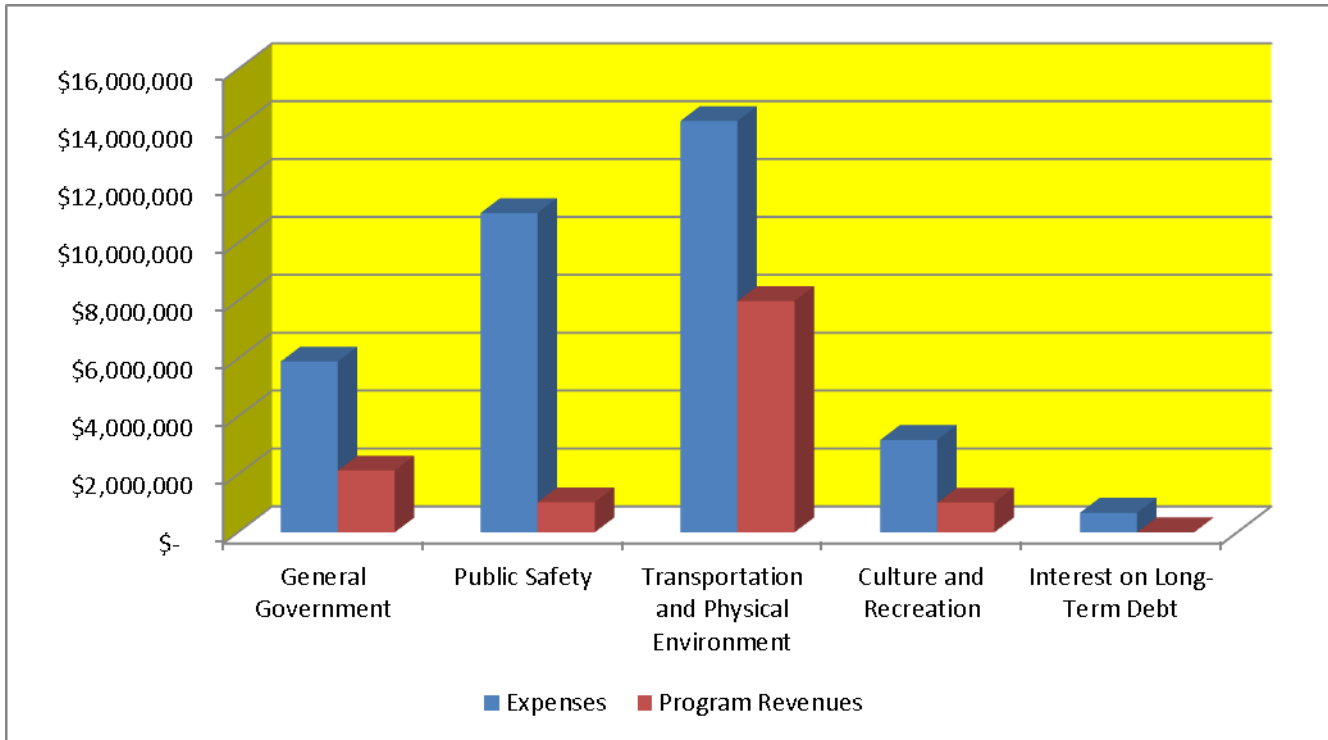
Governmental activities increased the City of Palm Coast's net position by \$4,102,096 during the current fiscal year. This is mostly due to revenues in excess of expenditures in the general fund, and accumulation of impact fees due to increased development in the community. Long term liabilities increased over \$5 million due to new debt issued in the SR100 CRA Fund to refinance an interfund loan. Governmental activities unrestricted net position increased by \$4,440,682. The SR100 interfund loan repayment, plus increases in primarily the general and transportation impact fee fund account for the increase. The general fund increase was due to expense savings versus the budget,

and the transportation impact fee fund increase was due to accumulation of fees to offset prior year revenue shortages. Charges for services decreased \$518,421, primarily due to red light citation decreases, and a portion of law enforcement citations now being retained by Flagler County. Capital grants and contributions decreased \$1,864,214 primarily due to the establishment of Old King Road special assessments recorded during fiscal year 2013. Operating grants and contributions decreased \$422,946 and general government expenses decreased \$784,637, primarily due to the winding down of grant activity in the NSP and CDBG funds for the current year.

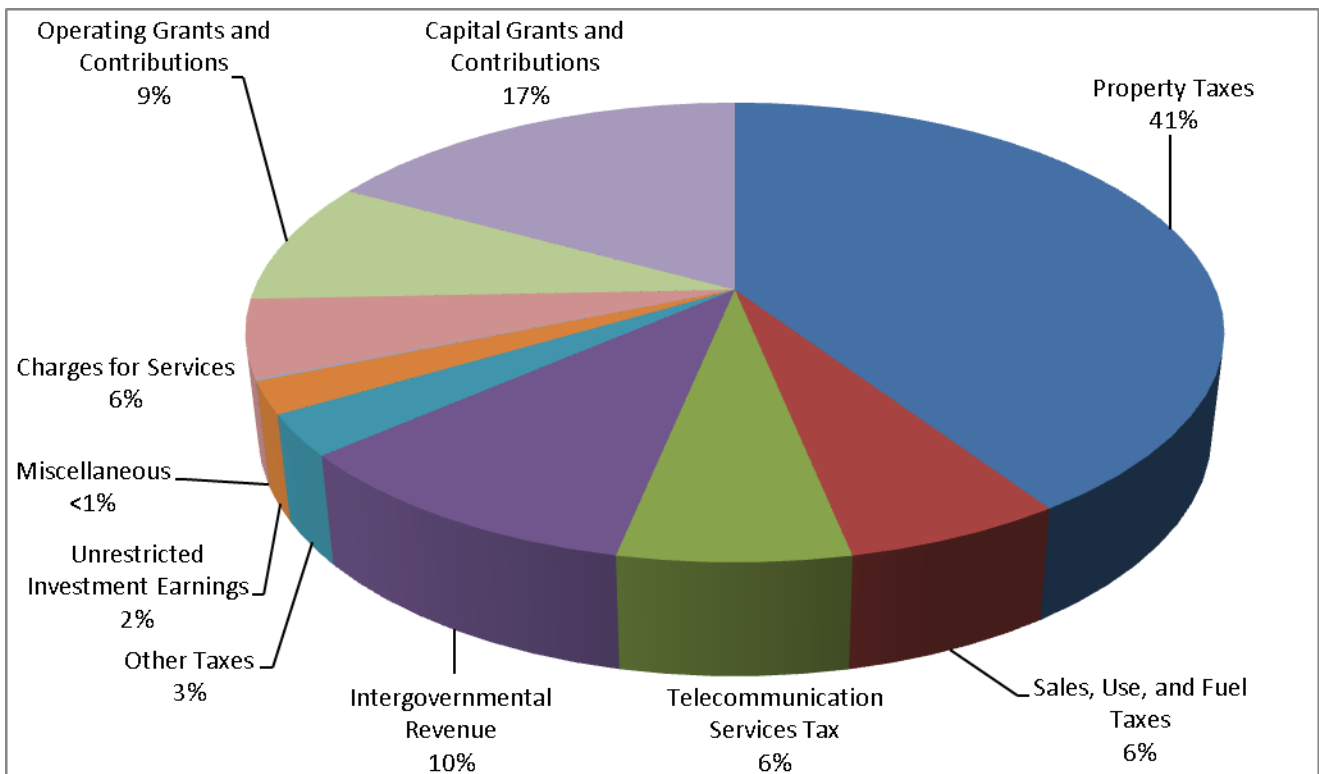
Table II
City of Palm Coast's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 2,150,826	\$ 2,669,247	\$ 52,241,274	\$ 47,621,515	\$ 54,392,100	\$ 50,290,762
Operating grants and contributions	3,396,912	3,819,858	-	-	3,396,912	3,819,858
Capital grants and contributions	6,635,181	8,499,395	3,072,563	1,238,990	9,707,744	9,738,385
General revenues:						
Property taxes	15,911,873	15,803,692	275,133	245,750	16,187,006	16,049,442
Other taxes	6,046,418	6,077,482	-	-	6,046,418	6,077,482
Intergovernmental	4,047,545	3,841,166	-	-	4,047,545	3,841,166
Other	403,872	555,754	182,978	6,552	586,850	562,306
Total revenues	38,592,627	41,266,594	55,771,948	49,112,807	94,364,575	90,379,401
Expenses:						
General government	5,898,666	6,683,303	-	-	5,898,666	6,683,303
Public safety	11,032,501	10,874,585	-	-	11,032,501	10,874,585
Transportation and physical environment	14,212,159	13,932,669	-	-	14,212,159	13,932,669
Culture & recreation	3,191,985	3,092,100	-	-	3,191,985	3,092,100
Utility	-	-	30,399,474	33,363,682	30,399,474	33,363,682
Solid Waste	-	-	7,290,268	7,154,429	7,290,268	7,154,429
Stormwater	-	-	4,646,249	4,206,765	4,646,249	4,206,765
Building Permits and Inspections	-	-	1,275,472	1,225,965	1,275,472	1,225,965
IT&C	-	-	379,495	490,030	379,495	490,030
Golf Course	-	-	1,778,396	1,753,323	1,778,396	1,753,323
Tennis Center	-	-	309,891	295,279	309,891	295,279
Interest on long-term debt	676,742	519,669	-	-	676,742	519,669
Total expenses	35,012,053	35,102,326	46,079,245	48,489,473	81,091,298	83,591,799
Increase (decrease) in net position before transfers	3,580,574	6,164,268	9,692,703	623,334	13,273,277	6,787,602
Transfers	521,522	752,404	(521,522)	(752,404)	-	-
Increase (decrease) in net position	4,102,096	6,916,672	9,171,181	(129,070)	13,273,277	6,787,602
Net position - beginning, restated	320,640,996	313,724,324	88,400,240	88,529,310	409,041,236	402,253,634
Net position - ending	\$ 324,743,092	\$ 320,640,996	\$ 97,571,421	\$ 88,400,240	\$ 422,314,513	\$ 409,041,236

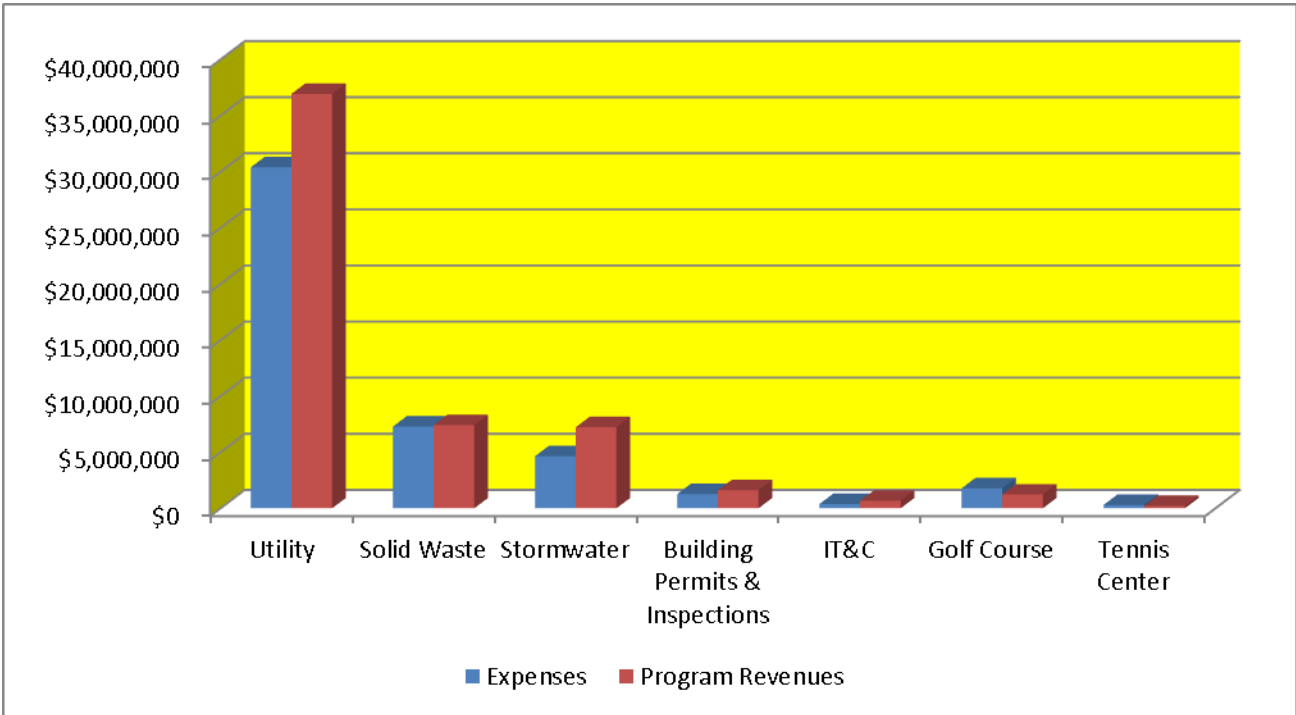
Expenses and Program Revenues – Governmental Activities



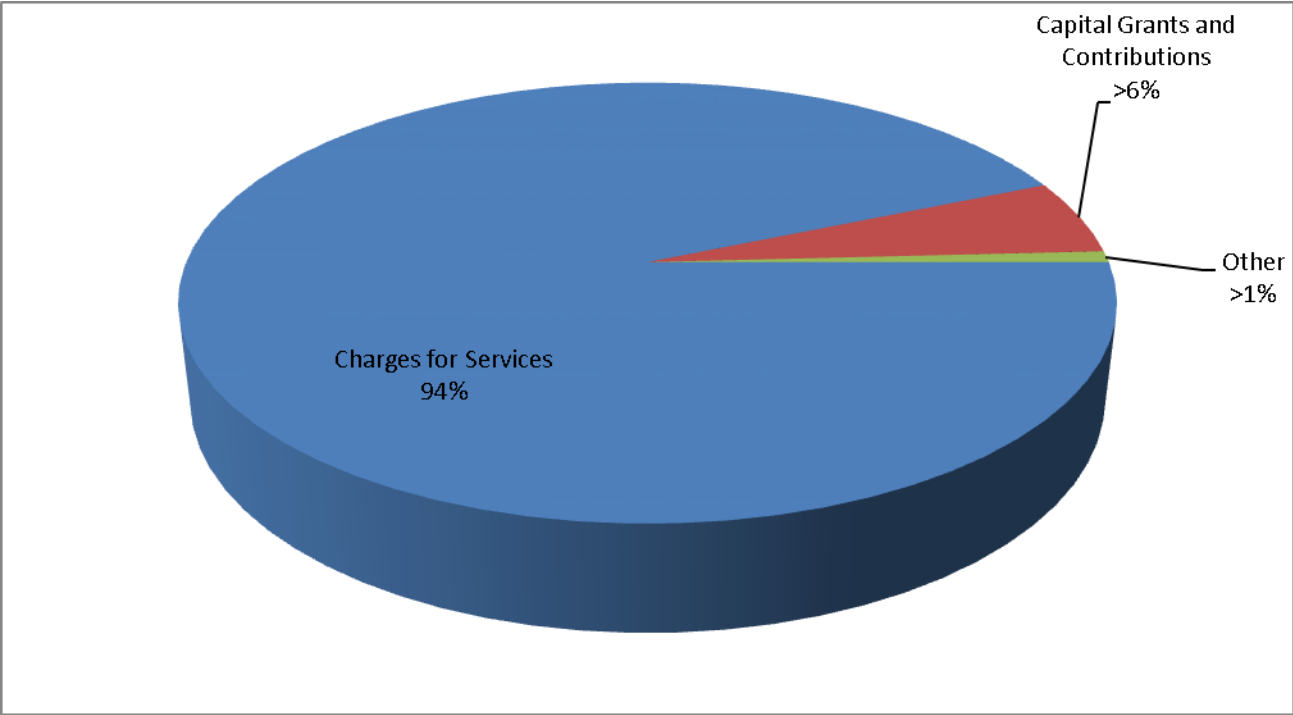
Revenues by Source – Governmental Activities



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 \$9,171,181. The increase in net position was attributable to an approximately \$5.8 million increase in the utility fund, and an approximately \$2.5 million increase in the stormwater fund. The utility fund increase relates to a rate increase during the fiscal year. This was the second installment of a three year increase designed to improve reserves and allocate additional amounts for capital projects. Approximately \$3 million of the increase was due to increased impact fee collections due to development activities. The stormwater fund increase was primarily due to the continuing effect an ordinance revision and of a rate increase during fiscal year 2013 to address the ongoing capital investment program. The net results of the above were the primary drivers of business-type activities unrestricted net position increasing by approximately \$4.8 million, as well as the approximately \$4.6 million increase in charges for services. The increase of over \$5 million in restricted net position was primarily related to the first full year debt service requirements for the 2013 utility revenue bond issue. Expenses related to the bond issue in fiscal year 2013 are also the primary driver for the approximately \$3 million decrease in utility expenses.

Financial Analysis of the Government's Funds

Governmental funds. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance in the general fund was \$5,505,193, with an additional \$2,173,669 committed for a disaster reserve. The total fund balance stood at \$7,920,239. 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 versus 24% for fiscal year 2013. Total fund balance represents approximately 32% of the total general fund expenditures versus 58% for fiscal year 2013.

The fund balance of the City of Palm Coast's general fund decreased by \$6,226,307 during the current fiscal year. Key factors in this decrease are as follows:

The primary driver for the overall decrease in the fund balance is related to the refinancing of the interfund loan with the SR100 CRA of approximately \$5.8 million. Upon repayment of the interfund loan, the same amount was transferred to the capital projects fund for the construction of an administrative building in fiscal year 2015.

The capital projects fund has a total fund balance of \$9,999,610, an increase of \$6,397,164. This increase is primarily due to the transfer of funds noted above from the general fund for the funding of an administrative building to be constructed in fiscal year 2015. The transportation impact fee total fund balance was (\$1,440,993), an increase of \$991,745. 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 \$6,083,536 representing a decrease of \$564,016. This decrease is a budgeted use of the fund balance. The SR100 CRA fund balance was \$557,400, an increase of \$1,382,740. New debt of just over \$5.8 million was issued during the year. This new debt, net of planned project expenditures and incoming transfers related capital projects, are the primary reasons for this increase. The other governmental funds have a total fund balance (\$3,699,570). This was an increase of \$70,258 during the current fiscal year. The increase is primarily due to impact fee collections in advance of capital projects.

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 \$9,123,030 at the end of the year, with the total fund balance at \$65,085,062. The unrestricted net position increased \$3,337,974 for the year. This was primarily due to increased income before capital contributions and transfers from a three stage rate adjustment. The second stage (4%) was effective for fiscal year 2014. The goal of the rate adjustments is to increase reserves and funds available for capital spending.

Unrestricted net position of the solid waste fund was \$1,008,178, which represents an increase of \$130,210. An ongoing revenue maximization program is the primary factor for the change.

Unrestricted net position of the stormwater fund was \$1,430,386, which represents an increase of \$438,432. This increase was due to improved revenue collections from an ordinance revision.

Unrestricted net position in the golf course fund was \$2,739, which represents an increase of \$21,444. This increase is primarily due to transfers from the general fund to support the operations.

Unrestricted net position in the tennis center fund was (\$2,762), which represents an increase of \$908. This increase is primarily due to transfers from the general fund to support the operations.

Unrestricted net position in the building permits and inspections fund was \$2,505,901, which represents an increase of \$326,157. This increase is primarily due to growing development activity and related increased fees for the fiscal year.

Unrestricted net position in the information technology and communications fund (IT&C) was \$608,192, which represents an increase of \$261,176. This increase is primarily due a planned increase in reserves 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.

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. The solid waste fund unrestricted net position exceeds the policy maximum of ten percent. These amounts are being used to hedge against uncollectible accounts. The tennis center fund unrestricted net position is below the minimum fund balance threshold. This fund is being rolled into the general fund for fiscal year 2015.

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

Additional information relating to the fund balance policy can be found in Note 18 on pages 78-80 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 \$6,930,014. The change was due to capital transfers due to the repayment of the SR100 CRA interfund loan. Approximately \$5.8 million was transferred to the capital projects fund for the construction of an administrative building in fiscal year 2015. The balance was transferred for the purchase of land related to a future road expansion project. During the year, final amended expenditures exceeded the revenues budget by \$2,074,170. This was the result of budgeted utilization of accumulated fund balance. Actual expenditures were less than the final amended budget by \$3,260,087. The overall cost reduction program, as well as not needing to use accumulated disaster reserve funds, are the primary reasons for this difference.

Final Budget Compared to Actual Results

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

Capital Asset and Debt Administration

Capital assets. The City of Palm Coast's investment in capital assets as of September 30, 2014, amounts to \$535,981,721 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This investment increased \$12,494,216 for the current fiscal year. The overall increase is due to a major water treatment plant expansion, road expansions, bridge rehabilitation, 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 88,504,573	\$ 86,899,381	\$ 16,143,511	\$ 16,067,448	\$ 104,648,084	\$ 102,966,829
Buildings and improvements						
other than buildings	33,041,671	32,297,136	66,984,044	70,772,090	100,025,715	103,069,226
Infrastructure	169,000,621	167,144,405	130,002,419	128,857,885	299,003,040	296,002,290
Equipment	7,239,904	7,062,922	393,243	453,048	7,633,147	7,515,970
Construction in progress	10,997,195	7,413,492	13,674,540	6,519,698	24,671,735	13,933,190
Total	\$ 308,783,964	\$ 300,817,336	\$ 227,197,757	\$ 222,670,169	\$ 535,981,721	\$ 523,487,505

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on pages **53-54** of this report.

Long-term debt. The City of Palm Coast owes \$140,782,845 in revenue bonds, net of premiums, used for the purchase and expansion of the utility system. There are State Revolving Fund loans and a bank loan totaling \$33,023,756 primarily for utility and stormwater improvements. The City also has

two CRA revenue loans for redevelopment costs with a balance of \$10,289,000 at year end. The remainder of the long-term debt is made up of compensated absences, capital leases, and an unfunded net OPEB liability. The total long-term debt of the City is \$187,845,920.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Loans from other governments	\$ -	\$ -	\$ 25,914,379	\$ 27,577,755	\$ 25,914,379	\$ 27,577,755
Loans from financial institutions	10,289,000	5,055,000	7,109,377	7,842,311	17,398,377	12,897,311
Revenue bonds, net	-	-	140,782,845	142,624,496	140,782,845	142,624,496
Capital leases	-	-	67,794	18,459	67,794	18,459
Net OPEB liability	438,953	353,105	313,841	227,703	752,794	580,808
Compensated absences	1,773,777	1,700,193	1,155,954	1,116,756	2,929,731	2,816,949
Total	\$ 12,501,730	\$ 7,108,298	\$ 175,344,190	\$ 179,407,480	\$ 187,845,920	\$ 186,515,778

Additional information on the City of Palm Coast's long-term debt can be found in Note 10 beginning on pages 57-67 of this report.

Next Year's Budget and Rates

During the current fiscal year, unassigned fund balance in the general fund decreased to \$5,505,193. The available fund balance, as a percentage of prior year expenditures and transfers out is approximately 22%.

The City Council approved a millage rate of 4.2450 mills for fiscal year 2015. Of the total millage, 0.0841 mills will be dedicated to the stormwater fund for capital improvements. The balance of 4.1609 mills is assigned to the general fund. Market values of properties have increased for only the second time in the last seven years due to the recession. The increase in taxable value was approximately 5.48%. New construction added approximately 1% to the taxable value; therefore the City had a net 4.48% increase in taxable property value for the year.

The water and sewer rates increased for fiscal year 2014 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 4% for all customers effective October 1, 2013. An additional increase of 4% will take place in fiscal year 2015. These rate increases are necessary to cover anticipated increases in operating costs and capital replacement needs. As a result of these actions, the City's bond rating increased to A+ from both Fitch and Standard & Poor's.

The City Council adopted a policy of 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 2015. One exception to this policy is 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.

Due to the recent recession, the City significantly reduced the capital infrastructure investment program. The fiscal year 2015 budget includes over \$53 million invested in new and replacement infrastructure City-wide. This investment includes roadway expansions, refurbished recreational facilities, a new administration building, bridge rehabilitation, stormwater control structure replacements, and utility infrastructure expansion and replacements.

Requests for Information

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

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

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

BASIC FINANCIAL STATEMENTS

City of Palm Coast, Florida
Statement of Net Position
September 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and investments	\$ 28,470,994	\$ 14,273,013	\$ 42,744,007
Accounts receivable - net	5,983,605	7,555,826	13,539,431
Due from other governments	5,608,473	-	5,608,473
Prepaid items	204,598	217,759	422,357
Inventories	48,028	323,285	371,313
Restricted assets:			
Equity in pooled cash and investments	-	27,123,655	27,123,655
Due from other governments	-	620,797	620,797
Capital assets not being depreciated			
Land	88,504,573	16,143,511	104,648,084
Construction in progress	10,997,195	13,674,540	24,671,735
Capital assets, net of accumulated depreciation			
Building and improvements other than buildings	33,041,671	66,984,044	100,025,715
Infrastructure	169,000,621	130,002,419	299,003,040
Equipment	7,239,904	393,243	7,633,147
Total assets	349,099,662	277,312,092	626,411,754
LIABILITIES			
Accounts payable and other current liabilities	4,379,108	2,038,855	6,417,963
Due to other governments	288,949	608,911	897,860
Internal balances	6,955,602	(6,955,602)	-
Accrued loan interest payable	-	2,210	2,210
Customer deposits	231,181	3,506,899	3,738,080
Unearned revenue	-	67,549	67,549
Payable from restricted assets:			
Accrued bond interest payable	-	3,064,053	3,064,053
Accrued loan interest payable	-	168,377	168,377
Accounts payable	-	857,532	857,532
Contracts payable	-	289,836	289,836
Noncurrent liabilities:			
Due within one year	615,616	5,988,087	6,603,703
Due in more than one year	11,886,114	169,356,103	181,242,217
Total Liabilities	24,356,570	178,992,810	203,349,380
Deferred Inflows of Resources:			
Deferred Gain on Refunding	-	747,861	747,861
Total deferred inflows of resources	-	747,861	747,861
NET POSITION			
Net investment in capital assets	298,494,964	68,945,922	367,440,886
Restricted for:			
Construction	831,742	1,880,833	2,712,575
Debt service	-	7,952,769	7,952,769
Renewal and replacements	-	1,952,641	1,952,641
Public safety	163,384	-	163,384
Grants	135,098	-	135,098
Unrestricted	25,117,904	16,839,256	41,957,160
Total net position	\$ 324,743,092	\$ 97,571,421	\$ 422,314,513

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Primary Government	Business-type Activities	Total
Primary Government:							
General government	\$ 5,898,666	\$ 838,828	\$ 1,293,208	\$ -	\$ (3,766,630)	\$ -	\$ (3,766,630)
Public safety	11,032,501	946,722	-	93,828	(9,991,951)	-	(9,991,951)
Transportation and physical environment	14,212,159	130,888	2,082,041	5,774,147	(6,225,083)	-	(6,225,083)
Culture and recreation	3,191,985	234,388	21,663	767,206	(2,168,728)	-	(2,168,728)
Interest on long-term debt	676,742	-	-	-	(676,742)	-	(676,742)
Total governmental activities	35,012,053	2,150,826	3,396,912	6,635,181	(22,829,134)	-	(22,829,134)
Business-Type Activities							
Utility	30,399,474	33,943,464	-	2,998,217	-	6,542,207	6,542,207
Solid Waste	7,290,268	7,420,478	-	-	-	130,210	130,210
Stormwater	4,646,249	7,154,416	-	74,346	-	2,582,513	2,582,513
Building Permits & Inspections	1,275,472	1,608,821	-	-	-	333,349	333,349
Information Technology & Communication	379,495	677,563	-	-	-	298,068	298,068
Golf Course	1,778,396	1,226,184	-	-	-	(552,212)	(552,212)
Tennis Center	309,891	210,348	-	-	-	(99,543)	(99,543)
Total Business-Type Activities	46,079,245	52,241,274	-	3,072,563	-	9,234,592	9,234,592
Total Primary Government	\$ 81,091,298	\$ 54,392,100	\$ 3,396,912	\$ 9,707,744	(22,829,134)	9,234,592	(13,594,542)
General revenues:							
Property taxes					15,911,873	275,133	16,187,006
Sales and use taxes					2,392,638	-	2,392,638
Telecommunication services tax					2,522,865	-	2,522,865
Franchise taxes					784,758	-	784,758
Other local taxes					346,157	-	346,157
Intergovernmental Revenue, non-program					4,047,545	-	4,047,545
Unrestricted investment earnings					82,174	182,978	265,152
Miscellaneous					41,105	-	41,105
Gain on sale of capital assets					280,593	-	280,593
Transfers					521,522	(521,522)	-
Total general revenues					26,931,230	(63,411)	26,867,819
Change in Net Position					4,102,096	9,171,181	13,273,277
Net position - beginning of year					320,640,996	88,400,240	409,041,236
Net position - end of year					\$ 324,743,092	\$ 97,571,421	\$ 422,314,513

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

City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Equity in pooled cash and investments	\$ 8,067,400	\$ 9,723,028	\$ 2,585	\$ 2,355,872	\$ 1,638,094	\$ 953,729	\$ 22,740,708
Accounts receivable - net	1,024,094	-	-	165,008	-	-	1,189,102
Special Assessment receivable - net	-	-	-	-	-	4,792,010	4,792,010
Prepaid items	186,156	-	-	-	-	-	186,156
Due from other governments	941,343	581,742	-	3,910,948	-	171,315	5,605,348
Due from other funds	17,000	-	-	-	-	-	17,000
Advances to other funds	-	-	-	1,430,000	-	-	1,430,000
Total assets	\$ 10,235,993	\$ 10,304,770	\$ 2,585	\$ 7,861,828	\$ 1,638,094	\$ 5,917,054	\$ 35,960,324
LIABILITIES							
Accounts payable	\$ 304,323	\$ 305,160	\$ 13,578	\$ 1,619,539	\$ 1,080,694	\$ 15,604	\$ 3,338,898
Accrued liabilities	489,768	-	-	-	-	-	489,768
Due to other governments	288,949	-	-	-	-	-	288,949
Customer deposits	231,181	-	-	-	-	-	231,181
Due to other funds	-	-	-	-	-	17,000	17,000
Advances from other funds	-	-	1,430,000	-	-	4,792,010	6,222,010
Total liabilities	1,314,221	305,160	1,443,578	1,619,539	1,080,694	4,824,614	10,587,806
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - Special assessments	-	-	-	-	-	4,792,010	4,792,010
Unavailable revenue - Taxes	47,222	-	-	-	-	-	47,222
Unavailable revenue - Charges for services	6,963	-	-	-	-	-	6,963
Unavailable revenue - Fines & forfeitures	947,348	-	-	158,753	-	-	1,106,101
Total deferred inflows of resources	1,001,533	-	-	158,753	-	4,792,010	5,952,296
FUND BALANCES							
Nonspendable							
Prepaid items	186,156	-	-	-	-	-	186,156
Restricted for							
Public safety	-	-	-	-	-	163,384	163,384
Construction	-	-	-	-	-	831,742	831,742
Grants	-	-	-	-	-	79,877	79,877
Business Assistance	55,221	-	-	-	-	-	55,221
Committed for							
Disaster Reserve	2,173,669	-	-	-	-	-	2,173,669
Construction	-	9,999,610	-	6,083,536	557,400	-	16,640,546
Unassigned	5,505,193	-	(1,440,993)	-	-	(4,774,573)	(710,373)
Total fund balances (deficits)	7,920,239	9,999,610	(1,440,993)	6,083,536	557,400	(3,699,570)	19,420,222
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,235,993	\$ 10,304,770	\$ 2,585	\$ 7,861,828	\$ 1,638,094	\$ 5,917,054	\$ 35,960,324

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, 2014

Fund balances - total governmental funds	\$ 19,420,222
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.	301,954,077
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds.	5,952,296
Internal services funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal of the internal service funds are included in governmental activities in the statement of net position.	9,885,453
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(12,468,956)
Net position of governmental activities	\$ 324,743,092

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, 2014

	General Fund	Capital Projects Fund	Transportation Impact Fee Fund	Streets Improvement Fund	SR100 CRA Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 18,987,005	\$ 2,392,639	\$ -	\$ 1,655,790	\$ 960,615	\$ -	\$ 23,996,049
Licenses and permits	252,150	-	-	-	-	-	252,150
Intergovernmental revenue	3,430,395	167,843	-	4,730,747	-	1,443,207	9,772,192
Charges for services	2,712,048	-	-	-	-	-	2,712,048
Special assessments	-	-	-	-	-	248,079	248,079
Fines and forfeitures	555,544	-	-	974,117	-	26,795	1,556,456
Impact fees	-	-	1,277,165	-	-	540,053	1,817,218
Contributions	1,663	3,138	-	-	-	-	4,801
Investment earnings	76,685	2,025	3,411	-	-	53	82,174
Miscellaneous	41,105	-	-	-	-	-	41,105
Total revenues	26,056,595	2,565,645	1,280,576	7,360,654	960,615	2,258,187	40,482,272
EXPENDITURES							
Current:							
General government	6,969,937	-	-	-	-	1,008,077	7,978,014
Transportation and physical environment	5,866,502	-	-	658,831	7,959	14,426	6,547,718
Public safety	9,938,688	-	-	-	-	86,419	10,025,107
Culture and recreation	2,209,307	-	-	-	-	-	2,209,307
Capital outlay:							
General Government	-	683,246	-	-	-	-	683,246
Public Safety	58,059	-	-	-	-	-	58,059
Transportation and physical environment	15,608	394,533	-	7,265,839	6,088,644	-	13,764,624
Culture and recreation	-	1,797,466	-	-	-	197,649	1,995,115
Debt service:							
Principal	-	-	-	-	605,000	-	605,000
Interest and Other	-	-	-	-	428,663	248,079	676,742
Total expenditures	25,058,101	2,875,245	-	7,924,670	7,130,266	1,554,650	44,542,932
Excess (deficiency) of revenues over (under) expenditures	998,494	(309,600)	1,280,576	(564,016)	(6,169,651)	703,537	(4,060,660)
OTHER FINANCING SOURCES (USES)							
Transfers in	789,875	6,706,764	-	-	1,713,391	138,831	9,348,861
Transfers out	(8,014,676)	-	(288,831)	-	-	(772,110)	(9,075,617)
Issuance of long term debt	-	-	-	-	5,839,000	-	5,839,000
Total other financing sources (uses)	(7,224,801)	6,706,764	(288,831)	-	7,552,391	(633,279)	6,112,244
Net change in fund balances	(6,226,307)	6,397,164	991,745	(564,016)	1,382,740	70,258	2,051,584
Fund balances (deficits) - beginning	14,146,546	3,602,446	(2,432,738)	6,647,552	(825,340)	(3,769,828)	17,368,638
Fund balances (deficits) - ending	\$ 7,920,239	\$ 9,999,610	\$ (1,440,993)	\$ 6,083,536	\$ 557,400	\$ (3,699,570)	\$ 19,420,222

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

City of Palm Coast, Florida
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds
To the Statement of Activities
September 30, 2014

Net change in fund balances - total governmental funds	\$	2,051,584
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Amounts reported for governmental activities in the statement of activities are different because:

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

Expenditures for capital assets	16,501,044	
Less current year depreciation	(9,865,091)	6,635,953

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

Contributed capital assets		361,950
Change in revenue collections expected after 60 days		(497,395)

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

69,665

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.

(5,234,000)

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

Compensated absences		(64,956)
Annual OPEB Cost		(83,180)

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.

862,475

Change in net position of governmental activities.	\$	4,102,096
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The notes to the financial statements are an integral part of this statement.

City of Palm Coast, Florida
Statement of Net Position
Proprietary Funds
September 30, 2014

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	\$ 9,775,576	\$ 476,454	\$ 3,434	\$ 4,017,549	\$ 14,273,013	\$ 5,730,286
Accounts receivable - net	4,360,244	1,085,626	1,948,438	161,518	7,555,826	2,493
Inventories	302,602	-	-	20,683	323,285	48,028
Prepaid Items	170,909	-	18,902	27,948	217,759	18,442
Due from other funds	-	-	-	135,000	135,000	-
Restricted current assets:						
Cash with fiscal agent	6,869,053	-	-	-	6,869,053	-
Due from other governments	620,797	-	-	-	620,797	3,125
Total current assets	22,099,181	1,562,080	1,970,774	4,362,698	29,994,733	5,802,374
Noncurrent assets:						
Restricted noncurrent assets:						
Debt service	4,051,566	-	264,580	-	4,316,146	-
Impact fees	1,341,272	-	-	-	1,341,272	-
Renewal and replacements	2,209,597	-	-	-	2,209,597	-
Bond proceeds	12,387,587	-	-	-	12,387,587	-
Advances to other funds	4,792,010	-	-	-	4,792,010	-
Land	12,927,925	-	933,105	2,282,481	16,143,511	-
Building and improvements other than buildings	97,892,694	-	-	387,554	98,280,248	1,097,144
Infrastructure	137,764,845	-	35,466,295	8,790,039	182,021,179	-
Equipment	862,827	-	484,655	1,090,160	2,437,642	13,957,138
Less accumulated depreciation	(72,963,140)	-	(9,363,535)	(3,032,688)	(85,359,363)	(8,573,546)
Construction in progress	13,669,275	-	5,265	-	13,674,540	349,151
Total noncurrent assets	214,936,458	-	27,790,365	9,517,546	252,244,369	6,829,887
Total assets	\$ 237,035,639	\$ 1,562,080	\$ 29,761,139	\$ 13,880,244	\$ 282,239,102	\$ 12,632,261

City of Palm Coast, Florida
Statement of Net Position (continued)
Proprietary Funds
September 30, 2014

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	\$ 696,938	\$ 553,902	\$ 148,255	\$ 241,423	\$ 1,640,518	\$ 179,525
Claims payable	-	-	-	-	-	358,912
Due to other governments	-	-	-	608,911	608,911	-
Loans payable	1,368,061	-	339,081	78,231	1,785,373	-
Compensated absences	282,564	-	53,093	62,057	397,714	4,811
Accrued liabilities	257,631	-	62,817	77,889	398,337	12,005
Accrued loan interest payable	-	-	-	2,210	2,210	-
Customer deposits	3,506,899	-	-	-	3,506,899	-
Unearned revenue	-	-	-	67,549	67,549	-
Current liabilities payable from rstrd assets:						
Current maturities of bonds payable	3,805,000	-	-	-	3,805,000	-
Accrued bond interest payable	3,064,053	-	-	-	3,064,053	-
Accrued loan interest payable	155,537	-	12,840	-	168,377	-
Accounts payable	857,532	-	-	-	857,532	-
Contract payable	289,836	-	-	-	289,836	-
Total current liabilities	14,284,051	553,902	616,086	1,138,270	16,592,309	555,253
Noncurrent liabilities:						
Compensated absences	534,874	-	85,125	138,241	758,240	20,813
Net OPEB obligation	207,395	-	56,098	50,348	313,841	7,150
Bonds payable	136,977,845	-	-	-	136,977,845	-
Loans payable	19,198,551	-	11,988,685	118,941	31,306,177	-
Due to other funds	-	-	135,000	-	135,000	-
Total noncurrent liabilities	156,918,665	-	12,264,908	307,530	169,491,103	27,963
Deferred inflows of resources						
Deferred gain on refunding	747,861	-	-	-	747,861	-
Total deferred inflows of resources	747,861	-	-	-	747,861	-
Total liabilities and deferred inflows	171,950,577	553,902	12,880,994	1,445,800	186,831,273	583,216
NET POSITION						
Net investment in capital assets	44,427,529	-	15,198,019	9,320,374	68,945,922	6,829,887
Restricted for construction	1,880,833	-	-	-	1,880,833	-
Restricted for renewal & replacements	1,952,641	-	-	-	1,952,641	-
Restricted for debt service	7,701,029	-	251,740	-	7,952,769	-
Unrestricted	9,123,030	1,008,178	1,430,386	3,114,070	14,675,664	5,219,158
Total net position	\$ 65,085,062	\$ 1,008,178	\$ 16,880,145	\$ 12,434,444	95,407,829	\$ 12,049,045
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					2,163,592	
					<u>\$97,571,421</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, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility Fund	Solid Waste Fund	Stormwater Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	
OPERATING REVENUES						
Charges for services:						
Water sales	\$ 19,155,279	\$ -	\$ -	\$ -	\$ 19,155,279	\$ -
Sewer charges	13,674,708	-	-	-	13,674,708	-
Garbage charges	-	7,420,478	-	-	7,420,478	-
Stormwater charges	-	-	7,154,416	-	7,154,416	-
Tennis program charges	-	-	-	210,348	210,348	-
Golf Course charges	-	-	-	1,226,184	1,226,184	-
Building permit and inspection charges	-	-	-	1,608,821	1,608,821	-
IT&C charges	-	-	-	2,902,673	2,902,673	-
Miscellaneous	1,113,477	-	-	-	1,113,477	-
Risk management	-	-	-	-	-	3,187,488
Fleet management	-	-	-	-	-	4,065,024
Total operating revenues	33,943,464	7,420,478	7,154,416	5,948,026	54,466,384	7,252,512
OPERATING EXPENSES						
Administrative	4,411,613	-	-	-	4,411,613	5,198,809
Water system	4,612,880	-	-	-	4,612,880	-
Sewer system	6,407,072	-	-	-	6,407,072	-
Solid waste system	-	7,290,268	-	-	7,290,268	-
Stormwater system	-	-	2,561,266	-	2,561,266	-
Golf Course	-	-	-	1,519,071	1,519,071	-
Tennis Center	-	-	-	307,586	307,586	-
Building permits and inspections	-	-	-	1,282,664	1,282,664	-
IT&C	-	-	-	2,289,057	2,289,057	-
Depreciation	9,340,156	-	1,921,907	591,219	11,853,282	1,389,966
Total operating expenses	24,771,721	7,290,268	4,483,173	5,989,597	42,534,759	6,588,775
Operating income (loss)	9,171,743	130,210	2,671,243	(41,571)	11,931,625	663,737
NONOPERATING REVENUES (EXPENSES)						
Investment revenue	182,428	-	72	478	182,978	-
Interest/amortization expense	(5,798,173)	-	(299,346)	(2,210)	(6,099,729)	-
Property Taxes	-	-	275,133	-	275,133	-
Other	-	-	-	-	-	280,593
Total nonoperating revenues (expenses)	(5,615,745)	-	(24,141)	(1,732)	(5,641,618)	280,593
Income (loss) before capital contributions and transfers	3,555,998	130,210	2,647,102	(43,303)	6,290,007	944,330
TRANSFERS AND CONTRIBUTIONS						
Capital grants and contributions	2,998,217	-	74,346	-	3,072,563	-
Transfers in	-	-	-	435,000	435,000	248,278
Transfers out	(730,473)	-	(189,049)	(37,000)	(956,522)	-
Total transfers and contributions	2,267,744	-	(114,703)	398,000	2,551,041	248,278
Change in net position	5,823,742	130,210	2,532,399	354,697	8,841,048	1,192,608
Net position - beginning	59,261,320	877,968	14,347,746	12,079,747		10,856,437
Net position - ending	\$ 65,085,062	\$ 1,008,178	\$ 16,880,145	\$ 12,434,444		\$ 12,049,045
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					330,133	
					<u>\$9,171,181</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, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
Cash flows from operating activities	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
Cash received from customers	\$ 33,769,766	\$ 7,512,893	\$ 7,176,097	\$ 5,878,441	\$ 54,337,197	\$ 7,383,265
Cash paid to suppliers	(10,248,850)	(7,286,464)	(2,500,939)	(2,805,467)	(22,841,720)	(4,847,248)
Cash paid to employees	(4,929,456)	-	(274,432)	(2,151,371)	(7,355,259)	(192,389)
Net cash provided by (used in) operating activities	18,591,460	226,429	4,400,726	921,603	24,140,218	2,343,628
Cash flow from noncapital financing activities						
Transfers in from other funds	-	-	-	435,000	435,000	248,278
Transfers out to other funds	(730,473)	-	(189,049)	(37,000)	(956,522)	-
Advances to other funds	-	-	(245,000)	-	(245,000)	-
Advances from other funds	138,831	-	-	245,000	383,831	-
Net cash provided by (used in) noncapital financing activities	(591,642)	-	(434,049)	643,000	(382,691)	248,278
Cash flow from capital and related financing activities						
Proceeds from issuance of long-term debt	-	-	-	105,042	105,042	-
Loan Principal Payments	(2,578,387)	-	(1,018,990)	(99,641)	(3,697,018)	-
Interest paid	(5,343,294)	-	(300,191)	(1,137)	(5,644,622)	-
Acquisition and construction of property, plant and equipment	(12,250,632)	-	(2,892,220)	(341,631)	(15,484,483)	(2,289,026)
Proceeds from the sale of capital assets	-	-	-	-	-	280,593
Property Tax Proceeds	-	-	275,133	-	275,133	-
Impact fees and contributions	2,395,042	-	-	-	2,395,042	-
Net cash provided by (used in) capital and related financing activities	(17,777,271)	-	(3,936,268)	(337,367)	(22,050,906)	(2,008,433)
Cash flow from investing activities						
Interest on investments	182,428	-	72	478	182,978	-
Net cash provided by (used in) investing activities	182,428	-	72	478	182,978	-
Net increase (decrease) in cash and cash equivalents	404,975	226,429	30,481	1,227,714	1,889,599	583,473
Beginning cash and cash equivalents	36,229,676	250,025	237,533	2,789,835	39,507,069	5,146,813
Ending cash and cash equivalents	\$ 36,634,651	\$ 476,454	\$ 268,014	\$ 4,017,549	\$ 41,396,668	\$ 5,730,286

(continued)

City of Palm Coast, Florida
Statement of Cash Flows (continued)
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Utility	Solid Waste	Storm Water	Nonmajor Enterprise	Totals	
Reconciliation of operating income to net cash provided by operating activities						
Operating income (loss)	\$ 9,171,743	\$ 130,210	\$ 2,671,243	\$ (41,571)	\$ 11,931,625	\$ 663,737
Adjustment to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	9,340,156	-	1,921,907	591,219	11,853,282	1,389,966
Change in assets and liabilities:						
Accounts receivable	(269,446)	92,415	21,681	(71,421)	(226,771)	130,753
Inventories	16,552	-	-	3,651	20,203	(21,815)
Prepays	11,767	-	(71)	15,726	27,422	(994)
Accounts payable	116,910	3,804	(247,078)	410,838	284,474	165,901
Accrued liabilities	77,852	-	29,217	7,128	114,197	7,452
Customer deposits	95,748	-	-	840	96,588	-
Compensated absences	30,178	-	3,827	5,193	39,198	8,628
Net cash provided by (used in) operating activities	\$ 18,591,460	\$ 226,429	\$ 4,400,726	\$ 921,603	\$ 24,140,218	\$ 2,343,628
Cash and cash equivalents classified as:						
Equity in pooled cash and investments						
In current assets	\$ 9,775,576	\$ 476,454	\$ 3,434	\$ 4,017,549	\$ 14,273,013	\$ 5,730,286
Restricted equity in pooled cash and investments						
Cash with fiscal agent	6,869,053	-	-	-	6,869,053	-
Debt service	4,051,566	-	264,580	-	4,316,146	-
Impact Fees	1,341,272	-	-	-	1,341,272	-
Renewal and replacements	2,209,597	-	-	-	2,209,597	-
Bond proceeds	12,387,587	-	-	-	12,387,587	-
Total restricted equity in pooled cash and investments	26,859,075	-	264,580	-	27,123,655	-
Total cash and cash equivalents	\$ 36,634,651	\$ 476,454	\$ 268,014	\$ 4,017,549	\$ 41,396,668	\$ 5,730,286
Noncash capital and related financing activities:						
Developer contributions of capital assets	\$485,248	\$ -	\$74,346	\$ -	\$ 559,594	\$ -

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, 2014

	<u>Volunteer Firefighter Pension Fund</u>
ASSETS	
Cash	\$ 418
Pension Investments	
External investment pools	<u>3,810,326</u>
Total assets	<u>3,810,744</u>
LIABILITIES	
Accounts payable	<u>5,305</u>
Total liabilities	<u>5,305</u>
NET POSITION	
Net position held in trust for pension benefits	<u><u>\$ 3,805,439</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, 2014

	<u>Volunteer Firefighter Pension Fund</u>
ADDITIONS	
Contributions:	
State contributions	\$ 381,967
Total contributions	<u>381,967</u>
Investment earnings:	
Interest	<u>277,358</u>
Total investment earnings	<u>277,358</u>
Total additions	<u>659,325</u>
DEDUCTIONS	
Administrative expenses	61,334
Benefit distributions	<u>110,810</u>
Total deductions	<u>172,144</u>
Change in net position	487,181
 Net position - beginning	 <u>3,318,258</u>
Net position - ending	<u><u>\$ 3,805,439</u></u>

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



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NOTES TO FINANCIAL STATEMENTS

September 30, 2014

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Government-Wide Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The pension trust fund 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, sewer, stormwater, and information technology and communications (IT&C) functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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, 2014

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, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Cash, cash equivalents, and investment

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&C funds for 8%, 9%, 15% and 22%, respectively, of the outstanding receivable amounts. Under Florida law, the assessment and collection of all county, municipal, and school district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to 10 mills.

Inventories

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

Prepaid Items

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

Note 1 – Summary of Significant Accounting Policies (Continued)

Restricted Assets

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

Capital Assets

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

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

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

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

Interfund Transactions

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources

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

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

Net position flow assumption

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

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components 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, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Fund balance

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

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

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

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

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

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

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

Program Revenues

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

Property taxes

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

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

Note 1 – Summary of Significant Accounting Policies (Continued)

Property taxes (Continued)

Valuation Date January 1, 2013

Property Appraiser prepares the assessment roll with values as of January 1, 2013, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations. July 1, 2013

City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year. September 2013

Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy Date). November 1, 2013

A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2013 through March 2014, with the following applicable discounts:

<u>Month Paid</u>	<u>Discount (%)</u>	
November	4	
December	3	November 1, 2013
January	2	through
February	1	March 31, 2014
March	0	

All unpaid taxes on real and tangible personal property become delinquent. April 1, 2014

A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised. April and May 2014

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien Date). June 1, 2014

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, 2014

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

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

Proprietary funds operating and nonoperating revenues and expenses

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

Recently Issued and Adopted Accounting Pronouncements

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements (Continued)

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$301,954,077 difference are as follows:

Land	\$ 88,504,573
Construction in progress	10,648,044
Buildings and other improvements	41,027,360
Less: Accumulated depreciation	(8,903,633)
Infrastructure	225,754,755
Less: Accumulated depreciation	(56,754,133)
Equipment	5,962,669
Less: Accumulated depreciation	(4,285,558)
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 301,954,077

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of fleet and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$9,885,453 difference are as follows:

Net position of the internal service funds	\$ 12,049,045
Less: Internal payable representing charges in excess of cost to business-type activities - prior years	(1,833,459)
Less: Internal payable representing charges in excess of cost to business-type activities - current year	(330,133)
<i>Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 9,885,453</u></u>

A final element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.” The details of this \$12,468,956 difference are as follows:

Loans payable	\$ 10,289,000
Net OPEB liability	431,803
Compensated absences	1,748,153
<i>Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities</i>	<u><u>\$ 12,468,956</u></u>

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 \$5,234,000 difference are as follows:

Debt issuance:	
SR100 CRA Revenue Note	\$ 5,839,000
Principal payments:	
SR100 CRA Revenue Note	(605,000)
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u><u>\$ 5,234,000</u></u>

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

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 Transportation Impact Fee and OKR Special Assessment special revenue funds had deficit fund balances of \$1,440,993 and \$4,774,573, respectively. These funds 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 \$13,530,602 and the bank balance was \$14,907,531. 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 \$9,842 in petty cash. In addition, the City has a money market cash balance of \$6,471,585 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, 2014

Note 4 – Deposits and Investments (Continued)

As of September 30, 2014, the City has the following investments:

Investment Type	Fair Value	Percentage of Total	Average Maturities
Florida Prime LGIP	\$ 14,616,318	33.99	39 Days
U.S. Government Agencies	12,478,817	29.03	1-3 Years
U.S. Treasuries	12,956,267	30.13	1-3 Years
Corporate Notes	2,616,964	6.09	1-3 Years
Municipal Bonds	328,056	0.76	1-3 Years
	<u>\$ 42,996,422</u>		

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

Fund A, currently known as the Local Government Surplus Funds Trust Fund (Florida PRIME), is a Securities and Exchange Commission rule 2a7-like external investment pool. The pool invests in short-term, high-quality fixed income securities. To be considered high-quality, the security must be rated highest in the short-term rating category by one or more nationally recognized statistical ratings organizations, or deemed to be of comparable quality by the investment manager. The account balance of this fund is considered to be the fair value of this investment. As of September 30, 2014, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME.

Fund B participants received all of their principal balance as of September 30, 2014, and the State Board of Administration will no longer provide participant-level record keeping. Any remaining proceeds from the sale of Fund B assets, less administrative expenses, will be returned to the affected participants. The timing and actual amount of the distribution has not been determined as of the financial statement date. Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 4 – Deposits and Investments (Continued)

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

Credit Risk. The City's investment policy allows investment in high grade corporate notes and government sponsored agencies with a minimum A rating by Standard and Poor's. Commercial paper is required to have a rating of A-1 by Standard and Poor's. As of September 30, 2014, the City's investments in U.S. Government Agencies were rated AA+, commercial paper rated A-1 and A-1+, and corporate and municipal bonds rated between AA- and AA+ by Standard & Poor's.

Concentrations of Credit Risk. The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2014, the City's largest agency investment is in Fannie Mae (FNMA). These securities represent 18 percent of the City's total investments.

Cash with fiscal agent as of September 30, 2014 totaled \$6,869,053. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

Note 5 – Receivables

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

	Accounts Receivable	Special Assessments Receivable	Allowance for Doubtful Accounts	Totals
General Fund	\$ 1,024,094	\$ -	\$ -	\$ 1,024,094
Streets Improvement Fund	165,008	-	-	165,008
Nonmajor Governmental Funds	-	4,792,010	-	4,792,010
Utility Fund	4,745,168	-	(384,924)	4,360,244
Solid Waste Fund	1,190,247	-	(104,621)	1,085,626
Stormwater Fund	2,298,223	-	(349,785)	1,948,438
Nonmajor Enterprise Funds	203,275	-	(41,757)	161,518
Fleet Management Fund	2,493	-	-	2,493
Totals	<u>\$ 9,628,508</u>	<u>\$ 4,792,010</u>	<u>\$ (881,087)</u>	<u>\$ 13,539,431</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, 2014 represents the balance remaining on the financing of the expansion and realignment of Old Kings Road.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance 9/30/2013	Increases	Decreases	Balance 9/30/2014
A. Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 86,899,382	\$ 1,605,191	\$ -	\$ 88,504,573
Construction in progress	7,413,492	15,602,952	(12,019,249)	10,997,195
Total capital assets, not being depreciated	94,312,874	17,208,143	(12,019,249)	99,501,768
Capital assets, being depreciated:				
Buildings and improvements other than buildings	39,917,552	2,206,952	-	42,124,504
Infrastructure	215,942,455	9,812,297	-	225,754,752
Equipment	20,122,842	2,010,814	(2,213,848)	19,919,808
Total capital assets, being depreciated	275,982,849	14,030,063	(2,213,848)	287,799,064
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(7,620,416)	(1,462,417)	-	(9,082,833)
Infrastructure	(48,798,053)	(7,956,078)	-	(56,754,131)
Equipment	(13,059,918)	(1,836,562)	2,216,576	(12,679,904)
Total accumulated depreciation	(69,478,387)	(11,255,057)	2,216,576	(78,516,868)
Total capital assets, being depreciated, net	206,504,462	2,775,006	2,728	209,282,196
Governmental activities capital assets, net	\$ 300,817,336	\$ 19,983,149	\$ (12,016,521)	\$ 308,783,964

	Balance 9/30/2013	Increases	Decreases	Balance 9/30/2014
B. Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 16,067,449	\$ 76,062	\$ -	\$ 16,143,511
Construction in progress	6,519,698	15,401,020	(8,246,178)	13,674,540
Total capital assets, not being depreciated	22,587,147	15,477,082	(8,246,178)	29,818,051
Capital assets, being depreciated:				
Buildings and improvements other than buildings	98,051,153	229,095	-	98,280,248
Infrastructure	173,336,262	8,684,917	-	182,021,179
Equipment	2,587,863	236,532	(386,753)	2,437,642
Total capital assets, being depreciated	273,975,278	9,150,544	(386,753)	282,739,069
Less accumulated depreciation for:				
Buildings and improvements other than buildings	(27,279,062)	(4,017,142)	-	(31,296,204)
Infrastructure	(44,478,376)	(7,540,384)	-	(52,018,760)
Equipment	(2,134,814)	(295,756)	386,171	(2,044,399)
Total accumulated depreciation	(73,892,252)	(11,853,282)	386,171	(85,359,363)
Total capital assets, being depreciated, net	200,083,026	(2,702,738)	(582)	197,379,706
Business-type activities capital assets, net	\$ 222,670,173	\$ 12,774,344	\$ (8,246,760)	\$ 227,197,757

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 6 – Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 225,332
Public safety	313,008
Transportation and physical environment	8,354,146
Culture and recreation	972,605
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,389,966</u>
Total depreciation expense - governmental activities	<u><u>\$ 11,255,057</u></u>
Business activities:	
Utility	\$ 9,340,156
Stormwater	1,921,907
Information Technology and Communication (IT&C)	318,770
Golf Course	270,144
Tennis Center	<u>2,305</u>
Total depreciation expense - business activities	<u><u>\$ 11,853,282</u></u>

Note 7 - Accrued liabilities

Accrued liabilities totaling \$489,768 reported by the general fund as of September 30, 2014 represent accrued salaries and related employee benefits.

Note 8 – Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2014, is as follows:

Due from/to other funds:			
Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Nonmajor Governmental Fund	Supplement operating cash flow	\$ 17,000
Nonmajor Proprietary Fund	Stormwater Fund	Supplement operating cash flow	135,000
		Total	<u><u>\$ 152,000</u></u>

The outstanding balance between the Nonmajor Proprietary Fund and the Stormwater Fund is a working capital loan from the Building Permits and Fund. The outstanding balance between the Nonmajor Governmental Fund and the General Fund is a working capital loan for the CDBG Fund due to pending grant funding. These balances are expected to be collected in the subsequent year.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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	\$ 4,792,010
Streets Improvement Fund	Transportation Impact Fee Fund	Expansion and realignment of road	1,430,000
			6,222,010

The Streets improvement Fund loan is to fund a major road expansion. The Utility Fund loan is a working capital loan made to the OKR Special Assessment Fund upon its creation. None of these balances are scheduled to be collected in the subsequent year.

Interfund transfers

Transfer out:	Transfer In:						Total
	General Fund	Capital Projects Fund	SR 100 CRA Fund	Fleet Fund	Nonmajor Governmental	Nonmajor Proprietary	
General Fund	\$ -	\$ 5,792,529	\$ 1,713,391	\$ 73,756	\$ -	\$ 435,000	\$ 8,014,676
Utility Fund	662,000	-	-	68,473	-	-	730,473
Transportation Impact Fee Fund	-	150,000	-	-	138,831	-	288,831
Stormwater Fund	83,000	-	-	106,049	-	-	189,049
Nonmajor Governmental	7,875	764,235	-	-	-	-	772,110
Nonmajor Proprietary	37,000	-	-	-	-	-	37,000
Total transfers out	\$ 789,875	\$ 6,706,764	\$ 1,713,391	\$ 248,278	\$ 138,831	\$ 435,000	\$ 10,032,139

Transfers from the General Fund are generally made to establish reserves for future capital expenditures, possible emergency related expenditures, and to move unrestricted general fund revenues to finance various programs that are accounted for in other funds in accordance with budgetary authorizations. The transfer to the Capital Project Fund from the Transportation Impact Fee Fund is to fund capital expenditures related to a developer contribution. Transfers to the CRA Fund represent base property tax collections within the redevelopment area and to fund capital expenditures. 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.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 9 – Leases and Agreements

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2014, the total cost was \$2,599,691 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, 2014, \$1.6 million has been expended per this agreement.

Lease of City Owned Facilities:

The City leases various facilities to telecommunications companies, who provide wireless phone and Internet access to the public. The leases are for a five year period, with renewal options for an additional five years. Annual lease payments increase by the U.S. Consumer Price Index or 3 to 4%, whichever is greater. For fiscal year 2014, the total amount of lease payments received was \$273,907.

Operating Leases:

City Administrative Offices

The City executed a noncancelable operating lease for new administrative office space on November 1, 2011 for a three year term. The monthly lease amount was \$17,000 to October 31, 2012, then \$19,000 monthly until October 31, 2013, with the final year at \$20,000 per month. An amendment to the lease was executed during fiscal year 2014 extending the term through October 31, 2015 at a monthly rate of \$22,000. The total cost for year ended September 30, 2014 was \$239,000. The future minimum lease payments are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2015	\$ 262,000
2016	22,000
	<u>\$ 284,000</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt

A. Governmental Activities

SR100 CRA Redevelopment Refunding Revenue Note, Series 2012

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

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

Year Ending September 30,	Principal	Interest
2015	\$ -	\$ 115,760
2016	420,000	106,348
2017	429,000	96,730
2018	438,000	86,906
2019	447,000	76,875
2020-2024	2,397,000	225,792
2025-2029	513,000	11,748
	\$ 4,644,000	\$ 720,159

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
2015	\$ -	\$ 250,638
2016	203,000	241,625
2017	212,000	232,212
2018	222,000	222,355
2019	233,000	212,010
2020-2024	1,327,000	888,577
2025-2029	3,448,000	356,754
	5,645,000	2,404,171

The 2015 principal payment was made on both loans during the year ended September 30, 2014, leaving a principal balance of \$4,644,000 and \$5,645,000 payable respectively at the end of the fiscal year.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

Note 10 – Long-Term Debt (Continued)

B. Business Activities

Utility System Long-term Debt

Utility System Revenue Bonds, Series 2007

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

Disposition of Revenue in order of Priority

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.

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

During the fiscal year ended September 30, 2010, MBIA Insurance Corporation (MBIA), the City's bond insurer, was downgraded by the three major credit rating agencies. Municipal bond insurance unconditionally and irrevocably guarantees that the full and complete payment will be made by or on behalf of the City to the Paying Agent or its successor in the event of default. Due to the downgrade of MBIA, the bond covenants required the City to establish a debt service reserve fund. However, this has not had a financial impact on any of the City's outstanding obligations. During the fiscal year ended September 30, 2014, Standard & Poor's and Fitch have provided an A+ rating on this bond issue.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

Utility System Revenue Bonds, Series 2007 (Continued)

Early Optional Redemption

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

Debt Service

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

Year Ending September 30,	Principal	Interest
2015	\$ 1,175,000	\$ 1,908,906
2016	1,220,000	1,864,681
2017	1,265,000	1,814,081
2018	1,315,000	1,748,331
2019	1,380,000	1,693,131
2020-2024	7,795,000	7,506,606
2025-2029	9,750,000	5,466,981
2030-2034	12,080,000	3,019,656
2035-2039	8,615,000	387,627
	\$ 44,595,000	\$ 25,410,000

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.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

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

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.

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, 2014, 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.

Debt Service

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

Year Ending September 30,	Principal	Interest
2015	\$ 2,630,000	\$ 4,067,000
2016	2,735,000	3,930,250
2017	2,870,000	3,786,750
2018	3,010,000	3,636,250
2019	3,160,000	3,478,250
2020-2024	18,355,000	14,728,250
2025-2029	23,425,000	9,403,000
2030-2034	29,355,000	3,428,250
2035-2039	3,945,000	177,406
	\$ 89,485,000	\$ 46,635,406

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans

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

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

Year Ending September 30,	Principal	Interest
2015	\$ 130,885	\$ 46,288
2016	134,456	42,716
2017	138,124	39,048
2018	141,893	35,280
2019	145,764	31,408
2020-2024	790,690	95,171
2025-2029	258,716	7,043
	\$ 1,740,528	\$ 296,954

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 September 30,	Principal	Interest
2015	\$ 626,535	\$ 222,173
2016	642,931	205,777
2017	659,756	188,952
2018	677,021	171,687
2019	694,738	153,970
2020-2024	3,756,104	487,438
2025-2029	1,643,653	53,764
	\$ 8,700,738	\$ 1,483,761

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

State Revolving Fund Loans (Continued)

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

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

Year Ending <u>September 30,</u>	Principal	Interest
2015	\$ 347,113	\$ 144,003
2016	355,985	135,131
2017	365,085	126,031
2018	374,417	116,699
2019	383,987	107,129
2020-2024	2,072,280	383,300
2025-2029	1,856,787	107,677
	\$ 5,755,654	\$ 1,119,970

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
2015	\$ 263,528	\$ 109,327
2016	270,264	102,591
2017	277,172	95,683
2018	284,257	88,598
2019	291,523	81,332
2020-2024	1,573,275	291,001
2025-2029	1,409,673	81,749
	\$ 4,369,692	\$ 850,281

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

Stormwater System Long-Term Debt

State Revolving Fund Loans

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

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

Year Ending September 30,	Principal	Interest
2015	\$ 225,517	\$ 77,653
2016	231,268	71,902
2017	237,166	66,004
2018	243,215	59,955
2019	249,418	53,752
2020-2024	1,345,816	170,033
2025-2029	587,607	18,733
	<u>\$ 3,120,007</u>	<u>\$ 518,032</u>

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

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

Year Ending September 30,	Principal	Interest
2015	\$ 113,565	\$ 69,067
2016	117,159	65,473
2017	120,866	61,766
2018	124,691	57,941
2019	128,637	53,995
2020-2024	706,889	206,270
2025-2029	826,049	87,110
2030-2034	89,904	1,412
	<u>\$ 2,227,760</u>	<u>\$ 603,034</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

Bank Loan

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

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

Year Ending <u>September 30,</u>	Principal	Interest
2015	\$ -	\$ 164,030
2016	706,000	147,439
2017	722,000	130,472
2018	739,000	113,106
2019	756,000	95,340
2020-2024	4,057,000	195,143
	<hr/> \$ 6,980,000 <hr/>	<hr/> \$ 845,530 <hr/>

The 2015 principal payment of \$689,000 was made during the year ended September 30, 2014, leaving a principal balance of \$6,980,000 payable at the end of the fiscal year.

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CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

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

Capital Leases

During year ended September 30, 2014, the City executed an agreement with Dell Financial Services to lease computer equipment for use on the city-wide network. The non-cancelable capital lease principal of \$105,042 is payable annually in the amount of \$37,248 including interest at a rate of 6.52% through April 1, 2016.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 32,827	\$ 4,420
2016	34,967	2,280
	<u>\$ 67,794</u>	<u>\$ 6,700</u>

Loans

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

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

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 15,690	\$ -
2016	16,318	-
2017	16,970	-
2018	17,649	-
2019	15,898	
	<u>\$ 82,525</u>	<u>\$ -</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

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

During the year ended September 30, 2011, the City executed an agreement with Verizon Wireless to purchase a wireless communications tower built at the City Tennis Center. Verizon Wireless would construct the tower and lease space on the tower for its operations (see Note 8). The City agreed to apply the tower lease payments towards repayment of the cost of the tower in the amount of \$157,300 with principal only payable annually according to the schedule below.

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

Year Ending <u>September 30,</u>	Principal	Interest
2015	\$ 29,713	\$ -
2016	17,139	
	<u>\$ 46,852</u>	<u>\$ -</u>

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CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 10 – Long-Term Debt (Continued)

Changes in long-term debt

During the year ended September 30, 2014, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
SR100 CRA Loans	\$ 5,055,000	5,839,000	\$ (605,000)	\$ 10,289,000	\$ -
Net OPEB Liability	353,105	85,848	-	438,953	-
Compensated Absences	1,700,193	920,360	(846,776)	1,773,777	615,616
Long-term debt	<u>\$ 7,108,298</u>	<u>\$ 6,845,208</u>	<u>\$ (1,451,776)</u>	<u>\$ 12,501,730</u>	<u>\$ 615,616</u>
Business Type Activities:					
Utility Revenue Bonds	\$ 135,325,000	\$ -	\$ (1,245,000)	\$ 134,080,000	\$ 3,805,000
Premiums	7,299,496	-	(596,651)	6,702,845	-
Total Revenue Bonds	142,624,496	-	(1,841,651)	140,782,845	3,805,000
State Revolving Fund Loans	27,577,755	-	(1,663,376)	25,914,379	1,707,143
Bank and Other Loans	7,842,311	-	(732,934)	7,109,377	45,403
Net OPEB Liability	227,703	86,138	-	313,841	-
Capital Leases	18,459	105,042	(55,707)	67,794	32,827
Compensated Absences	1,116,755	686,040	(646,841)	1,155,954	397,714
Long-term debt	<u>\$ 179,407,479</u>	<u>\$ 877,220</u>	<u>\$ (4,940,509)</u>	<u>\$ 175,344,190</u>	<u>\$ 5,988,087</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$25,624 of internal service fund compensated absences and \$7,150 of net OPEB liability are included in the above amounts. For governmental activities, compensated absences and net postemployment benefit obligations (OPEB) are generally liquidated by the general fund.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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, 2014, 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, 2014, contributions to this plan totaled \$1,761,394.

Deferred Compensation Program

The City offers its employees a voluntary deferred compensation program created in accordance with Internal Revenue Code (IRC) section 457 and Chapter 112.215 Florida Statutes. During the year ended September 30, 2014, the City complied with the requirements of IRC Section 457 and all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. No amounts from this plan are included in the financial statements.

Volunteer Firefighters' Pension Plan

Method Used to Value Investments

Investments are reported at fair value (generally based on quoted market prices). Plan assets are invested in the Florida Local Government Surplus Funds Trust Fund Investment Pool (Florida Prime) administered by the Florida State Board of Administration (SBA) and the Florida Municipal Pension Trust Fund (FMTPF) administered by the Florida League of Cities. Both of these funds are external investment pools and are reported at fair value.

The total invested with the Florida Local Government Surplus Funds Trust Fund Investment Pool (Florida Prime) and the Florida Municipal Pension Trust Fund (FMTPF) as of September 30, 2014 was \$13,596 and \$3,796,730 respectively. See Note 4 for further disclosures relating to Florida Prime. The City'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.

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Method Used to Value Investments (Continued)

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

Fixed Income Fund	Effective Duration (Years)	Weighted Average Maturity (Years)
FMLvT Broad Market High Quality Bond	4.77	6.47

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

Plan Description and Administration

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

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

Plan Membership

Inactive plan members and beneficiaries currently receiving benefits	20
Inactive plan members entitled to but not receiving benefits	1
Active plan members	45
	<u>66</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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. Volunteers do not contribute to the plan. In order to qualify for retirement benefits, a volunteer must earn five years of credited service. The plan was established on July 2, 2002. Members with up to five years of consecutive service prior to July 2, 2002 are eligible for up to five years of credit providing such members satisfy pension requirements in at least one of the two years following July 2, 2002. The minimum age for receiving benefits is 52 with twenty-five years of service, or 55 and after ten years of service, or for volunteers 62 and over, five years of service. Early retirement may be arranged with the consent of the Board for a member who has attained age 50 with ten years of continuous service. The retirement benefit will be actuarially reduced by three percent for each year by which the member's age at retirement preceded the member's normal retirement age. Each member will become one hundred percent vested at normal retirement age, subject only to the actuarial reduction for early retirement at age 50. All plan members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits from date of hire. Disability benefits are determined in the same manner as retirement benefits. Death benefits are paid to the Beneficiary for ten years, beginning at the vested member's normal retirement date (unreduced) or early retirement date (reduced). There are no annual cost-of-living adjustments.

Contributions

Members do not contribute to the plan. The benefits are provided through a State contribution and a City contribution when State contributions are insufficient to pay 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, 2014 was \$381,967. There were no required City contributions.

Investment Policy

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

Asset Class	Target Allocation
Domestic Equity	50%
Fixed Income	40%
International Equity	10%
	<u>100%</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Concentrations

The plan assets are primarily invested in the Florida Municipal Pension Trust Fund (FMTPF) administered by the Florida League of Cities. The FMTPF is a Securities and Exchange Commission 2a7-like external investment pool. The plan's investments in this pool are beneficial interests in shares of portfolios, not the individual securities held within each portfolio.

Rate of Return

For the year ended September 30, 2013, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Reserves

Prior to the adoption of Ordinance 2005-08, which was adopted on February 15, 2005, the Plan was considered a Chapter 175 plan and therefore the City was able to use all State contributions to offset plan costs. Beginning with the fiscal year ending September 30, 2006, excess State contributions received over the initial "frozen" amount of \$112,408, must be used for additional benefits. The \$112,408 represents the annual cost of the initial benefit improvement when converting to a "local law" plan, as per the traditional interpretation of Chapter 99-1 of the Florida Statutes. As of September 30, 2013, the balance in the reserves was \$1,268,077.21.

Net Pension Liability (Asset) of the City

The components of the net pension liability (asset) of the City as of September 30, 2013 as are as follows:

Total pension liability	\$ 2,562,024
Plan fiduciary net position	(3,330,062)
City's net pension liability (asset)	<u>\$ (768,038)</u>
Plan fiduciary net position as a percentage of the total pension liability	129.98%

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of Oct 1, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increase	n/a, unpaid volunteers
Investment Rate of Return	7.65 percent, compounded annually, net of investment-related expenses

Mortality rates were based on the RP-2000 table with no projection – based on a study of over 650 public safety funds; this table reflects a 10% margin for future mortality improvements. Disabled lives are set forward five years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period October 1, 2012 – September 30, 2013.

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 is four year smooth. 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, 2014 (see discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.2%
Fixed Income	5.4%
International Equity	2.3%

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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.

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's net pension liability (asset)	\$ (642,485)	\$ (768,038)	\$ (873,089)

Funded Status and Funding Progress

As of October 1, 2013, the most recent actuarial valuation update, the plan was 121 percent funded. The actuarial accrued liability for benefits was \$2,565,972 and the actuarial value of assets was \$3,097,640 resulting in an unfunded actuarial accrued liability (UAAL) of (\$531,668).

**CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014**

Note 11 – Retirement Plans (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Funded Status and Funding Progress (Continued)

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.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2014	\$109,106	100%	\$0
9/30/2013	120,718	100%	0
9/30/2012	133,967	100%	0

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, 2013, the Plan had approximately 334 active participants and 2 retiree receiving benefits. The plan does not issue a separate publicly available financial report.

Transition Year

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

Funding Policy

The City has followed the pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses plus any addition to the reserve for accrued costs incurred but not yet reported, as determined as part of the insurance contract. The contribution requirements of Plan members are established annually by the City. The City pays any remaining required amounts after contributions of plan members are taken into account. Currently,

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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

Funding Policy (Continued)

retired members pay the full premium associated with the coverage elected; no direct City subsidy is applicable; however there is an implicit cost outlined below. Spouses and other dependents are also eligible for coverage, and the member is responsible for payment of the applicable premiums.

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

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the Entry Age Normal actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liability (or funding excess) over a closed period of 30 years using the level percentage of payroll method. Annual requirements include a 4% discount rate, compounded annually, and based on assumptions that the plan will be unfunded. The annual health care cost trend rate was assumed to decline gradually over the next several years from 7.5% in 2014, to the ultimate rate of 4.5% in 2017. The economic rates are based on an assumed inflation rate of 2.5% per annum.

The actuarial accrued liability (AAL) was determined as of September 30, 2014, based on the above assumptions and cost method, and applied to member data current at October 1, 2012, and updated October 1, 2013. Liabilities were developed based on age adjusted costs for retirees currently receiving plan benefits as of October 1, 2012, with an AAL calculated to be \$1,186,211, which is unfunded (or 0% funded). The annual covered payroll is \$23.3 million, resulting in an unfunded AAL of 4.4%. The actuarial calculations reflect a long-term perspective using methods and assumptions that are designed to reduce short-term volatility in AAL and actuarial value of assets. The Plan provisions affecting the valuation were those in effect on October 1, 2012.

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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

Plan Obligation:	
Annual Required Contribution (ARC)	\$ 208,138
Interest on Plan Obligation	23,232
Adjustment to ARC	<u>(24,661)</u>
Annual Plan OPEB Cost	206,709
Contributions Made	<u>(34,723)</u>
Change in OPEB Obligation	171,986
Net OPEB Obligation Beginning of year	<u>580,808</u>
Net OPEB Obligation End of year	<u><u>\$ 752,794</u></u>

As of September 30, 2014, the City accrued \$752,794 in the Government-Wide Statement of Net Position, with \$313,841 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 2014 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)
2014	\$ 206,709	\$ 34,723	16.80%	\$ 752,794
2013	193,811	32,003	16.50%	580,808
2012	144,000	31,000	21.40%	419,000

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

Note 13 – Prepaid Water and Sewer Impact Fees

The original developers of the City of Palm Coast collected impact fees to establish utility infrastructure. These amounts are considered a prepayment of current impact fees and are subtracted from the total impact fees due when a building lot is developed. As of September 30, 2014, the amount of prepaid impact fees is estimated to be \$21,007,174.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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, 2014. No litigation where loss to the City is reasonably possible and estimable exists as of September 30, 2014. 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 \$125,000 for specific claims have been set. Commercial insurance for specific loss claims in excess of the coverage provided by the fund is supplied by Blue Cross Blue Shield of Florida Insurance at a monthly rate of \$85.12 per participating employee. The City has contracted with various agencies to perform certain administrative functions, such as monitoring, reviewing, and paying claims. Settled claims have not exceeded the excess insurance limits.

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

A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As a result, a liability of \$358,912 is reported in the fund at September 30, 2014.

Changes in the fund's claims liability amount for fiscal years 2013 and 2014 were:

<u>Changes in Claims Liability</u>	<u>2013</u>	<u>2014</u>
Beginning fiscal year liability	\$ 195,050	\$ 243,766
Current year claims and changes in estimates	2,424,368	2,244,023
Claim payments	(2,375,652)	(2,128,877)
Balance at fiscal year end	<u>\$ 243,766</u>	<u>\$ 358,912</u>

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

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.

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, 2014, the fund received \$960,615 in property tax revenue, a \$1,713,391 transfer from the general fund, and \$5,839,000 in debt proceeds. The transfer included amounts for a land purchase of approximately \$1.2 million. The debt proceeds were used to retire and interfund loan from the general fund that was advanced for redevelopment activities. Expenditures for the fiscal year were \$6,088,644 in road construction costs, \$7,959 in administrative costs and \$1,033,663 for debt service.

Note 17 – 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 update during fiscal year 2014. 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

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 17 – Fund Balance Policy (Continued)

General Fund (Continued)

fund balance be used to offset a structural deficit since these types of deficiencies are considered to be permanent.

Utility Fund

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

Stormwater Management Fund

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

Solid Waste Fund

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

Tennis Center Fund and Golf Course Fund

The Tennis Center Fund and the Golf Course Fund unrestricted net position, at year end will be no lower than zero. The General Fund will transfer sufficient amounts to ensure the unrestricted net position is not negative. Any positive unrestricted net position will be designated for future capital projects, including renewal and replacements. During the fiscal year 2015 budget process, City Council determined that the golf course and tennis center operations will be consolidated with the recreation budget in the General Fund. Starting in fiscal year 2015, these functions will no longer be enterprise funds.

CITY OF PALM COAST, FLORIDA
NOTES TO FINANCIAL STATEMENTS – CONTINUED
SEPTEMBER 30, 2014

Note 17 – Fund Balance Policy (Continued)

Disaster Reserve

The Disaster Reserve is committed fund balance within the General Fund. This balance at year end will be at least two one hundredths percent (0.02%) of the just value of all property in the City on July 1 of that year. If this balance is below the minimum amount at year end, an additional amount should be committed from the General Fund unassigned fund balance in an amount sufficient to increase the Disaster Reserve above the minimum amount, within two years. The Disaster Reserve can be used to address 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 50% of the difference between the expected plan costs and the maximum plan costs as determined annually by an actuarial calculation. Amounts in excess of this floor can be used to hedge against future cost increases. If the unrestricted net position is below this floor, a plan must be developed using increased premiums and/or a reductions in benefits to return unrestricted net position to the minimum level within three years.

Fleet Fund

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

Other Funds

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

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM COAST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
VOLUNTEER FIREFIGHTERS PENSION PLAN
SEPTEMBER 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2013	\$ 3,097,640	\$ 2,565,972	\$ (531,668)	120.72%	\$ -	N/A
10/1/2012	2,623,239	2,171,326	(451,913)	120.81%	-	N/A
10/1/2011	2,196,474	1,841,699	(354,775)	119.26%	-	N/A
10/1/2010	1,859,732	1,665,793	(193,939)	111.64%	-	N/A
10/1/2009	1,503,874	1,352,993	(150,882)	111.15%	-	N/A
10/1/2008	968,776	848,589	(120,187)	114.16%	-	N/A
10/1/2007	558,348	530,700	(27,648)	105.21%	-	N/A

Schedule of Employer and Other Contributing Entities

Year Ended September 30,	Annual Required Contributions	City Contribution	State Contribution	Percentage Contributed
2014	\$ 130,671	\$ -	\$ 144,308	111
2013	120,718	-	144,308	120
2012	133,967	-	144,308	108
2011	89,877	-	144,308	161
2010	98,481	-	144,308	147
2009	108,698	-	144,308	133
2008	82,833	-	112,408	136

* The 2008-2013 State contribution is "frozen" pursuant to Chapter 175, Florida Statutes, as amended. Prior to the adoption of Ordinance 2005-08, which was adopted February 15, 2005, the Plan was considered a "Chapter" plan, and therefore the City was able to use all State contributions to offset their costs. Beginning with the fiscal year ended September 30, 2006, excess State contributions over the initial "frozen" amount must be used for additional benefits. The "frozen" amount represents the annual cost of the initial benefit improvement when changing to a "local law" plan. As of September 30, 2013 \$1,268,077 of accumulated state contributions were reserved for future benefit improvements.

City of Palm Coast, Florida
Required Supplementary Information
Schedule of Changes in the City's Net Pension Liability (Asset)
Volunteer Fire Fighter's Pension Plan
For the fiscal year ended September 30, 2014

	<u>2013</u>
Total pension liability	
Service Cost	\$ 105,631
Interest	95,623
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, including Refunds of Employee Contributions	<u>(103,288)</u>
Net Change in Total Pension Liability	97,966
Total Pension Liability - beginning	2,464,058
Total Pension Liability - ending (a)	<u><u>\$ 2,562,024</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ -
Contributions - State	364,571
Contributions - Employee	-
Net Investment Income	324,553
Benefit Payments, including Refunds of Employee Contributions	(103,288)
Administrative Expenses	(25,630)
Other	-
Net Change in Fiduciary Net Position	<u>560,206</u>
Plan Fiduciary Net Position - beginning	2,769,856
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 3,330,062</u></u>
Net Pension Liability (Asset) - Ending (a) - (b)	<u><u>\$ (768,038)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	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.

City of Palm Coast, Florida
Required Supplementary Information
Schedule of City Contributions
Volunteer Fire Fighter's Pension Plan
For the fiscal year ended September 30, 2014

	<u>2013</u>
Actuarially Determined Contribution	\$ 120,718
Contributions in Relation to the Actuarially Determined Contribution	<u>120,718</u>
Contribution Deficiency (Excess)	<u>\$ -</u>

Notes to Schedule:

Plan participants are volunteers, and there is no related payroll.
Information relating to this schedule is not available for prior years.

Valuation Date: 10/01/2011

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

Amortization Method: Level Dollar

Remaining Amortization Period: 30 years

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%

Salary Increases: 4.5% average, including inflation

Investment Rate of Return: 8.00% per year, compounded annually, net of
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
to retire with an immediate subsidized benefit at the rate of
5.00% per year

Mortality Rates: RP-2000 Combined Healthy, set forward 5 years for disabled
lives.

**City of Palm Coast, Florida
Required Supplementary Information
Schedule of Investment Returns
Volunteer Fire Fighter's Pension Plan
For the fiscal year ended September 30, 2014**

2013

Annual money-weighted rate of return, net of
investment expense

11.24%

Notes to Schedule:

Information relating to this schedule is not available for prior years.

**CITY OF PALM COAST, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
POST EMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)
SEPTEMBER 30, 2014**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2012	\$ -	\$ 1,027,559	\$ 1,027,559	0%	\$ 23,289,627	4.40%
3/1/2011	-	724,000	724,000	0%	14,792,000	4.90%
3/1/2008	-	319,000	319,000	0%	14,671,000	2.20%

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

Schedule of Employer Contributions

Year Ended September 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed	Contribution as a Percentage of Payroll
2014	\$ 208,138	\$ 34,723	16.68	0.1%
2013	194,157	32,003	16.48	0.1%
2012	145,000	31,000	21.38	0.1%
2011	137,000	25,000	18.25	0.1%
2010	105,000	9,000	8.57	0.1%
2009	98,000	-	-	0.0%

City of Palm Coast, Florida
Required Supplementary Information
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 19,105,100	\$ 19,017,500	\$ 18,987,005	\$ (30,495)
Licenses and permits	161,500	215,500	252,150	36,650
Intergovernmental revenue	3,311,465	3,564,895	3,430,395	(134,500)
Charges for services	2,762,443	2,724,703	2,712,048	(12,655)
Fines and forfeitures	679,000	559,000	555,544	(3,456)
Contributions	2,500	2,000	1,663	(337)
Investment earnings	296,500	100,000	76,685	(23,315)
Miscellaneous	65,000	60,420	41,105	(19,315)
Total Revenues	26,383,508	26,244,018	26,056,595	(187,423)
EXPENDITURES				
Current:				
General government:				
Major and Council	95,672	95,462	92,073	3,389
City Administration	1,800,005	1,762,505	1,581,886	180,619
City Attorney	394,276	394,276	390,280	3,996
Financial Services	702,866	699,756	683,226	16,530
Community Development	3,789,944	3,781,604	3,501,172	280,432
Nondepartmental	478,116	349,354	111,485	237,869
Total general government	7,260,879	7,082,957	6,360,122	722,835
Public safety:				
Fire	7,347,270	7,566,311	7,397,056	169,255
Law Enforcement	2,599,863	2,599,691	2,599,691	-
Total public safety	9,947,133	10,166,002	9,996,747	169,255
Transportation & physical environment:				
Streets and Drainage	8,241,793	8,240,049	5,964,857	2,275,192
Engineering	528,624	544,114	511,460	32,654
Total transportation & physical environment	8,770,417	8,784,163	6,476,317	2,307,846
Culture and recreation	2,741,030	2,285,066	2,224,915	60,151
Total expenditures	28,719,459	28,318,188	25,058,101	3,260,087
Excess (deficiency) of revenues over (under) expenditures	(2,335,951)	(2,074,170)	998,494	3,072,664
OTHER FINANCING SOURCES (USES)				
Transfers in	802,000	6,584,529	789,875	(5,794,654)
Transfers out	(688,391)	(8,019,676)	(8,014,676)	5,000
Total other financing sources (uses)	113,609	(1,435,147)	(7,224,801)	(5,789,654)
Net change in fund balance*	(2,222,342)	(3,509,317)	(6,226,307)	(2,716,990)
Fund balance - beginning	14,146,546	14,146,546	14,146,546	-
Fund balance - ending	\$ 11,924,204	\$ 10,637,229	\$ 7,920,239	\$ (2,716,990)

*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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 748,800	\$ 1,100,000	\$ 1,277,165	\$ 177,165
Investment earnings	-	-	3,411	3,411
Total revenues	748,800	1,100,000	1,280,576	180,576
EXPENDITURES				
Current:				
Transportation and physical environment	1,178,800	800,000	-	800,000
Total expenditures	1,178,800	800,000	-	800,000
Excess (deficiency) of revenues over (under) expenditures	(430,000)	300,000	1,280,576	980,576
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,000)	(300,000)	(288,831)	11,169
Total other financing sources (uses)	(150,000)	(300,000)	(288,831)	11,169
Net change in fund balance*	(580,000)	-	991,745	991,745
Fund balance - beginning	(2,432,738)	(2,432,738)	(2,432,738)	-
Fund balance - ending	\$ (3,012,738)	\$ (2,432,738)	\$ (1,440,993)	\$ 991,745

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

City of Palm Coast, Florida
Required Supplementary Information
Streets Improvement Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,645,000	\$ 1,582,000	\$ 1,655,790	\$ 73,790
Intergovernmental revenue	7,533,600	5,875,025	4,730,747	(1,144,278)
Fines and forfeitures	361,200	950,000	974,117	24,117
Investment earnings	4,557	3,324	-	(3,324)
Total revenues	9,544,357	8,410,349	7,360,654	(1,049,695)
EXPENDITURES				
Current:				
Transportation and physical environment	90,300	660,000	658,831	1,169
Capital Outlay:				
Transportation and physical environment	13,582,000	9,411,100	7,265,839	2,145,261
Total expenditures	13,672,300	10,071,100	7,924,670	2,146,430
Net change in fund balance*	(4,127,943)	(1,660,751)	(564,016)	1,096,735
Fund balance - beginning	6,647,552	6,647,552	6,647,552	-
Fund balance - ending	\$ 2,519,609	\$ 4,986,801	\$ 6,083,536	\$ 1,096,735

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

City of Palm Coast, Florida
Required Supplementary Information
SR100 CRA Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 960,543	\$ 960,615	\$ 960,615	\$ -
Investment earnings	3,000	1,000	-	(1,000)
Total revenues	963,543	961,615	960,615	(1,000)
EXPENDITURES				
Current:				
Transportation and physical environment	50,000	10,000	7,959	2,041
Capital Outlay:				
Transportation and physical environment	5,187,250	6,458,000	6,088,644	369,356
Debt service:				
Principal	411,000	6,397,529	605,000	5,792,529
Interest and Other	401,501	429,109	428,663	446
Total expenditures	6,049,751	13,294,638	7,130,266	6,164,372
Excess (deficiency) of revenues over (under) expenditures	(5,086,208)	(12,333,023)	(6,169,651)	6,163,372
OTHER FINANCING SOURCES (USES)				
Transfers in	513,391	1,713,391	1,713,391	-
Issuance of long term debt	-	5,839,000	5,839,000	-
Total other financing sources (uses)	513,391	7,552,391	7,552,391	-
Net change in fund balance*	(4,572,817)	(4,780,632)	1,382,740	6,163,372
Fund balance - beginning	(825,340)	(825,340)	(825,340)	-
Fund balance - ending	\$ (5,398,157)	\$ (5,605,972)	\$ 557,400	\$ 6,163,372

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

CITY OF PALM COAST, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, SR100 CRA special revenue fund, 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.



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



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CAPITAL PROJECTS FUNDS

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

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

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



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City of Palm Coast, Florida
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 2,150,000	\$ 2,325,000	\$ 2,392,639	\$ 67,639
Intergovernmental revenue	160,000	160,000	167,843	7,843
Contributions	-	-	3,138	3,138
Investment earnings	4,000	1,800	2,025	225
Total revenues	2,314,000	2,486,800	2,565,645	78,845
EXPENDITURES				
Capital Outlay:				
General government	-	6,674,029	683,246	5,990,783
Transportation and physical environment	1,450,000	578,007	394,533	183,474
Culture and recreation	3,705,000	2,105,300	1,797,466	307,834
Total expenditures	5,155,000	9,357,336	2,875,245	6,482,091
Excess (deficiency) of revenues over (under) expenditures	(2,841,000)	(6,870,536)	(309,600)	6,560,936
OTHER FINANCING SOURCES (USES)				
Transfers in	408,007	6,870,536	6,706,764	(163,772)
Total other financing sources (uses)	408,007	6,870,536	6,706,764	(163,772)
Net change in fund balance*	(2,432,993)	-	6,397,164	6,397,164
Fund balance - beginning	3,602,446	3,602,446	3,602,446	-
Fund balance - ending	\$ 1,169,453	\$ 3,602,446	\$ 9,999,610	\$ 6,397,164

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

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

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	\$ 17,807	\$ 145,577	\$ 430,500	\$ 260,969	\$ 77,657	\$ 20,191	\$ 1,028	\$ 953,729
Special Assessment receivable - net	-	-	-	-	-	4,792,010	-	4,792,010
Due from other governments	-	-	150,000	-	3,541	-	17,774	171,315
Total assets	\$ 17,807	\$ 145,577	\$ 580,500	\$ 260,969	\$ 81,198	\$ 4,812,201	\$ 18,802	\$ 5,917,054
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ 9,727	\$ -	\$ 1,321	\$ 2,754	\$ 1,802	\$ 15,604
Due to other funds	-	-	-	-	-	-	17,000	17,000
Advances from other funds	-	-	-	-	-	4,792,010	-	4,792,010
Total liabilities	-	-	9,727	-	1,321	4,794,764	18,802	4,824,614
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue - Special assessments	-	-	-	-	-	4,792,010	-	4,792,010
Total deferred inflows of resources	-	-	-	-	-	4,792,010	-	4,792,010
FUND BALANCES								
Restricted for								
Public safety	17,807	145,577	-	-	-	-	-	163,384
Construction	-	-	570,773	260,969	-	-	-	831,742
Grants	-	-	-	-	79,877	-	-	79,877
Unassigned	-	-	-	-	-	(4,774,573)	-	(4,774,573)
Total fund balances (deficits)	17,807	145,577	570,773	260,969	79,877	(4,774,573)	-	(3,699,570)
Total liabilities, deferred inflows of resources, and fund balances	\$ 17,807	\$ 145,577	\$ 580,500	\$ 260,969	\$ 81,198	\$ 4,812,201	\$ 18,802	\$ 5,917,054

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2014

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	\$ -	\$ -	\$ 150,000	\$ -	\$ 632,695	\$ -	\$ 660,512	\$ 1,443,207
Special assessments	-	-	-	-	-	248,079	-	248,079
Fines and forfeitures	13,072	13,723	-	-	-	-	-	26,795
Impact fees	-	-	446,225	93,828	-	-	-	540,053
Investment earnings	-	-	-	-	-	53	-	53
Total revenues	13,072	13,723	596,225	93,828	632,695	248,132	660,512	2,258,187
EXPENDITURES								
Current:								
General government	-	-	-	-	619,675	-	388,402	1,008,077
Transportation and physical environment	-	-	-	-	-	14,426	-	14,426
Public safety	10,039	76,380	-	-	-	-	-	86,419
Capital Outlay:								
Culture and recreation	-	-	197,649	-	-	-	-	197,649
Debt Service:								
Interest and Other	-	-	-	-	-	248,079	-	248,079
Total expenditures	10,039	76,380	197,649	-	619,675	262,505	388,402	1,554,650
Excess (deficiency) of revenues over (under) expenditures	3,033	(62,657)	398,576	93,828	13,020	(14,373)	272,110	703,537
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	138,831	-	138,831
Transfers out	-	-	(500,000)	-	-	-	(272,110)	(772,110)
Total other financing sources (uses)	-	-	(500,000)	-	-	138,831	(272,110)	(633,279)
Net change in fund balances	3,033	(62,657)	(101,424)	93,828	13,020	124,458	-	70,258
Fund balances (deficits) - beginning	14,774	208,234	672,197	167,141	66,857	(4,899,031)	-	(3,769,828)
Fund balances (deficits) - ending	\$ 17,807	\$ 145,577	\$ 570,773	\$ 260,969	\$ 79,877	\$ (4,774,573)	\$ -	\$ (3,699,570)

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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 7,200	\$ 14,000	\$ 13,072	\$ (928)
Total revenues	7,200	14,000	13,072	(928)
EXPENDITURES				
Current:				
Public safety	19,300	14,000	10,039	3,961
Total expenditures	19,300	14,000	10,039	3,961
Net change in fund balance*	(12,100)	-	3,033	3,033
Fund balance - beginning	14,774	14,774	14,774	-
Fund balance - ending	<u>\$ 2,674</u>	<u>\$ 14,774</u>	<u>\$ 17,807</u>	<u>\$ 3,033</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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Fines and forfeitures	\$ 22,000	\$ 13,723	\$ 13,723	\$ -
Total revenues	22,000	13,723	13,723	-
EXPENDITURES				
Current:				
Public safety	213,000	76,500	76,380	120
Total expenditures	213,000	76,500	76,380	120
Net change in fund balance*	(191,000)	(62,777)	(62,657)	120
Fund balance - beginning	208,234	208,234	208,234	-
Fund balance - ending	<u>\$ 17,234</u>	<u>\$ 145,457</u>	<u>\$ 145,577</u>	<u>\$ 120</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
Recreation Impact Fee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ -	\$ 150,000	\$ 150,000	\$ -
Impact fees	260,000	380,000	446,225	66,225
Investment earnings	6,080	672	-	(672)
Total revenues	266,080	530,672	596,225	65,553
EXPENDITURES				
Capital Outlay:				
Culture and recreation	266,080	200,000	197,649	2,351
Total expenditures	266,080	200,000	197,649	2,351
Excess (deficiency) of revenues over (under) expenditures	-	330,672	398,576	67,904
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(500,000)	(500,000)	-
Total other financing sources (uses)	-	(500,000)	(500,000)	-
Net change in fund balance*	-	(169,328)	(101,424)	67,904
Fund balance - beginning	672,197	672,197	672,197	-
Fund balance - ending	\$ 672,197	\$ 502,869	\$ 570,773	\$ 67,904

*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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Impact fees	\$ 46,800	\$ 80,000	\$ 93,828	\$ 13,828
Investment earnings	1,558	167	-	(167)
Total revenues	48,358	80,167	93,828	13,661
EXPENDITURES				
Capital Outlay:				
Public safety	48,358	80,167	-	80,167
Total expenditures	48,358	80,167	-	80,167
Net change in fund balance*	-	-	93,828	93,828
Fund balance - beginning	167,141	167,141	167,141	-
Fund balance - ending	\$ 167,141	\$ 167,141	\$ 260,969	\$ 93,828

*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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 1,900,000	\$ 810,100	\$ 632,695	\$ (177,405)
Total revenues	1,900,000	810,100	632,695	(177,405)
EXPENDITURES				
Current:				
General government	1,900,000	810,100	619,675	190,425
Total expenditures	1,900,000	810,100	619,675	190,425
Net change in fund balance*	-	-	13,020	13,020
Fund balance - beginning	66,857	66,857	66,857	-
Fund balance - ending	<u>\$ 66,857</u>	<u>\$ 66,857</u>	<u>\$ 79,877</u>	<u>\$ 13,020</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
OKR Special Assessment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Special assessments	\$ 240,000	\$ 240,000	\$ 248,079	\$ 8,079
Investment earnings	-	-	53	53
Total revenues	240,000	240,000	248,132	8,132
EXPENDITURES				
Current:				
Transportation and physical environment	-	15,000	14,426	574
Debt Service:				
Interest and Other	390,000	305,000	248,079	56,921
Total expenditures	390,000	320,000	262,505	57,495
Excess (deficiency) of revenues over (under) expenditures	(150,000)	(80,000)	(14,373)	65,627
OTHER FINANCING SOURCES (USES)				
Transfers in	150,000	75,000	138,831	63,831
Total other financing sources (uses)	150,000	75,000	138,831	63,831
Net change in fund balance*	-	(5,000)	124,458	129,458
Fund balance - beginning	(4,899,031)	(4,899,031)	(4,899,031)	-
Fund balance - ending	\$ (4,899,031)	\$ (4,904,031)	\$ (4,774,573)	\$ 129,458

*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, 2014

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 750,815	\$ 943,007	\$ 660,512	\$ (282,495)
Total revenues	750,815	943,007	660,512	(282,495)
EXPENDITURES				
Current:				
General government	332,808	505,000	388,402	116,598
Total expenditures	332,808	505,000	388,402	116,598
Excess (deficiency) of revenues over (under) expenditures	418,007	438,007	272,110	(165,897)
OTHER FINANCING SOURCES (USES)				
Transfers out	(418,007)	(438,007)	(272,110)	165,897
Total other financing sources (uses)	(418,007)	(438,007)	(272,110)	165,897
Net change in fund balance*	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

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

COMBINING NONMAJOR ENTERPRISE FUND STATEMENTS



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NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

City of Palm Coast, Florida
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2014

Business-type Activities-Enterprise Funds

	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
Assets:					
Current assets:					
Equity in pooled cash and investments	\$ 45,823	\$ 17,865	\$ 2,533,097	\$ 1,420,764	\$ 4,017,549
Accounts receivable - net	1,395	1,500	2,901	155,722	161,518
Inventories	17,047	3,636	-	-	20,683
Prepaid Items	12,550	1,859	4,674	8,865	27,948
Due from other funds	-	-	135,000	-	135,000
Total current assets	76,815	24,860	2,675,672	1,585,351	4,362,698
Noncurrent assets:					
Capital assets:					
Land	2,282,481	-	-	-	2,282,481
Building and improvements other than buildings	387,554	-	-	-	387,554
Infrastructure	4,275,491	-	-	4,514,548	8,790,039
Equipment	191,188	33,421	-	865,551	1,090,160
Less accumulated depreciation	(1,335,537)	(24,042)	-	(1,673,109)	(3,032,688)
Total noncurrent assets	5,801,177	9,379	-	3,706,990	9,517,546
Total assets	\$ 5,877,992	\$ 34,239	\$ 2,675,672	\$ 5,292,341	\$ 13,880,244
Liabilities:					
Current liabilities:					
Accounts payable	\$ 38,193	\$ 6,335	\$ 7,479	\$ 189,416	\$ 241,423
Due to other governments	-	-	8,911	600,000	608,911
Loans payable	-	-	-	78,231	78,231
Compensated absences	-	-	33,260	28,797	62,057
Accrued liabilities	16,393	2,076	31,588	27,832	77,889
Accrued loan interest payable	-	-	-	2,210	2,210
Unearned revenue	19,490	19,211	-	28,848	67,549
Total current liabilities	74,076	27,622	81,238	955,334	1,138,270
Noncurrent liabilities:					
Compensated absences	-	-	58,884	79,357	138,241
Net OPEB obligation	-	-	29,649	20,699	50,348
Loans payable	-	-	-	118,941	118,941
Total noncurrent liabilities	-	-	88,533	218,997	307,530
Total liabilities	74,076	27,622	169,771	1,174,331	1,445,800
NET POSITION					
Net investment in capital assets	5,801,177	9,379	-	3,509,818	9,320,374
Unrestricted	2,739	(2,762)	2,505,901	608,192	3,114,070
Total net position	\$ 5,803,916	\$ 6,617	\$ 2,505,901	\$ 4,118,010	\$ 12,434,444

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds				
	Golf Course Fund	Tennis Center Fund	Building Permits & Inspections Fund	IT&C Fund	Total Nonmajor Enterprise Funds
Operating Revenues:					
Charges for services:					
Tennis program charges	\$ -	\$ 210,348	\$ -	\$ -	\$ 210,348
Golf Course charges	1,226,184	-	-	-	1,226,184
Building permit and inspection charges	-	-	1,608,821	-	1,608,821
IT&C charges	-	-	-	2,902,673	2,902,673
Total operating revenues	1,226,184	210,348	1,608,821	2,902,673	5,948,026
Operating Expenses:					
Golf Course	1,519,071	-	-	-	1,519,071
Tennis Center	-	307,586	-	-	307,586
Building permits and inspections	-	-	1,282,664	-	1,282,664
IT&C	-	-	-	2,289,057	2,289,057
Depreciation	270,144	2,305	-	318,770	591,219
Total operating expenses	1,789,215	309,891	1,282,664	2,607,827	5,989,597
Operating income (loss)	(563,031)	(99,543)	326,157	294,846	(41,571)
Nonoperating Revenues (Expenses):					
Investment revenue	332	146	-	-	478
Interest/amortization expense	-	-	-	(2,210)	(2,210)
Total nonoperating revenues (expenses)	332	146	-	(2,210)	(1,732)
Income (loss) before capital contributions and transfers	(562,699)	(99,397)	326,157	292,636	(43,303)
TRANSFERS AND CONTRIBUTIONS					
Transfers in	336,000	99,000	-	-	435,000
Transfers out	(22,000)	(1,000)	-	(14,000)	(37,000)
Total transfers and contributions	314,000	98,000	-	(14,000)	398,000
Change in net position	(248,699)	(1,397)	326,157	278,636	354,697
NET POSITION					
Net position - beginning	6,052,615	8,014	2,179,744	3,839,374	12,079,747
Net position - ending	\$ 5,803,916	\$ 6,617	\$ 2,505,901	\$ 4,118,010	\$ 12,434,444

Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended September 30, 2014

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
Cash flows from operating activities					
Cash received from customers	\$ 1,231,524	\$ 205,433	\$ 1,607,618	\$ 2,833,866	\$ 5,878,441
Cash paid to suppliers	(749,940)	(141,997)	(564,153)	(1,349,377)	(2,805,467)
Cash paid to employees	(751,408)	(152,763)	(724,372)	(522,828)	(2,151,371)
Net cash provided by (used in) operating activities	(269,824)	(89,327)	319,093	961,661	921,603
Cash flow from noncapital financing activities					
Transfers in from other funds	336,000	99,000	-	-	435,000
Transfers out to other funds	(22,000)	(1,000)	-	(14,000)	(37,000)
Advances to other funds	-	-	-	-	-
Advances from other funds	-	-	245,000	-	245,000
Net cash provided by (used in) noncapital financing activities	314,000	98,000	245,000	(14,000)	643,000
Cash flow from capital and related financing activities					
Proceeds from issuance of long-term debt	-	-	-	105,042	105,042
Loan principal payments	-	-	-	(99,641)	(99,641)
Interest paid	-	-	-	(1,137)	(1,137)
Acquisition and construction of property, plant and equipment	-	-	-	(341,631)	(341,631)
Net cash provided by (used in) capital and related financing activities	-	-	-	(337,367)	(337,367)
Cash flow from investing activities					
Interest on investments	332	146	-	-	478
Net cash provided by (used in) investing activities	332	146	-	-	478
Net increase (decrease) in cash and cash equivalents	44,508	8,819	564,093	610,294	1,227,714
Beginning cash and cash equivalents	1,315	9,046	1,969,004	810,470	2,789,835
Ending cash and cash equivalents	\$ 45,823	\$ 17,865	\$ 2,533,097	\$ 1,420,764	\$ 4,017,549

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Nonmajor Enterprise Funds
For the Year Ended September 30, 2014

	Golf Course	Tennis Center	Building Permits & Inspections	IT&C	Totals
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (563,031)	\$ (99,543)	\$ 326,157	\$ 294,846	\$ (41,571)
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	270,144	2,305	-	318,770	591,219
Change in assets and liabilities:					
Accounts receivable	929	(1,500)	(1,203)	(69,647)	(71,421)
Inventories	3,924	(273)	-	-	3,651
Prepays	9,403	7,832	(555)	(954)	15,726
Accounts payable	7,107	5,516	2,866	395,349	410,838
Accrued liabilities	1,700	(3,664)	5,416	3,676	7,128
Customer Deposits	-	-	-	840	840
Compensated absences	-	-	(13,588)	18,781	5,193
Net cash provided by (used in) operating activities	\$ (269,824)	\$ (89,327)	\$ 319,093	\$ 961,661	\$ 921,603
Cash and cash equivalents classified as:					
Equity in pooled cash and investments in current assets	\$ 45,823	\$ 17,865	\$ 2,533,097	\$ 1,420,764	\$ 4,017,549
Total cash and cash equivalents	\$ 45,823	\$ 17,865	\$ 2,533,097	\$ 1,420,764	\$ 4,017,549



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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, 2014

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 1,124,013	\$ 4,606,273	\$ 5,730,286
Accounts receivable - net	270	2,223	2,493
Inventories	-	48,028	48,028
Prepaid Items	-	18,442	18,442
Due from other governments	-	3,125	3,125
Total current assets	1,124,283	4,678,091	5,802,374
Noncurrent assets:			
Capital assets:			
Building and improvements other than buildings	-	1,097,144	1,097,144
Equipment	-	13,957,138	13,957,138
Less accumulated depreciation	-	(8,573,546)	(8,573,546)
Construction in progress	-	349,151	349,151
Total noncurrent assets	-	6,829,887	6,829,887
Total assets	\$ 1,124,283	\$ 11,507,978	\$ 12,632,261
Liabilities:			
Current liabilities:			
Accounts payable	\$ 58,525	\$ 121,000	\$ 179,525
Claims payable	358,912	-	358,912
Compensated absences	-	4,811	4,811
Accrued liabilities	-	12,005	12,005
Total current liabilities	417,437	137,816	555,253
Noncurrent liabilities:			
Compensated absences	-	20,813	20,813
Net OPEB obligation	-	7,150	7,150
Total noncurrent liabilities	-	27,963	27,963
Total liabilities	417,437	165,779	583,216
NET POSITION			
Net investment in capital assets	-	6,829,887	6,829,887
Unrestricted	706,846	4,512,312	5,219,158
Total net position	\$ 706,846	\$ 11,342,199	\$ 12,049,045

City of Palm Coast, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2014

	Internal Service Funds		
	Self Insured Health Fund	Fleet Fund	Total Internal Service Funds
Operating Revenues:			
Charges for services:			
Risk management	\$ 3,187,488	\$ -	\$ 3,187,488
Fleet management	-	4,065,024	4,065,024
Total operating revenues	3,187,488	4,065,024	7,252,512
Operating Expenses:			
Administrative	3,027,057	2,171,752	5,198,809
Depreciation	-	1,389,966	1,389,966
Total operating expenses	3,027,057	3,561,718	6,588,775
Operating income (loss)	160,431	503,306	663,737
Nonoperating Revenues (Expenses):			
Other	-	280,593	280,593
Total nonoperating revenues (expenses)	-	280,593	280,593
Income (loss) before capital contributions and transfers	160,431	783,899	944,330
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	248,278	248,278
Total transfers and contributions	-	248,278	248,278
Change in net position	160,431	1,032,177	1,192,608
NET POSITION			
Net position - beginning	546,415	10,310,022	10,856,437
Net position - ending	\$ 706,846	\$ 11,342,199	\$ 12,049,045

Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2014

	Self Insured Health	Fleet	Totals
Cash flows from operating activities			
Cash received from customers	\$ 3,188,163	\$ 4,195,102	\$ 7,383,265
Cash paid to suppliers	(2,861,429)	(1,985,819)	(4,847,248)
Cash paid to employees	-	(192,389)	(192,389)
Net cash provided by (used in) operating activities	326,734	2,016,894	2,343,628
Cash flow from noncapital financing activities			
Transfer in from other funds	-	248,278	248,278
Net cash provided by (used in) noncapital financing activities	-	248,278	248,278
Cash flow from capital and related financing activities			
Acquisition and construction of property, plant and equipment	-	(2,289,026)	(2,289,026)
Proceeds from the sale of capital assets	-	280,593	280,593
Net cash provided by (used in) capital and related financing activities	-	(2,008,433)	(2,008,433)
Cash flow from investing activities			
Interest on investments	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	326,734	256,739	583,473
Beginning cash and cash equivalents	797,279	4,349,534	5,146,813
Ending cash and cash equivalents	\$ 1,124,013	\$ 4,606,273	\$ 5,730,286

(continued)

City of Palm Coast, Florida
Combining Statement of Cash Flows (continued)
Internal Service Funds
For the Year Ended September 30, 2014

	Self Insured Health	Fleet	Totals
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 160,431	\$ 503,306	\$ 663,737
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	-	1,389,966	1,389,966
Change in assets and liabilities:			
Accounts receivable	675	130,078	130,753
Inventories	-	(21,815)	(21,815)
Prepays	-	(994)	(994)
Accounts payable	165,628	273	165,901
Accrued liabilities	-	7,452	7,452
Compensated absences	-	8,628	8,628
Net cash provided by (used in) operating activities	\$ 326,734	\$ 2,016,894	\$ 2,343,628
Cash and cash equivalents classified as:			
Equity in pooled cash and investments in current assets	\$ 1,124,013	\$ 4,606,273	\$ 5,730,286
Total cash and cash equivalents	\$ 1,124,013	\$ 4,606,273	\$ 5,730,286



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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.	125
Revenue Capacity These Schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes	130
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.	134
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	139
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.	142

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2000; schedules presenting government-wide information include information beginning in that 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									
	2005 (1)	2006	2007	2008	2009	2010	2011 (2)	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$ 188,058,574	\$ 200,311,305	\$ 228,447,143	\$ 267,361,577	\$ 291,330,417	\$ 307,069,337	\$ 306,530,353	\$ 303,986,665	\$ 298,779,350	\$ 298,494,964
Restricted	20,866,845	34,114,771	32,324,411	21,477,931	8,201,392	919,709	1,097,652	840,001	1,184,424	1,130,224
Unrestricted	13,953,120	21,046,064	15,686,738	16,811,638	19,321,526	11,141,460	11,900,257	8,897,658	20,677,222	25,117,904
Total governmental activities net position	\$ 222,878,539	\$ 255,472,140	\$ 276,458,292	\$ 305,651,146	\$ 318,853,335	\$ 319,130,506	\$ 319,528,262	\$ 313,724,324	\$ 320,640,996	\$ 324,743,092
Business-type activities										
Invested in capital assets, net of related debt	\$ 13,854,695	\$ 20,287,134	\$ 36,693,625	\$ 49,857,685	\$ 60,854,530	\$ 72,856,080	\$ 68,014,427	\$ 68,131,604	\$ 69,651,643	\$ 68,945,922
Restricted	7,733,922	15,509,631	15,436,579	12,965,853	6,051,501	4,024,083	13,716,132	13,833,001	6,755,775	11,786,243
Unrestricted	9,345,746	9,897,342	11,234,724	11,746,111	11,977,264	5,771,497	(1,025,888)	10,224,350	11,992,822	16,839,256
Total business-type activities net position	\$ 30,934,363	\$ 45,694,107	\$ 63,364,928	\$ 74,569,649	\$ 78,883,295	\$ 82,651,660	\$ 80,704,671	\$ 92,188,955	\$ 88,400,240	\$ 97,571,421
Primary government										
Invested in capital assets, net of related debt	\$ 201,913,269	\$ 220,598,439	\$ 265,140,768	\$ 317,219,262	\$ 352,184,947	\$ 379,925,417	\$ 374,544,780	\$ 372,118,269	\$ 368,430,993	\$ 367,440,886
Restricted	28,600,767	49,624,402	47,760,990	34,443,784	14,252,893	4,943,792	14,813,784	14,673,002	7,940,199	12,916,467
Unrestricted	23,298,866	30,943,406	26,921,462	28,557,749	31,298,790	16,912,957	10,874,369	19,122,008	32,670,044	41,957,160
Total primary government net position	\$ 253,812,902	\$ 301,166,247	\$ 339,823,220	\$ 380,220,795	\$ 397,736,630	\$ 401,782,166	\$ 400,232,933	\$ 405,913,279	\$ 409,041,236	\$ 422,314,513

Note: The City of Palm Coast was incorporated on December 31, 1999. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2000.

- (1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during the fiscal year and a Stormwater enterprise fund was created.
- (2) 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									
	2005 (1)	2006	2007	2008	2009	2010 (2)	2011	2012	2013	2014
Governmental activities:										
General government	\$ 6,821,382	\$ 8,721,369	\$ 8,358,244	\$ 8,222,494	\$ 9,089,652	\$ 7,291,611	\$ 6,910,244	\$ 5,867,359	\$ 6,683,303	\$ 5,898,666
Public safety	4,450,045	6,339,499	7,749,060	8,270,787	9,558,547	11,029,379	10,653,813	10,144,341	10,874,585	11,032,501
Transportation and physical environment	7,054,196	8,776,023	9,535,259	10,580,806	12,035,335	11,552,570	13,325,228	13,333,183	13,932,669	14,212,159
Culture and recreation	1,696,730	2,101,421	2,535,047	2,692,254	2,710,434	2,874,115	2,904,535	3,072,489	3,092,100	3,191,985
Interest on long-term debt	39,017	19,208	291,244	264,240	314,337	545,416	698,126	652,050	519,669	676,742
Total governmental activities expenses	\$ 20,061,370	\$ 25,957,520	\$ 28,468,854	\$ 30,030,581	\$ 33,708,305	\$ 33,293,091	\$ 34,491,946	\$ 33,069,422	\$ 35,102,326	\$ 35,012,053
Business-type activities:										
Utility	18,667,179	22,329,065	24,748,547	27,047,807	32,873,576	32,414,733	31,205,110	30,545,189	33,363,682	30,399,474
Solid Waste	3,733,373	4,359,944	6,352,603	7,436,948	7,492,553	7,557,209	7,631,425	7,533,852	7,154,429	7,290,268
Stormwater	1,270,065	3,680,413	3,469,901	3,419,649	3,654,793	4,339,649	4,216,027	3,904,173	4,206,765	4,646,249
Building Permits & Inspections	-	-	-	-	-	1,787,281	1,463,027	1,286,637	1,225,965	1,275,472
Information Technology and Communication	-	-	-	-	-	157,268	182,643	351,525	490,030	379,495
Golf Course	-	-	-	31,989	84,219	1,876,394	1,910,096	1,806,088	1,753,323	1,778,396
Tennis Center	-	-	-	226,646	242,969	284,483	353,796	267,918	295,279	309,891
Total business-type activities expenses	23,670,617	30,369,422	34,571,051	38,163,039	44,348,110	48,417,017	46,962,124	45,695,382	48,489,473	46,079,245
Total primary government expenses	43,731,987	56,326,942	63,039,905	68,193,620	78,056,415	81,710,108	81,454,070	78,764,804	83,591,799	81,091,298
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 7,723,865	\$ 8,477,215	\$ 3,631,863	\$ 3,575,723	\$ 2,409,425	\$ 1,147,521	\$ 666,875	\$ 971,403	\$ 967,910	\$ 838,828
Public safety	170,604	214,074	279,066	468,618	1,028,174	679,557	305,916	386,798	1,215,566	946,722
Transportation and physical environment	276,940	344,155	160,299	123,281	93,136	92,840	133,064	132,838	125,186	130,888
Culture and recreation	186,165	244,630	267,788	239,941	193,571	158,546	398,520	436,185	360,585	234,388
Operating grants and contributions	2,032,933	2,481,156	2,227,021	2,482,829	2,696,553	3,661,398	4,053,082	3,239,141	3,819,858	3,396,912
Capital grants and contributions	16,970,920	19,533,215	9,809,343	23,416,000	11,116,163	4,401,134	2,679,664	4,771,908	8,499,395	6,635,181
Total governmental activities program revenues	27,361,427	31,294,445	16,375,380	30,306,392	17,537,022	10,140,996	8,237,121	9,938,273	14,988,500	12,182,919
Business-type activities:										
Charges for services:										
Utility	21,204,365	25,503,330	25,893,437	24,401,358	27,690,432	27,771,725	29,190,836	29,518,612	30,730,934	33,943,464
Solid Waste	3,667,701	4,003,761	6,843,240	7,278,358	7,498,306	7,667,964	7,805,956	7,655,877	7,227,081	7,420,478
Stormwater	1,673,827	3,071,992	4,046,556	3,685,785	5,112,097	5,509,260	4,778,331	5,469,298	6,316,447	7,154,416
Building Permits & Inspections	-	-	-	-	-	201,626	225,099	273,784	1,152,945	1,608,821
Information Technology and Communication	-	-	-	-	-	246,094	322,337	659,065	639,557	677,563
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	-	2,673,226	-	-	-	-	-	477,582	-	-
Capital grants and contributions	17,760,957	9,743,906	15,174,755	9,175,206	12,605,884	2,940,853	1,047,855	2,112,690	1,238,990	3,072,563
Total business-type activities program revenues	44,306,850	44,996,215	51,957,988	44,650,498	53,060,644	45,715,260	45,053,471	47,803,789	48,860,505	55,313,837
Total primary government program revenues	\$ 71,668,277	\$ 76,290,660	\$ 68,333,368	\$ 74,956,890	\$ 70,597,666	\$ 55,856,256	\$ 53,290,592	\$ 57,742,062	\$ 63,849,005	\$ 67,496,756

	Fiscal Year									
	2005 (1)	2006	2007	2008	2009	2010 (2)	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental activities	\$ 7,300,057	\$ 5,336,925	\$(12,093,474)	\$ 275,811	\$(16,171,283)	\$ (23,152,095)	\$ (26,254,825)	\$ (23,131,149)	\$ (20,113,826)	\$ (22,829,134)
Business-type activities	20,636,233	14,626,793	17,386,937	6,487,459	8,712,534	(2,701,757)	(1,908,653)	2,108,407	371,032	9,234,592
Total primary government net expense	\$ 27,936,290	\$ 19,963,718	\$ 5,293,463	\$ 6,763,270	\$ (7,458,749)	\$ (25,853,852)	\$ (28,163,478)	\$ (21,022,742)	\$ (19,742,794)	\$ (13,594,542)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	\$ 10,218,772	\$ 14,720,753	\$ 19,902,970	\$ 20,620,265	\$ 18,211,813	\$ 18,614,730	\$ 15,968,937	\$ 14,180,455	\$ 15,803,692	\$ 15,911,873
Sales and use taxes	2,649,771	2,617,198	2,434,474	2,458,212	2,422,436	2,495,167	2,579,899	2,730,209	2,403,052	2,392,638
Telecommunication services tax	1,980,363	2,430,169	2,616,030	3,431,800	2,726,666	2,748,010	2,685,140	2,696,547	2,608,306	2,522,865
Franchise taxes	9,651	-	-	571,591	58,423	744,353	660,354	651,129	661,438	784,758
Other local taxes	-	-	-	-	-	404,685	414,385	378,989	404,686	346,157
Intergovernmental revenue, non-program	2,730,825	3,310,749	3,095,179	3,364,679	3,310,696	3,253,543	3,405,849	3,649,676	3,841,166	4,047,545
Unrestricted investment earnings	750,053	2,358,173	3,515,416	2,132,333	1,244,703	888,531	388,707	461,968	287,289	82,174
Rental income	-	-	-	-	102,334	-	-	-	-	-
Miscellaneous	24,443	35,711	240,871	128,620	75,211	21,425	26,779	41,832	77,326	41,105
Gain (Loss) on sale of capital assets	93,575	25,115	66,891	14,653	231,860	81,725	16,241	-	191,139	280,593
Capital contributions not restricted to specific programs	-	802,047	61,260	-	-	-	-	-	-	-
Transfers	722,955	956,761	1,146,535	(3,805,110)	5,756,982	(5,822,903)	506,290	(7,463,594)	752,404	521,522
Total governmental activities	19,180,408	27,256,676	33,079,626	28,917,043	34,141,124	23,429,266	26,652,581	17,327,211	27,030,498	26,931,230
Business-type activities:										
Property Taxes	-	-	-	-	-	-	-	1,686,100	245,750	275,133
Unrestricted investment earnings	539,671	1,089,712	1,430,419	912,152	833,213	647,219	467,954	224,542	6,552	182,978
Other income	-	-	-	-	524,881	-	-	1,641	-	-
Transfers	(722,955)	(956,761)	(1,146,535)	3,805,110	(5,756,982)	5,822,903	(506,290)	7,463,594	(752,404)	(521,522)
Total business-type activities	(183,284)	132,951	283,884	4,717,262	(4,398,888)	6,470,122	(38,336)	9,375,877	(500,102)	(63,411)
Total primary government	18,997,124	27,389,627	33,363,510	33,634,305	29,742,236	29,899,388	26,614,245	26,703,088	26,530,396	26,867,819
Change in Net Position										
Governmental activities	\$ 26,480,465	\$ 32,593,601	\$ 20,986,152	\$ 29,192,854	\$ 17,969,841	\$ 277,171	\$ 397,756	\$ (5,803,938)	\$ 6,916,672	\$ 4,102,096
Business-type activities	20,452,949	14,759,744	17,670,821	11,204,721	4,313,646	3,768,365	(1,946,989)	11,484,284	(129,070)	9,171,181
Total primary government	\$ 46,933,414	\$ 47,353,345	\$ 38,656,973	\$ 40,397,575	\$ 22,283,487	\$ 4,045,536	\$ (1,549,233)	\$ 5,680,346	\$ 6,787,602	\$ 13,273,277

Note: The City of Palm Coast was incorporated on December 31, 1999. The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2000.

(1) The City and the Palm Coast Community Service Corporation (PCCSC) merged during the fiscal year and a Stormwater enterprise fund was created.

(2) The Building Permits & Inspections and Information Technology and Communication departments were removed from the general fund and established as enterprise funds during the fiscal year.

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010 (1)	2011	2012	2013	2014
General Fund										
Reserved	\$ 1,443,695	\$ 1,103,293	\$ 2,933,294	\$ 2,106,699	\$ 7,141,109	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	9,168,444	13,572,557	10,210,163	13,023,776	10,033,713	-	-	-	-	-
Nonspendable	-	-	-	-	-	5,975,576	5,979,178	5,982,244	5,986,187	186,156
Restricted	-	-	-	-	-	-	-	55,221	55,221	55,221
Committed	-	-	-	-	-	2,171,614	2,183,984	2,205,117	2,204,711	2,173,669
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	2,393,217	3,049,181	4,485,999	5,900,427	5,505,193
Total general fund	\$ 10,612,139	\$ 14,675,850	\$ 13,143,457	\$ 15,130,475	\$ 17,174,822	\$ 10,540,407	\$ 11,212,343	\$ 12,728,581	\$ 14,146,546	\$ 7,920,239
All Other Governmental Funds										
Reserved	\$ 7,009,041	\$ 4,996,572	\$ 4,129,475	\$ -	\$ 4,500,000	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital projects funds	2,656,158	6,313,502	9,341,010	7,899,230	7,517,095	-	-	-	-	-
Special revenue funds	15,638,859	29,286,584	21,725,136	14,071,339	(2,143,495)	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	919,709	1,097,652	784,780	1,129,203	1,075,003
Committed	-	-	-	-	-	14,908,303	14,879,097	6,370,050	10,249,998	16,640,546
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)
Total all other governmental funds	\$ 25,304,058	\$ 40,596,658	\$ 35,195,621	\$ 21,970,569	\$ 9,873,600	\$ 3,266,593	\$ 2,116,179	\$ (3,570,258)	\$ 3,222,092	\$ 11,499,983

Note: The City of Palm Coast was incorporated on December 31, 1999.

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 16,174,220	\$ 21,670,939	\$ 30,198,339	\$ 26,759,295	\$ 26,307,061	\$ 27,046,608	\$ 24,340,358	\$ 22,637,658	\$ 23,997,162	\$ 23,996,049
Licenses and permits	6,525,597	6,161,259	2,578,103	2,572,951	1,147,673	391,479	160,742	210,196	229,590	252,150
Intergovernmental revenues	5,004,586	4,522,431	828,706	9,512,770	4,843,895	7,939,669	7,191,917	8,749,022	7,895,185	9,772,192
Charges for services	2,667,712	3,952,844	4,712,369	5,295,879	4,197,416	2,552,903	2,836,649	2,740,171	2,572,727	2,712,048
Special assessments	-	-	-	-	38,701	219,391	250,342	129,899	-	248,079
Fines and forfeitures	227,706	868,468	767,936	805,046	1,398,511	1,043,095	656,694	739,411	1,578,139	1,556,456
Impact fees	15,220,838	11,503,871	4,608,972	3,270,897	1,281,486	1,216,661	664,827	746,167	1,254,980	1,817,218
Contributions	146,100	7,396,000	1,808,376	12,719	21,295	14,348	6,603	58,949	2,217	4,801
Rental income	-	-	-	-	102,334	-	-	-	-	-
Investment Earnings	741,840	2,326,074	3,449,378	2,075,610	1,203,109	833,589	371,817	421,111	287,289	82,174
Miscellaneous	14,968	34,831	249,308	118,941	75,211	21,425	26,779	38,946	77,326	41,105
Total revenues	46,723,567	58,436,717	49,201,487	50,424,108	40,616,692	41,279,168	36,506,728	36,471,530	37,894,615	40,482,272
Expenditures										
Current:										
General government	7,673,946	10,130,835	11,608,405	12,074,244	11,642,333	9,413,906	9,131,441	8,171,546	8,491,303	7,978,014
Public safety	4,280,179	6,189,208	7,530,760	8,003,618	9,820,736	10,719,389	10,058,067	9,822,084	10,524,093	10,025,107
Transportation and physical environment	4,357,076	5,657,983	6,162,459	6,530,163	7,014,650	6,401,040	5,739,492	5,314,597	5,763,838	6,547,718
Culture and recreation	1,536,105	1,773,901	2,054,595	2,097,824	1,991,501	1,878,028	2,151,306	2,186,053	2,161,053	2,209,307
Capital outlay	9,431,598	14,409,198	28,863,676	28,797,726	27,990,100	25,166,275	9,432,633	6,821,805	4,589,433	16,501,044
Debt Service:										
Principal	138,301	55,158	37,318	34,735	36,150	267,623	225,930	210,000	393,000	605,000
Interest and Other	23,109	9,634	286,954	264,240	314,337	545,416	698,126	652,050	519,669	676,742
Total expenditures	27,440,314	38,225,917	56,544,167	57,802,550	58,809,807	54,391,677	37,436,995	33,178,135	32,442,389	44,542,932
Excess of revenues over (under) expenditures	19,283,253	20,210,800	(7,342,680)	(7,378,442)	(18,193,115)	(13,112,509)	(930,267)	3,293,395	5,452,226	(4,060,660)
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	973,133	819,193	1,051,078	1,112,077	5,792,243	5,270,599	1,649,068	5,451,278	2,036,171	9,348,861
Transfers Out	(1,280,965)	(1,673,682)	(641,829)	(4,971,669)	(555,170)	(11,226,792)	(1,209,240)	(12,914,872)	(1,366,082)	(9,075,617)
Total other financing sources (uses)	(307,832)	(854,489)	409,249	(3,859,592)	8,140,493	(128,913)	451,789	(7,463,594)	2,758,089	6,112,244
Net change in fund balances	\$ 18,975,421	\$ 19,356,311	\$ (6,933,431)	\$ (11,238,034)	\$ (10,052,622)	\$ (13,241,422)	\$ (478,478)	\$ (4,170,199)	\$ 8,210,315	\$ 2,051,584
Debt Service as a percentage of noncapital expenditures	0.90	0.27	1.17	1.03	1.14	2.78	3.30	3.27	3.28	4.57

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
2005	\$3,454,001,811	\$254,715,262	\$30,507,106	\$8,346,686	\$26,661,862	\$180,732,585	\$259,118,929	\$393,810,094	\$347,134,776	\$378,735,156	\$ 3,094,404,215	\$ 3.40
2006	5,138,381,360	300,963,171	34,861,566	8,561,550	36,578,109	189,285,651	277,949,484	441,240,549	692,335,627	408,149,787	4,444,854,928	3.40
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

Source: Flagler County Property Appraiser, based on preliminary values provided by July 1 for 2005. Fiscal year 2006 forward is based on final taxable values provided in October of each year. Detailed breakdown of final taxable value for 2005 is not available from the Property Appraiser.

Note: The City of Palm Coast was incorporated on December 31, 1999. Property in the city is reassessed each year, and visited at least once every three 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
2005	2.9000	0.5000	3.40000	8.61200	5.39380	0.23500	0.46200	0.03850
2006	2.4000	1.0000	3.40000	8.33600	4.98380	0.18600	0.46200	0.03850
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

Source: Flagler County Tax Collector

Note: The City of Palm Coast was incorporated on December 31, 1999

- (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	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FLORIDA POWER & LIGHT COMPANY	\$ 64,485,522	1	1.75%	-	-	-
INLAND DIVERSIFIED PALM COAST	19,687,589	2	0.53%	-	-	-
FLORIDA LANDMARK COMMUNITIES	14,850,081	3	0.40%	-	-	-
INTEGRA WOODS LLC	14,406,194	4	0.39%	-	-	-
BELLSOUTH TELECOMMUNICATIONS	13,403,497	5	0.36%	-	-	-
BRIGHT HOUSE NETWORKS	11,684,924	6	0.32%	-	-	-
PALM COAST MEDICAL SPECIALISTS	10,585,106	7	0.29%	-	-	-
CELEBRITY RESORTS OF PALM COAST	10,346,400	8	0.28%	-	-	-
TARGET CORPORATION T-2364	10,190,158	9	0.28%	\$ 8,473,479	7	0.27%
WAL-MART STORES EAST LP	9,664,730	10	0.26%	9,089,406	5	0.29%
HARBOR CLUB OWNERS ASSOCIATION	-	-	-	16,579,324	1	0.54%
COMMONWEALTH PALM COAST CORP	-	-	-	13,087,141	2	0.42%
GRAND CLUB LLC THE	-	-	-	11,241,803	3	0.36%
WACHOVIA TRUST COMPANY	-	-	-	9,117,934	4	0.30%
CRESCENT RESOURCES INC	-	-	-	8,781,812	6	0.28%
INTERVEST CONSTRUCTION INC	-	-	-	7,361,708	8	0.24%
LONGVIEW VILLAGE	-	-	-	6,940,340	9	0.22%
HOME DEPOT USA INC	-	-	-	6,201,085	10	0.20%
	<u>\$ 179,304,201</u>		<u>4.86%</u>	<u>\$ 96,874,032</u>		<u>3.12%</u>

Source: Flagler County Property Appraiser

Note: The City of Palm Coast was incorporated on December 31, 1999. Information from years prior to 2005 is not available from the Flagler County Property Appraiser due to computer system limitations.

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
2005	\$ 10,565,776	\$ 10,211,826	96.65	\$ 29,558	\$ 10,241,384	96.93
2006	15,112,507	14,602,739	96.63	14,539	14,617,278	96.72
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	-	15,190,408	96.39

Source: Flagler County Property Appraiser

Note: The City of Palm Coast was incorporated on December 31, 1999.

(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

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)	
Fiscal Year	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&C Capital Leases						Personal Income (d)	Per Capita (d)
2005	\$ 27,033	\$ -	\$ 199,880	\$ -	\$ 92,801	\$ 96,650,000	\$ 8,415,152	\$ -	\$ -	\$ 105,384,866	\$ 3,094,404,215	3.41	\$ 2,139,000	58,216	4.93	\$ 1,810
2006	3,944	-	167,812	-	228,072	94,805,000	16,074,494	2,769,785	-	114,049,107	4,444,854,928	2.57	2,480,000	67,832	4.60	1,681
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	-	78,046	-	2,360

Note: The City of Palm Coast was incorporated on December 31, 1999. Details regarding the City's outstanding debt can be found in the notes to the financial statements. Population for calendar year 2000 is from the U.S. Census Bureau. Population estimates for calendar year 2001-2014 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 139 for personal income and population data. Personal income data is not available for 2014.

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
2005	\$ -	\$ -	\$ 3,094,404,215	-	58,216	-
2006	-	-	4,444,854,928	-	67,832	-
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	-

Note: The City of Palm Coast was incorporated on December 31, 1999. 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, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Flagler County General Obligation Bonds, Series 2005	\$ 26,990,000	59.53	\$ 16,067,087
Flagler County Capital Improvement Revenue Bonds, Series 2005	24,485,000	59.53	14,575,866
Flagler County Limited Tax General Obligation Bonds, Series 2005	1,875,000	59.53	1,116,183
Flagler County Limited Tax General Obligation Bonds, Series 2009	8,375,000	59.53	4,985,619
Flagler County Limited Tax General Obligation Bonds, Series 2010	4,425,000	59.53	2,634,193
Other debt			
Flagler County School Board District Certificates of Participation	65,875,000	52.43	34,541,304
Flagler County School Board District State School Bonds	1,490,000	52.43	781,276
Flagler County School Board District Revenue Bonds	1,955,000	52.43	1,025,097
Flagler County Notes Payable	7,646,347	59.53	4,551,853
Subtotal, overlapping debt			80,278,478
City Direct Debt			10,289,000
Total Direct and overlapping debt			<u><u>\$ 90,567,478</u></u>

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

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

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

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

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

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

Utility Revenue Bonds							
Fiscal Year	Utility Service Charges (1)	Less: Operating Expenses (2)	Rate Stabilization Transfers To/(From) (3)	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2005	\$ 21,744,036	\$ 11,451,648	\$ 3,300,000	\$ 6,992,388	\$ -	\$ 4,442,773	1.57
2006	26,593,042	14,152,222	4,000,000	8,440,820	1,845,000	4,405,873	1.35
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

Note: The City of Palm Coast was incorporated on December 31, 1999. 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
2004	50,484	1,817,308	26,632	8,464	5.60%
2005	58,216	2,139,000	28,393	9,626	5.10%
2006	67,832	2,480,000	30,140	10,973	4.40%
2007	70,376	2,731,000	30,973	12,800	4.20%
2008	74,590	2,878,868	30,746	12,738	6.50%
2009	73,910	2,832,191	30,912	13,082	11.80%
2010	75,180	3,071,000	32,009	12,832	15.70%
2011	75,617	3,229,939	33,170	13,100	14.10%
2012	76,450	3,516,641	35,753	12,768	12.10%
2013	77,068	3,673,655	36,753	12,733	10.20%

Sources: Population for calendar year 2000 from the U.S. Census Bureau. Population estimates for calendar year 2003-2012 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.

Note: The City of Palm Coast was incorporated on December 31, 1999.

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment (a)	Employees	Rank	Percentage of Total County Employment (a)
Flagler County Schools	1,741	1	5.27	1,200	1	5.53
Florida Hospital-Flagler	950	2	2.87	340	4	1.57
Palm Coast Data	721	3	2.18	1,032	2	4.75
Publix Supermarket	568	4	1.72	190	5	0.88
Hammock Beach Resort	467	5	1.41	-	-	-
Wal Mart Stores	463	6	1.40	350	3	1.61
Sea Ray Boats	440	7	1.33	-	-	-
City of Palm Coast	394	8	1.19	133	9	0.61
Flagler County	280	9	0.85	-	-	-
Flagler County Sheriff's Office	270	10	0.82	-	-	-
Winn-Dixie Stores	-	-	-	170	6	0.78
American Radionic Company, Inc.	-	-	-	137	7	0.63
Beverly Health & Rehabilitation	-	-	-	135	8	0.62
Ascom Energy Systems, Inc.	-	-	-	131	10	0.60
Total	6,294		19.04	3,818		17.58

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

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	2005	2006	2007	2008 (a)	2009	2010	2011 (b)	2012	2013	2014
General Government										
City Administration	4	4	4	22	22	15	15	15	13	15
Community Relations	3	4	4	-	-	-	-	-	-	-
City Attorney	-	-	1	1	1	1	1	1	1	1
City Clerk	3	4	5	-	-	-	1	1	2	2
Financial Services	15	15	17	14	9	8	8	8	8	8
Information Tech & Communications	7	12	14	15	15	12	-	-	-	-
Community Development	14	17	19	60	17	16	40	40	41	42
Building and Code Enforcement	55	54	51	-	45	41	-	-	-	-
Fire	37	44	46	58	67	66	62	62	59	59
Law Enforcement	-	1	1	1	1	-	-	-	-	-
Streets and Facilities	37	55	55	43	64	54	59	59	65	65
Engineering	-	6	7	18	17	9	7	7	6	6
Recreation and Athletics	23	32	40	31	27	19	19	19	20	20
Capital Projects	10	7	8	-	-	-	-	-	-	-
Water and Wastewater Utility (1)	81	101	112	106	116	113	115	115	118	118
Solid Waste	2	2	2	-	-	-	-	-	-	-
Stormwater Management (2)	16	17	20	16	30	37	30	30	30	30
Golf Course	-	-	-	1	-	-	-	-	-	-
Building Permits & Inspections	-	-	-	-	-	-	15	15	14	15
Information Tech & Communications	-	-	-	-	-	-	13	13	11	11
Tennis Center	-	-	-	3	3	3	-	-	-	-
Fleet Management	4	5	5	3	3	3	3	3	4	4
Total	311	380	411	392	437	397	388	388	392	396

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.

The City of Palm Coast was incorporated on December 31, 1999.

(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 & Inspections and Information Tech & Communications 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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
Building Permits Issued										
Residential	3,299	2,187	507	203	132	127	96	108	248	340
Commercial	130	56	83	100	17	26	15	12	145	370
Other	6,259	6,906	4,201	4,991	5,609	5,260	5,410	6,743	7,351	6,753
Total	9,688	9,149	4,791	5,294	5,758	5,413	5,521	6,863	7,744	7,463
Building Inspections	69,047	42,493	58,735	18,503	17,488	16,006	16,441	15,989	19,012	25,040
Code Violations										
Total Code Violations	14,528	15,743	14,775	19,789	18,775	23,749	21,261	23,201	22,287	19,123
Code Violations Cleared	7,756	9,820	12,226	14,335	13,028	16,500	19,995	22,907	20,671	18,516
Expenditures per Cleared Violation	\$111	\$119	\$168	\$140	\$143	\$125	\$ 105	\$ 143	\$ 104	\$ 118
Fire and Rescue										
Total Fire Calls	159	192	207	170	222	186	278	213	179	149
Total EMS Calls	3,050	2,419	3,311	4,501	4,860	5,404	5,300	5,365	5,503	5,760
% Responses under 5 Minutes	52%	52%	63.10%	61%	56%	61%	55%	56%	42%	41%
Public Works										
Refuse Collection (Annual Tons)	33,601	37,515	46,093	34,137	31,580	31,134	30,144	31,316	26,300	27,077
Recycle Collection (Annual Tons)	2,836	2,959	4,339	3,857	3,969	3,982	3,960	4,038	4,840	5,857
Street Rehabilitation (Expenditures per capita)	\$57	\$63	\$58	\$49	\$55	\$52	\$ 70	\$ 66	\$ 68	\$ 70
Potholes Repaired	404	790	1,790	1,210	350	86	24	36	65	61
Parks and Recreation										
Developed Park Acres/1000 population	3.43	4.02	4.52	3.53	4.41	5.05	4.84	4.60	4.52	6.82
Recreation Program Expenditures/1000 population	\$12,906	\$16,635	\$17,152	\$22,002	\$13,544	\$12,263	\$ 16,397	\$ 17,353	\$ 13,538	\$ 16,989
Total Recreation Revenues/1000 population	\$3,380	\$3,725	\$4,130	\$3,504	\$3,769	\$2,145	\$ 2,271	\$ 2,277	\$ 2,152	\$ 2,153
Engineering and Stormwater (1)										
Freshwater Canal Maintenance -										
100% Annual Service Required	-	60.20%	100%	100%	100%	100%	100%	100%	100%	100%
Existing Swale Service -										
2% of Existing Swales Regraded Annually	-	2.80%	2%	2%	2%	6%	7%	2%	8%	4%
Hazardous Drainage Conditions Resolved -										
100% Repaired in 24 Hours	-	-	85.70%	100%	100%	100%	100%	100%	100%	100%
Water (2)										
New Connections	3,745	3,751	1,603	1,599	481	201	229	114	163	481
Peak Daily Water Demand (Million gallons per day)	10.08	8.73	11.33	10.9	10.4	10.1	9.7	11.1	9.4	9.4
Wastewater (2)										
Peak Daily Wastewater Treated	7.07	7.63	6.38	10.62	6.9	11.8	6.83	6.83	6.83	6.83
(Million gallons per day)										

Sources: Various City departments

Notes: The City of Palm Coast was incorporated on December 31, 1999. Certain operating indicators for and prior to fiscal year 2006 are unavailable.

(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.

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fire and Rescue										
Stations	3	3	3	3	5	5	5	5	5	5
Apparatus	12	12	15	15	15	17	16	20	20	20
Public Works										
Streets (miles)	1,078	1,078	1,102	1,102	1,102	1,138	1,169	1,169	1,169	1,169
Traffic Signals	29	36	41	43	47	47	50	52	52	54
Fleet Size	153	238	241	301	283	246	242	235	235	241
Parks and Recreation										
Acreage	602	647	672	672	746	746	1,278	1,265	1,265	1,275
Playgrounds	4	6	6	6	7	7	7	8	8	8
Athletic Fields	14	14	16	16	22	19	20	20	20	22
Community Centers	1	1	1	1	1	1	1	1	1	1
Stormwater (1)										
Swales (miles)	1,000	1,000	1,000	1,200	1,200	1,200	1,100	1,100	1,100	1,200
Drainage ditches (miles)	150	150	150	150	150	150	154	154	154	154
Canals (miles)	80	80	80	80	80	80	84	84	84	84
Water control structures	19	19	19	19	19	19	31	31	31	31
Water (2)										
Water Mains (miles)	623	648	648	648	679	679	714	714	714	714
Fire Hydrants	3,058	3,455	3,455	3,455	3,717	3,772	3,772	3,784	3,784	3,780
Capacity (millions of gallons per day)	12.38	12.38	12.38	12.38	15.38	15.38	15.38	15.38	15.38	15.38
Wastewater (2)										
Sewers (miles)	475	560	560	560	613	613	613	620	620	622
Treatment Capacity (millions of gallons per day)	4.55	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83

Sources: Various City departments

Notes: The City of Palm Coast was incorporated on December 31, 1999.

(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, 2014, 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 January 30, 2015.

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 over financial reporting.

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.

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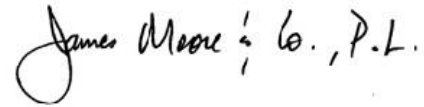
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Palm Coast, Florida's financial statements are free of 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, flowing style.

Daytona Beach, Florida
January 30, 2015

**CITY OF PALM COAST, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<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-11-MN-12-0034	\$ 1,375,071	\$ 508,511
Community Development Block Grants	14.218	B-12-MC-12-0060	331,338	287,253
				<u>795,764</u>
Passed Through Florida Department of Economic Opportunity:				
Community Development Block Grants	14.228	11DB-T3-04-28-02-H18	750,000	373,259
Total U.S. Department of Housing and Urban Development				<u>1,169,023</u>
Total Expenditures of Federal Awards				<u><u>\$ 1,169,023</u></u>

CITY OF PALM COAST, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes federal awards activity of the City of Palm Coast, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF PALM COAST, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditors' Results:

Financial Statements:

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

Internal control over financial reporting:

- There were no significant deficiencies or material weaknesses related to internal control over financial reporting disclosed by the audit of the basic financial statements.
- There were no instances of noncompliance material to the financial statements of the City of Palm Coast, Florida disclosed during the audit.

Federal Awards:

Internal control over major federal programs:

- There were no significant deficiencies or material weaknesses related to internal control over major federal programs disclosed by the audit.
- Type of report issued on compliance for each major program: *Unmodified.*
- The audit did not disclose any audit findings, which are required to be reported under OMB Circular A-133.
- Major program identification:
 - CFDA No. 14.228 – U.S. Department of Housing and Urban Development, Community Development Block Grants
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City of Palm Coast, Florida is considered to be a low-risk auditee.

B. Financial Statement Findings: None

C. Federal Award Findings and Questioned Costs: None

D. Prior Audit Findings: None

E. Corrective Action Plan: No corrective action plan as there were no findings for the year ended September 30, 2014.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

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 Circular A-133 *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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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, 2014.

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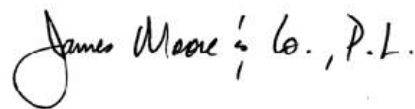
Report on Internal Control over Compliance

Management of the City of Palm Coast, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida
January 30, 2015

**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, 2014, and have issued our report thereon dated January 30, 2015.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; 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 January 30, 2015, 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 except as follows:

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2012-001 Deficit Net Position and Negative Fund Balances (Modified Amounts)

In connection with our audit, we determined the City met the condition described in Section 218.39(5)(b), Florida Statutes; and therefore, we are required to notify each member of the governing body. The City reported a deficit unrestricted net position of \$2,762 in its tennis center fund, and negative fund balances of \$1,440,993 and \$4,774,573 in its transportation impact fee and OKR special assessment funds, respectively, as of September 30, 2014. However, the City had unrestricted net position and unassigned fund balances in other funds that can be used by the funds with deficits to cover the reported deficits and would not impair the City's ability to carry out its functions.

In addition, finding 2012-001, listed above, was included in the second preceding fiscal year financial audit report under the same paragraph heading.

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, 2014.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we 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

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we 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, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

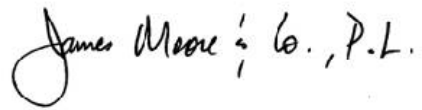
Other Matters

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, flowing style.

Daytona Beach, Florida
January 30 2015

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

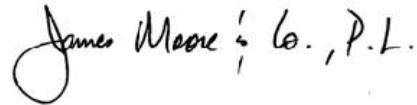
To the Honorable Mayor, City Council, and City Manager,
City of Palm Coast, Florida:

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, 2014. 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, 2014.

Daytona Beach, Florida
January 30, 2015



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FINANCIAL SERVICES DEPARTMENT

RESPONSE TO INTERNAL CONTROL AND MANAGEMENT COMMENTS

Honorable Mayor and City Council Members:

The Financial Services Department would like to provide a response to the management comments and recommendations submitted by the audit firm of James Moore & Co., P.L. for the current year.

1. Deficit Net Position and Negative Fund Balances

The deficit unrestricted net assets in the tennis center fund of \$2,762 will be rectified through a transfer of these operations from an enterprise fund to the general fund in fiscal year 2015. The negative fund balance in the OKR special assessment is the result of capital spending in advance of related revenues, and will be satisfied as those revenues become available through annual special assessments. The negative fund balance in the transportation impact fee fund will be corrected as part of a budgeted multi-year plan that commenced in fiscal year 2014. The negative fund balance decreased \$985,072 for the year.

Christopher M. Quinn, MACC, CPA, CFE, CGFO, CGMA


Finance Director
January 30, 2015



AFFIDAVIT OF IMPACT FEE COMPLIANCE

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



Jim Landon, City Manager


Christopher Quinn, Finance Director

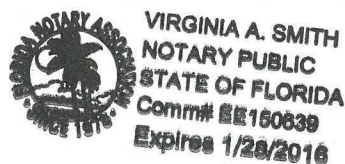
STATE OF FLORIDA
COUNTY OF FLAGLER

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Jim Landon and Christopher Quinn, whom I know personally 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 22nd day of January 2015.


Notary Public
State of Florida at Large

(Seal/Stamp)
(Commission Expiration Date)





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