CITY OF PALM COAST, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2002

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
- Organization 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, 2002

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LETTER OF TRANSMITTAL

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December 27, 2002

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. 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 McDirmit Davis Puckett & Company, LLC, 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, 2002, 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.

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, mostly east of U.S. Route 1 and north of State Road 100. The community straddles Interstate Highway 95 and extends almost to the Intercoastal Waterway on the eastern side of the City.

Developed by ITT Corporation, in 1969, the original development plan encompassed 48,000 home sites on approximately 42,000 acres (65.62 square miles) of the 68,000 acres owned by ITT. Paved street 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 Palm Coast Service District, including 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 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 38,348 residents and covers an area of approximately 50 square miles. For fiscal year 2003, property within the City has a taxable value of $1,983,740,628, an increase of almost 12 percent. The City's property tax rate for fiscal year 2003 is $3.40 per $1,000 of taxable value.

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

Economic Outlook

The City is pursuing commercial and industrial development within its corporate limits. The "Town Center" development is waiting for approval at this time. This development will cover approximately 1,500 acres and will include a downtown commercial area, industrial sites, and multi-family residential housing. An area of approximately 4,000 acres west of the city limits is proposed for annexation. This annexation would provide property for commercial development along US Highway 1 and would also provide space for industrial development and single and multi-family housing. The European Village is a smaller development that will also combine commercial and residential development. On January 1, 2002 only about half of the available commercial and industrial parcels within the city had been developed.

Palm Coast and Flagler County continues to be one of the fastest growing areas in the country. The City issued an average of 160 single-family residential building permits during fiscal year 2002. During the first two months of fiscal year 2003 that number has been over 250 per month. There are currently over 30,000 platted, undeveloped, single-family residential lots within the city.

Future Programs

The City of Palm Coast is currently in the process of developing its Comprehensive Plan. Completion of the plan is expected in the next few months. The Comprehensive Plan will provide a guide for the future development of the city and assist the administration and elected officials in determining areas of need.

Some needs are already being addressed. A third fire station will be under construction soon and should be completed about mid-summer. Plans are also underway to relocate the main fire station further south in order to provide better service to the southern portion of the city. A conceptual city hall plan has been completed and possible city hall sites are now being evaluated.

Phase one of a stormwater facilities plan has been completed and funding options are under consideration. Fiscal year 2002 saw several major pipe failures in the system and more are anticipated in 2003. Phase one of the plan is designed to address the immediate needs in the system.

Design work is in progress for North Belle Terre Park. This park is expected to eventually include several competition soccer fields and a baseball/softball complex. Construction would be done in two phases with phase one starting late this year or early next year. Other possible future park sites are being evaluated for acquisition. The City has completed the acquisition of environmentally sensitive land within the Palm Coast Parkway corridor. This land will be preserved and developed only for passive uses such as a nature trail.

The citizens of Palm Coast and Flagler County approved a half-cent Local Government Infrastructure Surtax in September 2002. This money can only be used for capital expenditures. The City of Palm Coast has committed to use this money to resurface at least fifty (50) miles of streets each year. This would complete all of the streets in Palm Coast within the next ten (10) years.

Finally, the City is continuing to pursue the purchase of the water and sewer utility system from Florida Water Services, Inc. Florida Water has signed a contract with another entity to sell the utility system. Palm Coast, as well as other affected governments, has taken legal action to stop this sale. Regardless of the outcome the City may have to consider various options for acquisition of the utility system.

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, 2001. This was the first year that the government 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.

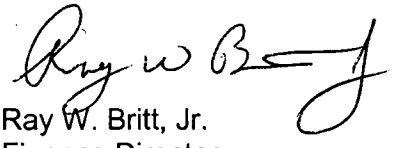
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department. 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,

Richard M. Kelton
City Manager



Ray W. Britt, Jr.
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

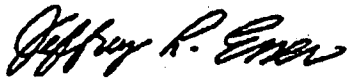
Presented to

City of Palm Coast, Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President



Executive Director

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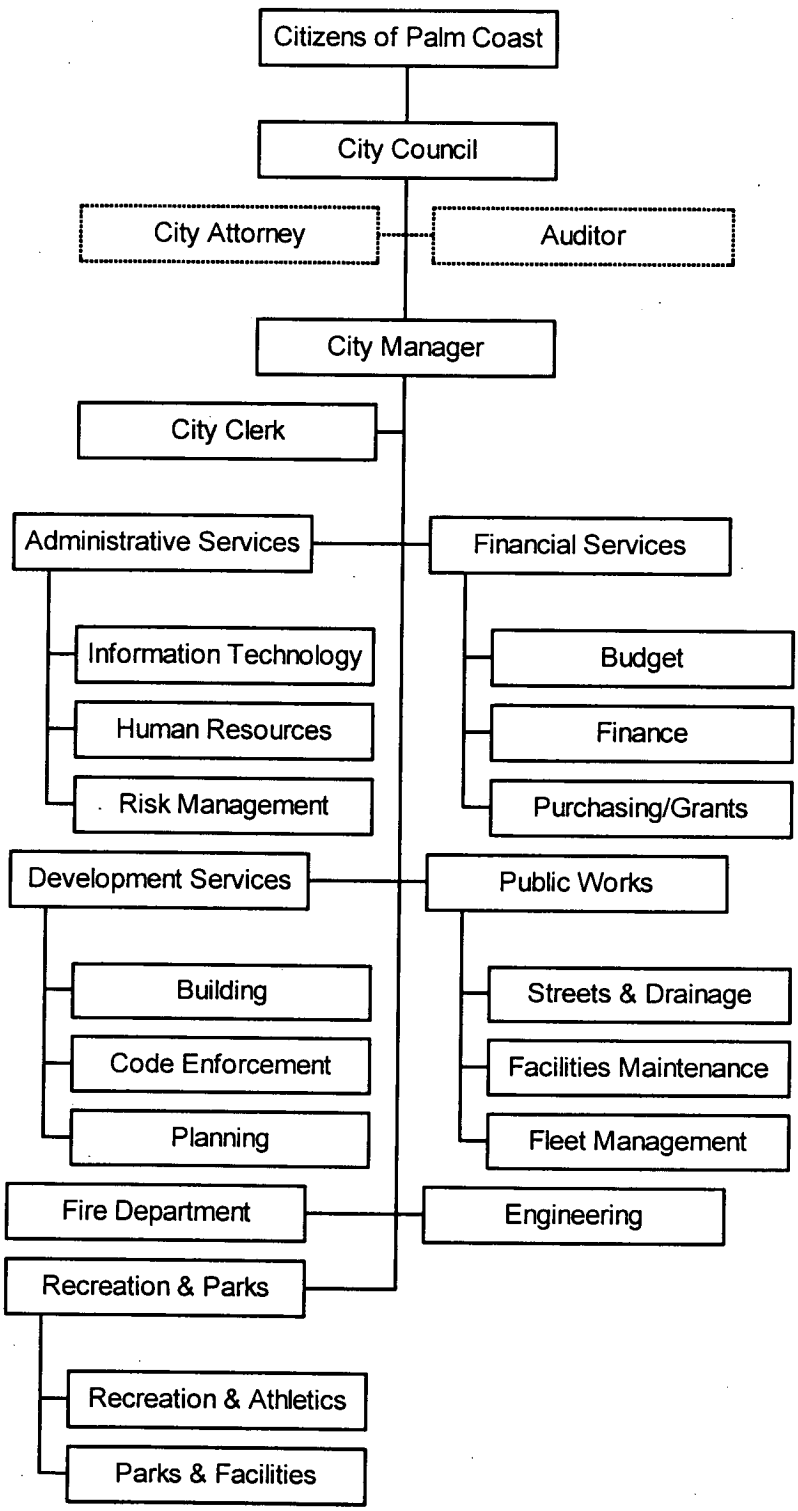
CITY OF PALM COAST, FLORIDA
ORGANIZATIONAL CHART



CITY OF PALM COAST, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2002

ELECTED OFFICIALS

Mayor	Honorable Jim Canfield
City Council Members:	Bill Venne Jon Netts Tom Lawrence Ralph Carter

CITY OFFICIALS

City Manager	Richard M. Kelton
City Attorney	William L. Colbert
City Auditor	McDirmit Davis Puckett & Company, LLC
Finance Director	Ray W. Britt, Jr.

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 AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Palm Coast, Florida

We have audited the accompanying financial statements of the governmental 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, 2002 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the *City of Palm Coast, Florida*, as of September 30, 2002, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 14, 2002 on our consideration of the *City of Palm Coast, Florida*'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information, and the modified approach information on pages 9 through 15 and 46 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MDPCPA.COM

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Palm Coast's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and schedule of expenditures of state financial assistance 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 and schedules, and schedule of expenditures of state financial assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McDirmit Davis Puckett & Company, LLC

McDIRMIT DAVIS PUCKETT, & COMPANY, LLC

November 14, 2002

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Palm Coast'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 year 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 at the close of fiscal year 2002 by $180,251,541. Of this amount, $13,008,730 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by $168,104,967. Most of the increase was attributable to land and infrastructure contributions from Flagler County.
- The City Of Palm Coast's total debt increased by $1,073,852 during the current fiscal year. Loans for the purchase of environmental lands were the primary reason for the increase.

Overview of the Financial Statements

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
    - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in single columns in the basic financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating.

- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

Since the City of Palm Coast has no business-type activities such as water and sewer systems, the government-wide financial statements include only governmental activities. Most of the City's basic services are included here, such as law enforcement, fire, public works, parks, and general administration. Property taxes and intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by Florida Statute or other regulations. The City only has governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

Financial Analysis of the City as a Whole

As noted earlier, net assets 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 by $180,251,541 at the close of the most recent fiscal year.

Of the net assets, 7 percent falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Investment in capital assets makes up 93 percent of the City of Palm Coast's net assets. 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.

Table I
City of Palm Coast's Statement of Net Assets

	Governmental Activities	
	2002	2001
Current and other assets	$ 15,155,934	$ 8,946,724
Capital assets	169,790,535	6,445,949
Total assets	184,946,469	15,392,673
Long-term liabilities	3,073,606	1,999,754
Other liabilities	1,621,322	1,246,344
Total liabilities	4,694,928	3,246,098
Net assets:		
Invested in capital assets, net of related debt	167,192,568	4,763,505
Restricted	54,489	27,338
Unrestricted	13,004,484	7,355,732
Total net assets	$ 180,251,541	$ 12,146,575

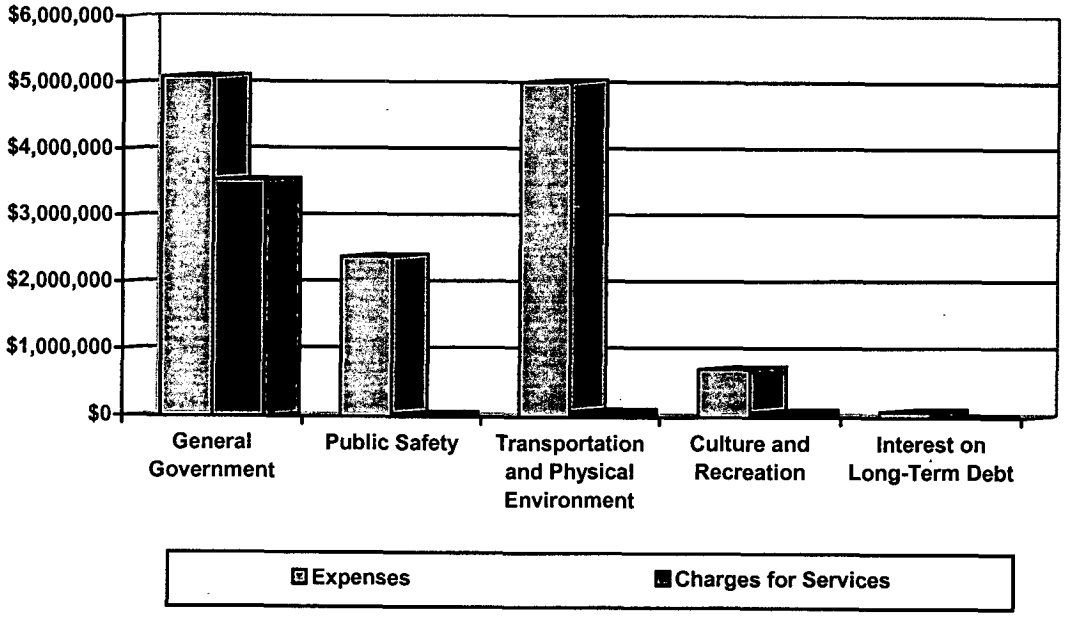
Governmental Activities

The City's net assets increased by $168,104,967 during the current fiscal year. While the City had assumed the maintenance of streets from the County in the previous year, ownership of the streets was not transferred until October 1, 2001. The City received $156,393,098 in assets from the County in fiscal year 2002. This was made up primarily land, streets, and bridges. Of the remaining $11,711,869, approximately 53 percent of the increase was the result of excess revenues over expenditures. The other 47 percent was an increase in net capital assets.

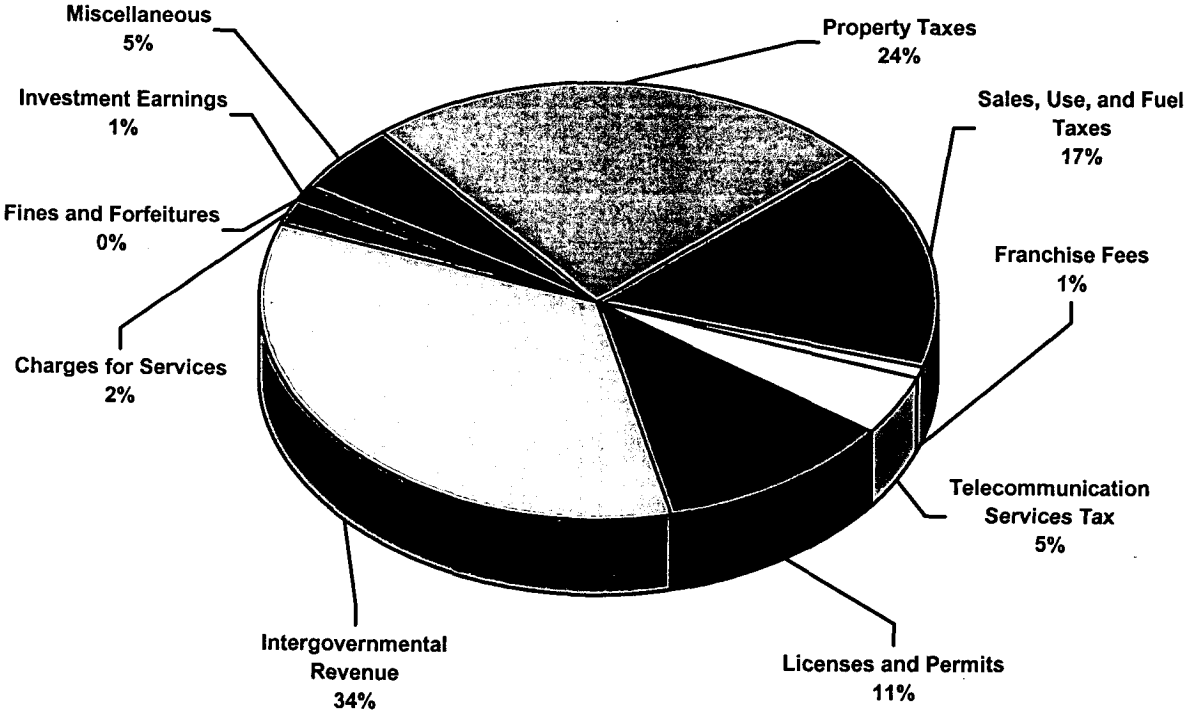
Table II
City of Palm Coast's Changes in Net Assets

	Governmental Activities	
	2002	2001
Revenues:		
Program revenues:		
Charges for services	$ 3,411,386	$ 2,306,181
Operating grants	3,600	4,660
Capital grants	5,032,608	
General revenues:		
Property taxes	5,981,826	4,882,939
Other taxes	5,377,374	174,310
Intergovernmental	3,319,553	8,869,143
Contributed property and equipment	156,393,098	2,015,508
Other	1,523,164	558,020
Total revenues	181,042,609	18,810,761
Expenses:		
General government	4,735,135	3,998,319
Public safety	2,391,106	2,229,349
Physical environment	5,003,610	1,617,073
Economic environment	-	5,092
Culture & recreation	723,718	442,020
Interest on long-term debt	84,073	10,296
Total expenses	12,937,642	8,302,149
Increase in net assets	168,104,967	10,508,612
Net assets - beginning	12,146,574	1,637,962
Net assets - ending	$ 180,251,541	$ 12,146,574

Expenses and Charges for Services



Revenues by Source



Financial Analysis of the Government's Funds

Since the City of Palm Coast does not have any business-type activities, citywide financial statements are made up of only governmental activities. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance in the general fund was $2,763,569. The total fund balance stood at $3,610,836. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and total fund balance to fund expenditures. Unreserved fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 29 percent of that same amount.

The fund balance of the City of Palm Coast's general fund increased by $661,020 during the current fiscal year. Key factors in this growth are as follows:

- Tax revenue increased by $3.3 million. The new telecommunication services tax accounted for $1.1 million of the increase. This is an ongoing revenue source.
- License and permit revenue increased by $1.1 million. Most of this increase was generated from the issuance of building permits.

The capital projects fund has a total fund balance of $7,763,079, an increase of $3,516,214. The other governmental funds have a total fund balance $1,965,980. This was increase of $1,628,402 during the current fiscal year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled $948,000. Building inspection costs were higher than expected due the increase in building activity. This additional cost was covered by increases in permit revenue. Other major budget increases were for street and stormwater facility repairs. These were covered by increases in intergovernmental revenue and contingency funds.

Capital Asset and Debt Administration

Capital assets. The City of Palm Coast's investment in capital assets as of September 30, 2002, amounts to $169,790,535 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. This is an increase of $162,951,025 for the current fiscal year. The City received $156,393,098 worth of land, streets, and bridges from the County. The City also purchased land for an additional $4,535,756.

The City uses the modified approach to account for infrastructure assets. This includes streets and the associated bridges. Currently 79 percent of the streets in Palm Coast are considered to be in good or better condition. The City is in the process of establishing target condition levels for the maintenance of streets and bridges.

Table III
City of Palm Coast's Capital Assets

	Governmental Activities	
	2002	2001
Land	$ 27,564,331	$ 4,224,510
Buildings and improvements other than buildings	138,186,852	1,316,302
Equipment	3,044,892	905,137
Construction in progress	994,460	-
Total	$ 169,790,535	$ 6,445,949

Additional information on the City of Palm Coast's capital assets can be found in note 6 on page 40 of this report.

Long-term debt. The City of Palm Coast borrowed an additional $915,000 during the year to purchase environmental land. This brings the total loan for the purchase of environmental land to $2,520,000. This loan is to be repaid with the proceeds of a grant from the State. The City also has a CDBG loan with a balance of $291,067. The remainder of the long-term debt is made up of capital leases and compensated absences. The total long-term debt of the City is $3,073,606.

Next Year's Budget and Rates

During the current fiscal year, unreserved fund balance in the General Fund increased to $2,763,569 plus an additional $569,429 reserved for encumbrances. The City of Palm Coast has appropriated $1,100,000 of the unreserved fund balance for spending in the 2003 fiscal year budget. After encumbrance and project carryovers, the available fund balance, as a percentage of prior year expenditures and transfers out is 12 percent.

The City Council approved a millage rate of 3.4 mills for fiscal year 2003. This is a reduction of 0.1 mills from the fiscal year 2002 rate.

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 Department
264 Palm Coast Parkway, N.E.
Palm Coast, FL 32137-8217

Or

Telephone (386) 447-4255 ext. 201
Fax (386) 446-7648
E-mail rbritt@ci.palm-coast.fl.us

BASIC FINANCIAL STATEMENTS

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City of Palm Coast, Florida
Statement of Net Assets
September 30, 2002

	Governmental Activities
ASSETS	
Equity in pooled cash and investments	$ 9,296,815
Receivables - net	306,916
Due from other governments	5,543,255
Prepaids	2,470
Unamortized debt issuance costs	6,478
Capital assets:	
Land	27,564,331
Buildings and improvements other than buildings	138,267,234
Equipment	3,451,410
Accumulated depreciation	(486,900)
Construction in progress	994,460
Total assets	184,946,469
LIABILITIES	
Accounts payable and other current liabilities	1,102,962
Due to other governments	466,263
Customer deposits	51,540
Deferred revenue	557
Noncurrent liabilities:	
Due within one year	201,711
Due in more than one year	2,871,895
Total liabilities	4,694,928
NET ASSETS	
Invested in capital assets, net of related debt	167,192,568
Restricted for:	
Specific capital projects	17,538
Unrestricted	13,041,435
Total net assets	$ 180,251,541

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

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City of Palm Coast, Florida
Statement of Activities
For the Year Ended September 30, 2002

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 4,735,135	$ 3,197,287	$ -	$ 40,000	$ (1,497,848)
Public safety	2,391,106	56,640	3,600	-	(2,330,866)
Transportation and physical environment	5,003,610	82,915	-	4,992,608	71,913
Culture and recreation	723,718	74,544	-	-	(649,174)
Interest on long-term debt	84,073	-	-	-	(84,073)
Total governmental activities	$ 12,937,642	$ 3,411,386	$ 3,600	$ 5,032,608	(4,490,048)
General revenues:					
Property taxes					5,981,826
Sales, use, and fuel taxes					4,066,291
Franchise fees					203,115
Telecommunication services tax					1,107,968
Intergovernmental revenue					3,319,553
Unrestricted investment earnings					176,256
Miscellaneous					1,346,908
Capital contributions not restricted to specific programs					156,393,098
Total general revenues					172,595,015
Change in net assets					168,104,967
Net assets - beginning					12,146,574
Net assets - ending					$ 180,251,541

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

City of Palm Coast, Florida
Balance Sheet
Governmental Funds
September 30, 2002

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Equity in pooled cash and investments	$ 4,383,477	$ 2,718,162	$ 1,980,842	$ 9,082,481
Accounts receivable - net	17,143	-	-	17,143
Notes receivable - current	28,448	-	-	28,448
Due from other governments	342,792	5,200,463	-	5,543,255
Notes receivable - noncurrent	260,300	-	-	260,300
Other assets	2,470	-	-	2,470
Total assets	$ 5,034,630	$ 7,918,625	$ 1,980,842	$ 14,934,097
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 638,710	$ 155,546	$ 14,862	$ 809,118
Accrued liabilities	266,724	-	-	266,724
Due to other governments	466,263	-	-	466,263
Customer deposits	51,540	-	-	51,540
Deferred revenue	557	-	-	557
Total liabilities	1,423,794	155,546	14,862	1,594,202
Fund balances:				
Reserved for:				
Encumbrances	569,429	891,659	16,885	1,477,973
Specific capital projects	17,538	-	-	17,538
Notes receivable - noncurrent	260,300	-	-	260,300
Unreserved, reported in:				
General fund	2,763,569	-	-	2,763,569
Special revenue funds	-	-	1,949,095	1,949,095
Capital projects funds	-	6,871,420	-	6,871,420
Total fund balances	3,610,836	7,763,079	1,965,980	13,339,895
Total liabilities and fund balances	$ 5,034,630	$ 7,918,625	$ 1,980,842	$ 14,934,097

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

City of Palm Coast, Florida
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2002

Fund balances - total governmental funds	$	13,339,895
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		169,396,975
Internal services funds are used by management to charge the costs of data processing, insurance, fleet lease and maintenance, building maintenance, and internal loans to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		580,626
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(3,065,955)
Net assets of governmental activities	$	180,251,541

City of Palm Coast, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2002

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 8,391,748	$ 2,967,452	$ -	$ 11,359,200
Licenses and permits	2,790,824	-	-	2,790,824
Intergovernmental revenue	2,234,698	5,892,608	228,455	8,355,761
Charges for services	461,819	-	16,752	478,571
Fines and forfeitures	71,297	-	19,498	90,795
Investment earnings	108,604	53,660	11,522	173,786
Miscellaneous	22,960	-	1,293,995	1,316,955
Total revenues	14,081,950	8,913,720	1,570,222	24,565,892
EXPENDITURES				
Current:				
General government	4,707,342	-	4,195	4,711,537
Public safety	2,288,508	-	-	2,288,508
Transportation and physical environment	3,359,335	1,504,272	6,010	4,869,617
Culture and recreation	475,316	-	237,000	712,316
Capital improvements	1,501,273	5,334,628	4,615	6,840,516
Debt service:				
Principal	64,999	-	-	64,999
Interest and Other	20,251	63,822	-	84,073
Total expenditures	12,417,024	6,902,722	251,820	19,571,566
Excess of revenues over (under) expenditures	1,664,926	2,010,998	1,318,402	4,994,326
OTHER FINANCING SOURCES AND (USES)				
Operating transfers in	-	590,216	310,000	900,216
Operating transfers out	(1,043,185)	-	-	(1,043,185)
Loan and capital lease proceeds	39,279	915,000	-	954,279
Total other financing sources (uses)	(1,003,906)	1,505,216	310,000	811,310
Net change in fund balances	661,020	3,516,214	1,628,402	5,805,636
Fund balances - beginning	2,949,816	4,246,865	337,578	7,534,259
Fund balances - ending	$ 3,610,836	$ 7,763,079	$ 1,965,980	$ 13,339,895

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
Governmental Funds
For the Year Ended September 30, 2002

Net change in fund balances - total governmental funds		$ 5,805,636
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	6,840,516	
Less current year depreciation	(277,451)	6,563,065
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Contributed property and equipment		156,393,098
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 assets. Also, the governmental funds report the effect of issuance costs when debt is first issued, whereas 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.		(887,464)
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.		(122,321)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		352,953
Change in net assets of governmental activities.		$ 168,104,967

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City of Palm Coast, Florida
Statement of Net Assets
Proprietary Fund
September 30, 2002

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets:	
Equity in pooled cash and investments	$ 214,334
Miscellaneous receivables	1,025
Total current assets	215,359
Noncurrent assets:	
Equipment	415,931
Less accumulated depreciation	(22,371)
Total capital assets (net of accumulated depreciation)	393,560
Total assets	608,919
LIABILITIES	
Current liabilities:	
Accounts payable	27,120
Compensated absences	834
Total current liabilities	27,954
Noncurrent liabilities:	
Compensated absences	339
Total liabilities	28,293
NET ASSETS	
Invested in capital assets, net of related debt	393,560
Unrestricted	187,066
Total net assets	$ 580,626

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

City of Palm Coast, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended September 30, 2002

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	$ 475,404
Total operating revenues	475,404
Operating expenses:	
Administrative	263,857
Depreciation	22,371
Total operating expenses	286,228
Operating income (loss)	189,176
Nonoperating revenues:	
Investment revenue	2,470
Gain (loss) on disposal of fixed assets	18,338
Total nonoperating revenues	20,808
Income (loss) before operating transfers	209,984
Operating transfers in	142,969
Change in net assets	352,953
Total net assets - beginning	227,673
Total net assets - ending	$ 580,626

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

City of Palm Coast, Florida
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2002

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from governmental customers	$ 474,379
Cash payments for goods and services	(214,418)
Cash payments to employees	(21,146)
Net cash provided (used) by operating activities	238,815
Cash flow from noncapital financing activities	
Transfer from other funds	142,969
Net cash provided by noncapital activities	142,969
Cash flow from capital and related financing activities	
Proceeds from sale of fixed assets	18,338
Acquisition and construction of property, plant and equipment	(415,931)
Net cash provided (used) by capital and related financing activities	(397,593)
Cash flow from investing activities	
Interest on investments	2,470
Net cash provided by investing activities	2,470
Net decrease in cash and cash equivalents	(13,339)
Beginning cash and cash equivalents	227,673
Ending cash and cash equivalents	$ 214,334
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 189,176
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	22,371
Change in assets and liabilities	
Accounts receivables	(1,025)
Accounts payable	27,120
Accrued liabilities	1,173
Net cash provided by operating activities	$ 238,815

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

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NOTES TO FINANCIAL STATEMENTS

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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 and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these 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 for support.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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.

Additionally, the government reports the following fund types:

Internal service fund accounts for fleet management services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Deposits and Investments

The City's cash and cash equivalents is cash on hand, demand deposits and short-term investments with original maturities of three months or less form the date of the acquisition. Investments are reported at fair value.

Receivables

Receivables consist primarily of amounts due from other governments. All receivables are deemed collectible, and no allowance for uncollectible accounts is considered necessary.

Capital Assets

Capital assets are defined by the City as property and equipment with an initial, individual cost of more than $750 and an estimated useful life in excess of one year. 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.

The City has elected the modified approach from Governmental Accounting Standards Board Statement Number 34. Using this method, infrastructure assets are recorded at cost or estimated cost but are not depreciated. The cost of maintaining the asset at the targeted condition level is expensed each year instead of recording depreciation on the asset. Depreciation on all other assets is provided on the straight-line basis over the following estimated useful lives:

	Years
Buildings	20 - 40
Improvements other than buildings	7 - 30
Equipment	5 - 20

Note 1 – Summary of Significant Accounting Policies (Continued)

Interfund Transactions

Interfund transactions reflect 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.

Compensated Absences

Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. 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, as long as they are not dismissed with cause or fail to meet the 10 day notice requirement for voluntary resignations.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are deferred in the funds." The details of this $169,396,975 difference are as follows:

Capital assets	$ 168,867,044
Less: Accumulated Depreciation	(464,529)
Construction in progress	994,460
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$ 169,396,975

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

A second 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 $3,065,955 difference are as follows:

Loans payable	$	2,811,067
Less: Issuance cost to be amortized over the life of the debt		(6,478)
Capital leases payable		77,967
Compensated absences		183,399
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	3,065,955

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 assets 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 assets. Also, the governmental funds report the effect of issuance costs when debt is first issued, whereas amounts are deferred and amortized in the statement of activities." The details of this $887,464 difference are as follows:

Debt issued or incurred:		
Loan	$	(915,000)
Less: Issuance costs		3,316
Capital lease financing		(39,279)
Debt repayments:		
Loan		27,243
Capital lease		37,756
Amortization of issuance costs		(1,500)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(887,464)

A second element of that reconciliation states that "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." The details of this $122,321 difference are as follows:

Compensated absences	$	(117,184)
Disposal of capital assets		(5,137)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(122,321)

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.

Excess of Expenditures Over Appropriations
For the year ended September 30, 2002 no departments exceeded appropriations.

Appropriations in Excess of Funds Available
Appropriations for the Police Education Fund were in excess of anticipated revenue and prior year's fund balance.

Budgetary Information
The City follows these procedures in adopting the budget:

1. On or before the 30th day of September of each year, the City Council by resolution adopts an annual budget for all funds, after public hearings are conducted to obtain taxpayer comments.

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

3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.

4. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is not employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and are reappropriated in the ensuing year.

5. The budget includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operations on a GAAP basis do no recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures.

Note 4 – Deposits and Investments

Deposits

At year-end, the carrying amount of the City's deposits was $4,267,236 and the bank balance was $4,094,200. 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 $200 in petty cash.

Investments

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

1. The Local Government Surplus Funds Trust Fund
2. SEC registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.

At September 30, 2002, the City had no investments that were required to be categorized as to level of risk. The City had a $5,029,579 investment in the State Board of Administration Pooled Cash.

Note 5 – Receivables

Receivables consist of the following at September 30, 2002:

	General Fund	Fleet Management Fund	Totals
Accounts receivable	$ 17,143	$ 1,025	$ 18,168
Notes receivable - current	28,448		28,448
Notes receivable - noncurrent	260,300		260,300
	$ 305,891	$ 1,025	$ 306,916

Notes receivable, both current and noncurrent, is a loan to Flamingo Development of Flagler, Inc. The City received a Community Development Block Grant loan for the same amount. The amount owed by the City is included in general long-term debt.

Note 6 – Capital Assets

Capital asset activity for the year ended September 30, 2002 was as follows:

	Balance 09/30/01	Additions	Deletions	Balance 09/30/01
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 4,224,510	$ 23,339,821	$ -	$ 27,564,331
Construction in progress	-	994,460	-	994,460
Infrastructure	-	136,908,974	-	136,908,974
Total capital assets, not being depreciated	4,224,510	161,243,255	-	165,467,765
Capital assets, being depreciated				
Buildings and improvements other than buildings	1,358,260	-	-	1,358,260
Equipment	1,052,728	2,406,290	(7,608)	3,451,410
Total capital assets, being depreciated	2,410,988	2,406,290	(7,608)	4,809,670
Less accumulated depreciated for:				
Buildings and improvements other than buildings	(41,958)	(38,424)	-	(80,382)
Equipment	(147,591)	(261,398)	2,471	(406,518)
Total accumulated depreciation	(189,549)	(299,822)	2,471	(486,900)
Total capital assets, being depreciated, net	2,221,439	2,106,468	(5,137)	4,322,770
Governmental activities capital assets, net	$ 6,445,949	$ 163,349,723	$ (5,137)	$ 169,790,535

Land, totaling $18,803,864 and infrastructure and improvements other than buildings, totaling $137,589,234 were contributed to the City during the year ended September 30, 2002.

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

Governmental activities:	
General government	$ 50,116
Public safety	82,570
Public works	142,771
Culture and recreation	1,994
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	22,371
Total depreciation expense - governmental activities	$ 299,822

Note 7 – Interfund Transfers

Transfers from the General Fund are generally made to establish reserves for future capital expenditures and possible emergency related expenditures.

	Transfer In:			
Transfer Out:	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
General Fund	$ 590,216	$ 310,000	$ 142,969	$ 1,043,185

Note 8 – Leases

Operating Leases:

Total rental expense from operating leases in the various funds is as follows:

General Fund	$ 29,030

Capital Leases:

The City has entered into a lease agreement for financing the acquisition of computer equipment. This lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the date on inception. Assets recorded under capital lease and the accumulated amortization is as follows:

Computer equipment	$ 134,701
Less: Accumulated amortization	(35,141)
	$ 99,560

Amortization of equipment leased under capital lease is included in the general government function.

Note 8 – Leases (Continued)

The following is a schedule by years of future minimum lease payments under capital lease, together with the present value of the net minimum lease payments as of September 30:

Year Ending September 30	
2003	$ 51,411
2004	27,862
2005	5,641
Total minimum lease payments	84,914
Less amount representing interest	(6,947)
Present value of minimum lease payments	$ 77,967

The current and long-term obligation under capital lease is $46,454 and $31,513, respectively.

Note 9 – Long-Term Debt

Local Government Pooled Loan

During 2001, the City Council of Palm Coast authorized the borrowing of up to $4,400,000 from the Florida Local Government Finance Commission to finance environmentally sensitive lands under the Palm Coast Parkway Corridor Land Acquisition Program. At September 30, 2002, the City had borrowed $2,520,000 under the loan agreement. The entire principal amount is due December 5, 2006. The interest rate on the loan varies, but was 1.41% at September 30, 2002.

Annual debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest
2003	$ -	$ 35,532
2004	-	35,532
2005	-	35,532
2006	-	35,532
2007	2,520,000	35,532
	$ 2,520,000	$ 177,660

Note 9 – Long-Term Debt (Continued)

CDBG Loan

During the fiscal year ended September 30, 2000, the City of Palm Coast entered into an agreement with Florida Department of Community affairs (DCA). DCA agreed to lend $324,953 to the City who then entered into an agreement to lend the same amount to a private company who agreed to construct and operate a day care center.

This loan is payable to DCA at $3,290 per month at 4% interest through May 14, 2011. The same terms apply to the note receivable from the day care center.

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

Year Ending September 30	Principal	Interest
2003	$ 30,768	$ 11,032
2004	29,607	9,873
2005	30,813	8,667
2006	32,068	7,412
2007	33,375	6,105
2008 - 2011	134,436	10,323
	$ 291,067	$ 53,412

Changes in long-term debt

During the year ended September 30, 2002, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Local Government Pooled Loan	$ 1,605,000	$ 915,000	$ -	$ 2,520,000	$ -
CDBG Loan	318,310	-	(27,243)	291,067	30,768
Capital leases	76,444	39,279	(37,756)	77,967	46,454
Compensated Absences	66,216	118,356	-	184,572	124,489
Long-term debt	$ 2,065,970	$ 1,072,635	$ (64,999)	$ 3,073,606	$ 201,711

Note 10 – 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. Under this plan, the City contributes a certain percentage of employees' eligible wages determined by City Council. Employees do not participate in the plan funding. For the period ended September 30, 2002, contribution to this plan totaled $174,160.

Florida Retirement System – Former Flagler County and Palm Coast Service District employees hired as transfers during the 1999-2000 or 2000-2001 fiscal year have a one-time option to remain a member of the Florida State Retirement System (FRS). No employees for FYE 1999-2000 elected to be part of FRS. However, during 2001 there were former Palm Coast Service District employees hired who did elect to remain in FRS.

The Retirement System is a cost sharing multiple employer public employee retirement system administered by the State of Florida Department of Management Services, Division Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The System provides vesting of benefits after six (6) years of creditable service. Members are eligible for normal retirement after 6 years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing 10 years of service; however, there is a five percent reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees.

There is no requirement for employees to contribute to the System; the employer pays all contributions.

The statutory contribution rates as a percent of earnings were as follows:

	10/1/2001 - 6/30/2002	7/1/2002 - 9/30/2002
Regular employees – members not qualifying for other classes	7.30%	5.76%
Special Risk Employees – members employed as law enforcement officers and firefighters	18.44%	16.01%
Health Insurance Subsidy included in the above rates	0.94%	1.11%

Note 10 – Retirement Plans (Continued)

Contributions required and made to the System for City employees were as follows:

Fiscal Year Ended	Required Contribution	% Contributed
9/30/2002	$159,692	100%

For a stand-alone report of the Florida Retirement System, refer to the State of Florida Comprehensive Annual Financial Report or various publications available from the Florida Department of Management Services.

During the fiscal year, the System held no securities issued by the employer.

Note 11 – 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.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Palm Coast, Florida
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 7,842,156	$ 7,842,156	$ 8,391,748	$ 549,592
Licenses and permits	1,695,500	2,496,500	2,790,824	294,324
Intergovernmental	1,601,108	1,751,108	2,234,698	483,590
Charges for services	375,050	423,050	461,819	38,769
Fines and forfeitures	55,000	55,000	71,297	16,297
Investment earnings	160,000	109,000	108,604	(396)
Miscellaneous	800	800	22,960	22,160
Total revenues	11,729,614	12,677,614	14,081,950	1,404,336
EXPENDITURES				
Current:				
General government:				
Mayor and Council	29,589	38,589	37,777	812
City Manager	191,980	191,980	165,164	26,816
City Attorney	150,000	156,000	155,593	407
City Clerk	75,850	75,850	71,548	4,302
Administrative Services	629,050	629,050	593,013	36,037
Financial Services	348,655	348,655	338,770	9,885
Development Services	2,914,848	3,608,848	3,246,930	361,918
Nondepartmental	786,155	299,155	260,642	38,513
Total general government	5,126,127	5,348,127	4,869,437	478,690
Public safety:				
Fire	1,867,803	1,712,803	1,539,490	173,313
Law Enforcement	752,651	752,651	752,651	-
Total public safety	2,620,454	2,465,454	2,292,141	173,313
Public Works	3,755,131	4,491,131	4,050,863	440,268
Engineering	536,028	716,028	706,665	9,363
Total transportation and physical environment	4,291,159	5,207,159	4,757,528	449,631
Culture and recreation	600,439	565,439	497,918	67,521
Total expenditures	12,638,179	13,586,179	12,417,024	1,169,155
Excess of revenues over (under) expenditures	(908,565)	(908,565)	1,664,926	2,573,491
Other financing sources (uses):				
Operating transfers out	(1,053,185)	(1,053,185)	(1,043,185)	10,000
Loan and capital lease proceeds	-	-	39,279	39,279
Total other financing sources (uses)	(1,053,185)	(1,053,185)	(1,003,906)	49,279
Excess of revenues and other sources over (under) expenditures and other uses	(1,961,750)	(1,961,750)	661,020	2,622,770
Fund balances at beginning of year	2,949,816	2,949,816	2,949,816	-
Fund balances at end of year	$ 988,066	$ 988,066	$ 3,610,836	$ 2,622,770

City of Palm Coast, Florida
Required Supplementary Information
Modified Approach for Reporting Infrastructure Assets
For the Year Ended September 30, 2002

City infrastructure assets consist of Arterial, Collector, and Local Streets and associated bridges. The City keeps a complete inventory of all streets and bridges. This inventory includes: description, length, width, and other attributes. These assets were transferred to the City on October 1, 2001. During the year an analysis of the streets was done to determine condition.

Condition Rating of City Streets

	Miles	Percent in good or better condition	Percent in substandard condition
Arterial and Collector	66.2	100.0%	0.0%
Local	462.4	75.8%	24.2%
Overall System	528.6	78.8%	21.2%

Cost of Needed/Actual Maintenance/Preservation

	2002
Overall Street System	
Actual	$ 2,097,800
Needed	1,600,000

The City has committed to a ten (10) year program of street resurfacing to bring all of the streets up to a good condition level. In September 2002, the voters of Flagler County approved a half-cent Local Government Infrastructure Surtax. The City's portion of the proceeds from this surtax has been designated for street resurfacing. After completion of this ten (10) year program, it is expected that the City will go to a 15 – 20 year resurfacing program.

For the first year of ownership, evaluation of the streets was done by visual inspection. The City is in the process of setting condition levels and establishing a management system for the streets and bridges.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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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.

Community Development Block Grant Fund – This fund is used to account for the community development block grant that is funding a day care center.

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

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

Disaster Reserve Fund - This fund has been set up to cover costs of a hurricane or other disasters.

Recycling Revenue Fund - This fund is used to account for revenue from the sale of recycled materials collected as part of the solid waste program.

Park Impact Fee Fund - This fund is used to account for fees collected from new development, for the purpose of expanding park facilities, and to track the expenditures of the money.

Public Works Impact Fee Fund - This fund is used to account for money collected from developers for future improvements such as sidewalks and traffic lights.

City of Palm Coast, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2002

	Special Revenue Funds			
	Community Development Block Grant	Police Education	Police Automation	Disaster Reserve
ASSETS				
Equity in pooled cash and investments	$ 4,237	$ 10,408	$ 32,553	$ 616,000
Total assets	$ 4,237	$ 10,408	$ 32,553	$ 616,000
LIABILITIES				
Accounts payable	$ 4,237	$ -	$ 6,010	$ -
Total liabilities	4,237	-	6,010	-
FUND BALANCES				
Reserved for encumbrances	-	-	-	-
Unreserved/undesignated	-	10,408	26,543	616,000
Total fund balances	-	10,408	26,543	616,000
Total liabilities and fund balance	$ 4,237	$ 10,408	$ 32,553	$ 616,000

Recycling Revenue	Park Impact Fee	Public Works Impact Fee	Total Nonmajor Governmental Funds
$ 16,775	$ 1,228,904	$ 71,965	$ 1,980,842
$ 16,775	$ 1,228,904	$ 71,965	$ 1,980,842
$ -	$ 4,615	$ -	$ 14,862
-	4,615	-	14,862
-	16,885	-	16,885
16,775	1,207,404	71,965	1,949,095
16,775	1,224,289	71,965	1,965,980
$ 16,775	$ 1,228,904	$ 71,965	$ 1,980,842

City of Palm Coast, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2002

	Special Revenue Funds			
	Community Development Block Grant	Police Education	Police Automation	Disaster Reserve
REVENUES				
Intergovernmental revenue	$ -	$ -	$ -	$ 228,455
Charges for services	-	-	-	-
Fines and forfeitures	-	4,990	14,508	-
Investment earnings	-	71	249	4,305
Impact fees	-	-	-	-
Total revenues	-	5,061	14,757	232,760
EXPENDITURES				
Current:				
General government	4,195	-	-	-
Public safety	-	-	6,010	-
Transportation and physical environment	-	-	-	237,000
Capital improvements	-	-	-	-
Total expenditures	4,195	-	6,010	237,000
Excess (deficiency) of revenues over (under) expenditures	(4,195)	5,061	8,747	(4,240)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	310,000
Total other financing sources (uses)	-	-	-	310,000
Net change in fund balances	(4,195)	5,061	8,747	305,760
Fund balances - beginning	4,195	5,347	17,796	310,240
Fund balances - ending	$ -	$ 10,408	$ 26,543	$ 616,000

Recycling Revenue	Park Impact Fee	Public Works Impact Fee	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 228,455
16,752	-	-	16,752
-	-	-	19,498
23	6,354	520	11,522
-	1,222,550	71,445	1,293,995
16,775	1,228,904	71,965	1,570,222
-	-	-	4,195
-	-	-	6,010
-	-	-	237,000
-	4,615	-	4,615
-	4,615	-	251,820
16,775	1,224,289	71,965	1,318,402
-	-	-	310,000
-	-	-	310,000
16,775	1,224,289	71,965	1,628,402
-	-	-	337,578
$ 16,775	$ 1,224,289	$ 71,965	$ 1,965,980

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City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Capital Projects Fund
For the Year Ended September 30, 2002

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 2,160,000	$ 2,160,000	$ 2,967,452	$ 807,452
Intergovernmental revenue	1,294,000	5,871,000	5,892,608	21,608
Investment earnings	30,000	30,000	53,660	23,660
Total revenues	3,484,000	8,061,000	8,913,720	852,720
EXPENDITURES				
Current:				
General government	2,304,568	1,704,568	-	1,704,568
Public safety	750,000	750,000	43,787	706,213
Transportation and physical environment	3,136,137	9,474,137	6,571,158	2,902,979
Culture and recreation	1,250,000	1,237,000	287,777	949,223
Total expenditures	7,440,705	13,165,705	6,902,722	6,262,983
Excess of revenues over (under) expenditures	(3,956,705)	(5,104,705)	2,010,998	7,115,703
Other financing sources (uses):				
Operating transfers in	590,216	590,216	590,216	-
Loan proceeds	-	915,000	915,000	-
Total other financing sources (uses)	590,216	1,505,216	1,505,216	-
Excess of revenues and other sources over (under) expenditures and other uses	(3,366,489)	(3,599,489)	3,516,214	7,115,703
Fund balances at beginning of year	4,246,865	4,246,865	4,246,865	-
Fund balances at end of year	$ 880,376	$ 647,376	$ 7,763,079	$ 7,115,703

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Community Development Block Grant Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
General government:				
Nondepartmental	4,195	4,195	4,195	-
Total expenditures	4,195	4,195	4,195	-
Excess of revenues over (under) expenditures	(4,195)	(4,195)	(4,195)	-
Fund balances at beginning of year	4,195	4,195	4,195	-
Fund balances at end of year	$ -	$ -	$ -	$ -

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Police Education Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Fines and forfeitures	$ 4,093	$ 4,093	$ 4,990	$ 897
Investment earnings	-	-	71	71
Total revenues	4,093	4,093	5,061	968
EXPENDITURES				
Current:				
Public safety:				
Law Enforcement	9,544	9,544	-	9,544
Total expenditures	9,544	9,544	-	9,544
Excess of revenues over (under) expenditures	(5,451)	(5,451)	5,061	10,512
Fund balances at beginning of year	5,347	5,347	5,347	-
Fund balances at end of year	$ (104)	$ (104)	$ 10,408	$ 10,512

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Police Automation Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Fines and forfeitures	$ 10,805	$ 10,805	$ 14,508	$ 3,703
Investment earnings	-	-	249	249
Total revenues	10,805	10,805	14,757	3,952
EXPENDITURES				
Current:				
Public safety:				
Law Enforcement	27,710	27,710	6,010	21,700
Total expenditures	27,710	27,710	6,010	21,700
Excess of revenues over (under) expenditures	(16,905)	(16,905)	8,747	(17,748)
Fund balances at beginning of year	17,796	17,796	17,796	-
Fund balances at end of year	$ 891	$ 891	$ 26,543	$ (17,748)

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Disaster Reserve Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenue	$ -	$ -	$ 228,455	$ 228,455
Investment earnings	-	-	4,305	4,305
Total revenues	-	-	232,760	232,760
EXPENDITURES				
Current:				
Physical environment:				
Nondepartmental	620,240	620,240	237,000	383,240
Total expenditures	620,240	620,240	237,000	383,240
Excess of revenues over (under) expenditures	(620,240)	(620,240)	(4,240)	616,000
Other financing sources (uses):				
Operating transfers in	310,000	310,000	310,000	-
Total other financing sources (uses)	310,000	310,000	310,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(310,240)	(310,240)	305,760	616,000
Fund balances at beginning of year	310,240	310,240	310,240	-
Fund balances at end of year	$ -	$ -	$ 616,000	$ 616,000

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Recycling Revenue Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	$ -	$ -	$ 16,752	$ 16,752
Investment earnings	-	-	23	23
Total revenues	-	-	16,775	16,775
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	16,775	16,775
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	$ -	$ -	$ 16,775	$ 16,775

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Park Impact Fee Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	$ -	$ -	$ 6,354	$ 6,354
Impact Fees	-	30,000	1,222,550	1,192,550
Total revenues	-	30,000	1,228,904	1,198,904
EXPENDITURES				
Current:				
Culture and recreation:				
Capital improvements	-	30,000	4,615	25,385
Total expenditures	-	30,000	4,615	25,385
Excess of revenues over (under) expenditures	-	-	1,224,289	1,224,289
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	$ -	$ -	$ 1,224,289	$ 1,224,289

City of Palm Coast, Florida
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Public Works Impact Fee Fund
For the Year Ended September 30, 2002

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	$ -	$ -	$ 520	$ 520
Impact fees	-	-	71,445	71,445
Total revenues	-	-	71,965	71,965
EXPENDITURES				
Current:				
Capital improvements	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	71,965	71,965
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	$ -	$ -	$ 71,965	$ 71,965

STATISTICAL SECTION

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Table I
City of Palm Coast, Florida
General Fund Expenditures and Other Uses By Function
Last Three Fiscal Years
September 30, 2002

FISCAL YEAR ENDED	TOTALS	GENERAL GOVERNMENT		PUBLIC SAFETY		TRANSPORTATION PHYSICAL ENVIRONMENT		CULTURE AND RECREATION		DEBT SERVICE		TRANSFERS	
2000	$ 662,420	$ 661,272	100%	$ 1,148	0%	$ -	0%	$ -	0%	$ -	0%	$ -	0%
2001	8,996,894	4,106,869	46%	2,167,932	24%	1,717,410	19%	435,724	5%	31,046	0%	537,913	6%
2002	11,958,936	4,707,342	39%	2,288,508	19%	3,359,335	28%	475,316	4%	85,250	1%	1,043,185	9%

Source: City of Palm Coast Financial Services Department.

Table II
City of Palm Coast, Florida
General Fund Revenues and Other Financing Sources
Last Three Fiscal Years
September 30, 2002

FISCAL YEAR ENDED	TOTALS	TAXES		LICENSES AND PERMITS		INTER GOVERNMENTAL REVENUES		CHARGES FOR SERVICES		FINES AND FORFEITURES		MISCELLANEOUS REVENUES		DEBT PROCEEDS AND TRANSFERS	
2000	$ 15,683,179	$ 11,117,500	71%	$ 522,785	3%	$ 1,516,280	10%	$ 1,244,375	8%	$ 374,751	2%	$ 530,841	3%	$ 376,647	2%
2001	16,800,075	12,065,825	72%	641,552	4%	1,441,682	9%	1,325,298	8%	388,448	2%	521,709	3%	415,561	2%
2002	14,121,229	8,391,748	59%	2,790,824	20%	2,234,698	16%	461,819	3%	71,297	1%	131,564	1%	39,279	0%

Source: City of Palm Coast Financial Services Department.

Table III
City of Palm Coast, Florida
Property Tax Levies and Collection
Last Three Fiscal Years
September 30, 2002

FISCAL YEAR ENDED	TOTAL TAX LEVY	CURRENT TAX COLLECTION	PERCENT OF LEVY COLLECTED	TAXABLE VALUE (1)	JUST VALUE (1)	% OF FAIR MARKET VALUE
2000	$ -	$ -	0.0%	$ 1,511,340,432	N/A	N/A
2001	5,021,775	4,882,939	97.2%	1,594,214,203	N/A	N/A
2002	6,206,826	5,981,826	96.4%	1,773,378,865	2,337,479,058	75.9%

Source: (1) County of Flagler, Florida, Property Appraisers Office.
(1) The difference between these columns is comprised of various types of exemptions, including Save Our Homes (SOH), homestead, senior homestead, governmental, and institutional.

Table IV
City of Palm Coast, Florida
Property Tax Rates and Tax Levies - All Direct and Overlapping Governments
Last Three Fiscal Years
September 30, 2002

FISCAL YEAR ENDED	PALM COAST	SCHOOL DISTRICT	FLAGLER COUNTY	EAST FLAGLER MOSQUITO CONTROL DISTRICT	ST JOHNS RIVER WATER MANAGEMENT DISTRICT	FLORIDA INLAND NAVIGATION DISTRICT
			Tax Rates Per Thousand Dollars of Assessed Valuation			
2000	0.00000	9.58700	5.51670	0.34200	0.48200	0.04400
2001	3.15000	9.46900	5.10910	0.33300	0.47200	0.04100
2002	3.50000	9.11900	5.29120	0.31500	0.46200	0.03850
			Tax Levies			
2000	$ -	$ 14,489,221	$ 8,337,612	$ 516,878	$ 728,466	$ 66,499
2001	5,021,775	15,095,614	8,145,000	530,873	752,469	65,363
2002	6,206,826	16,171,442	9,383,302	558,614	819,301	68,275

Table V
City of Palm Coast, Florida
Ratio of Net General Obligation Debt to Assessed Value and Net Bonded Debt Per Capita
Last Three Fiscal Years
September 30, 2002

Fiscal Year Ended	Assessed Taxable Value (2)	Gross General Bonded Debt	Less Debt Service Fund	Net General Bonded Debt	Assessed Net General Bonded Debt	Estimated Population (1)	Net General Bonded Debt Per Capita
2000	$ 1,511,340,432	$ -	$ -	$ -	0.00%	32,732	$ -
2001	1,594,214,203	1,605,000	-	1,605,000	0.10%	35,443	45.28
2002	1,773,378,865	2,520,000	-	2,520,000	0.14%	38,348	65.71

Note: FY 2001 and 2002 information presented above relates to a loan from the Florida Association of Counties loan pool. The loan was for the purchase of environmental land and will be repaid with a grant from the State of Florida.

Source: (1) FY 2000 United States Census Bureau, FY 2001 through 2002 "Florida Estimates of Population", Bureau of Economic and Business Research, University of Florida.
(2) County of Flagler, Florida, Property Appraisers Office.

Table VI
City of Palm Coast, Florida
Computation of Legal Debt Margin
September 30, 2002

The Constitution of the State of Florida,

Florida Statutes 200.181 and the City of Palm Coast Charter

sets no legal debt margin.

Table VII
City of Palm Coast, Florida
Computation of Direct and Overlapping Debt
September 30, 2002

Governmental Unit	Net Debt Outstanding	Percent Applicable to this Governmental Unit	City of Palm Coast Share of Debt
Flagler County	$ 8,275,345	55.86%	$ 4,622,608
School District	39,694,176	55.24%	21,927,063
Palm Coast	2,520,000	100.00%	2,520,000
Total Direct & Overlapping Debt			$ 29,069,671

Source: Independent Taxing Districts

Table VIII
City of Palm Coast, Florida
Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Fund Operating Expenditures
Last Three Fiscal Years
September 30, 2002

Fiscal Year Ended	Principal	Interest	Total Debt Service	Total General Fund Operating Expenditures	Ratio of Debt Service to General Fund Operating Expenditures
2000	$ -	$ -	$ -	$ 662,420	0.00%
2001	-	2,735	2,735	8,996,894	0.03%
2002	-	63,822	63,822	11,958,936	0.53%

NOTE: Interest on debt is paid monthly. Principal will be paid when the City receives a grant from the State of Florida.

Source: City of Palm Coast Financial Services Department.

Table IX
City of Palm Coast, Florida
Demographic Statistics
September 30, 2002

Fiscal Year Ended		Palm Coast Population		% Change During the Period	Flagler County Population		% Change During the Period
1999	(1)	30,767		N/A	45,818		N/A
2000	(1)	32,732		6.4%	49,832		8.8%
2001	(1)	35,443		8.3%	53,061		6.5%
2002	(1)	38,348		8.2%	57,709		8.8%
2005	(1)	47,419	Est.	23.7%	71,179	Est.	23.3%
2010	(1)	67,555	Est.	42.5%	102,759	Est.	44.4%

Source: (1) 2000 - U.S. Census Bureau
1999, 2001, and 2002 "Florida Estimates of Population"
Bureau of Economic and Business Research, University of Florida.
2005 and 2010 - City of Palm Coast Financial Services Department.

Table X
City of Palm Coast, Florida
Miscellaneous Statistical Data
September 30, 2002

DATE OF INCORPORATION:	December 31, 1999
CHARTER ADOPTED:	November 2, 1998
POPULATION:	38,348
FORM OF GOVERNMENT:	Council/Manager
POLICE PROTECTION (Contract Service):	
Number of Stations	1
Number of Police Officers (FTE)	16
FIRE PROTECTION:	
Number of Stations	2
Number of Firefighters	29
Number of Volunteers	20
AREA:	
Square Miles	50
Miles Paved Streets	528
Miles Unpaved Streets	0.5
SOLID WASTE:	
Customers	15,475
PUBLIC LIBRARY:	1
RECREATIONAL FACILITIES:	
Baseball / Softball Fields	6
Basketball Courts	3
Bocce Ball Courts	5
Community Centers	1
Handball / Racquetball Courts	7
Horseshoe Pits	2
Playgrounds	2
Shuffleboard Courts	2
Tennis Courts	6
Volleyball Courts	1
EDUCATION:	
SCHOOLS	
Elementary	3
Middle	1
High	1
STUDENTS	7,200

OTHER REPORTS

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

The Honorable Mayor and
City Commissioners
City of Palm Coast, Florida

We have audited the basic financial statements of the *City of Palm Coast, Florida*, as of and for the year ended September 30, 2002, and have issued our report thereon dated November 14, 2002. 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.

Compliance – As part of obtaining reasonable assurance about whether the *City of Palm Coast, Florida*'s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the *City of Palm Coast, Florida*'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

MCDIRMIT DAVIS PUCKETT & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
605 E. ROBINSON STREET, SUITE 635 • ORLANDO, FLORIDA 32801
TELEPHONE 407-843-5406 • FAX 407-649-9339 • EMAIL: INFO@MDPCPA.COM

This report is intended solely for the information and use of management, the City Commission and the Auditor General of the State of Florida, and is not intended to be, and should not be used by anyone other than these specified parties.

McDirmit Davis Puckett & Company, LLC

McDIRMIT DAVIS PUCKETT & COMPANY, LLC

November 14, 2002

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO THE MAJOR STATE PROJECT

The Honorable Mayor and City Commissioners
City of Palm Coast, Florida
Palm Coast, Florida

Compliance

We have audited the compliance of the City of Palm Coast, Florida with the types of compliance requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to the major state project for the year ended September 30, 2002. The City of Palm Coast' major state project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major state project is the responsibility of the City of Palm Coast, Florida management. Our responsibility is to express an opinion on the City of Palm Coast, Florida compliance based on our audit.

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 Chapter 10.650, Rules of the Auditor General. Those standards, and Chapter 10.650, Rules of the Auditor General 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 state project occurred. An audit includes examining, on a test basis, evidence about City of Palm Coast, Florida 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. Our audit does not provide a legal determination on the City of Palm Coast, Florida compliance with those requirements.

In our opinion, the City of Palm Coast, Florida, complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2002.

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Internal Control Over Compliance

The management of the City of Palm Coast, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the City of Palm Coast, Florida internal control over compliance with requirements that could have a direct and material effect on a major state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Chapter 10.650 Rules of the Auditor General.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the City, the Auditor General of the State of Florida and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McDermit Davis Puckett & Company, LLC

November 14, 2002

CITY OF PALM COAST, FLORIDA

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2002

State Agency/Project Title	CFSA Number	Agency Grant Number	Expenditures
Florida Department of Community Affairs: Florida Forever Act	52.002	FCT 01-013-FFi	$4,992,608
Florida Department of Community Affairs: Division of Emergency Management - Public Assistance	-	T5058	31,767
Florida Department of Community Affairs: Division of Community Planning	52.005	01-DR-14-04-28-02-007	40,000
Total expenditures of state financial assistance			$5,064,375

Note: This Schedule of Expenditures of State Financial Assistance is presented on the accrual basis of accounting in accordance with the requirements of Section 215.97, Florida statutes.

CITY OF PALM COAST, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECT

Year Ended September 30, 2002

A. Summary of Auditor's Findings

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Palm Coast, Florida.

2. No instances of noncompliance material to the financial statements of the City of Palm Coast, Florida were disclosed during the audit.

3. The auditor's report on compliance for the major state project for the City of Palm Coast, Florida, expresses an unqualified opinion.

4. The program/project tested as major program/project included the following:

State Project	State CSFA No.
Florida Department of Community Affairs - Florida Forever Act	52.002

5. The threshold for distinguishing Type A and Type B programs/projects was $300,000 for major state projects.