

**CITY OF PALM COAST, FLORIDA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For The Year Ended September 30, 2005**

**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, 2005**

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# **LETTER OF TRANSMITTAL**



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January 8, 2006

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 James Moore & Co., P.L., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Palm Coast for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of the report.

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

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

### **Profile of the Government**

Palm Coast is situated in the eastern portion of Flagler County, mostly east of U.S. Route 1 and north of State Road 100. The community straddles Interstate Highway 95 and extends 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 the 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 maintenance and lighting, animal control and emergency services.

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

The City of Palm Coast currently has a population of 58,216 residents and covers an area of approximately 64 square miles. For fiscal year 2006, property within the City has a taxable value of \$4,444,854,928, an increase of over 42 percent. The City's property tax rate for fiscal year 2006 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 under construction with the infrastructure necessary for the development currently being installed. Commercial development on the outlying parcels has begun with the "downtown" construction expected to begin in mid to late 2006. This development will cover approximately 1,500 acres and will include a downtown commercial area, industrial sites, and multi-family residential housing. A Development of Regional Impact for Palm Coast Park has been approved. Palm Coast Park is a 4,740 acre development located in the northwest portion of the City. This project will also provide property for commercial development along US Highway 1 and space for industrial development and single and multi-family housing. The feasibility study has been completed for water plant #3 which will be part of the Palm Coast Park development. As the City's population nears 60,000, there has been increasing interest shown by retail and restaurant operations, including inquiries about possible mall sites. On January 1, 2005, about forty-five percent (45%) of the existing commercial and industrial parcels remain undeveloped.

Palm Coast received the designation as the fastest growing small city and Flagler County the fastest growing county in the nation. The City issued 3,287 single-family residential building permits during fiscal year 2005. Fiscal year 2006 is expected to show a decline in single-family building permits to approximately 2,400 units. There are currently over 20,000 platted, undeveloped, single-family residential lots within the city. Plans for other developments have been submitted and are currently under review.

## **Future Programs**

In fiscal year 2005, the City began expansion of the wastewater plant with completion expected in 2006. The City took over operation of the Grand Haven utility system. Previously, Grand Haven had been a wholesale customer. As mentioned earlier, water plant #3 is being planned west of US Highway 1 within the Palm Coast Park development. Other smaller projects are also underway and the utility has received several inquiries concerning the expansion of services outside the city limits.

The City and the Palm Coast Community Service Corporation (PCCSC) completed the merger of services related to architectural review and the stormwater system. The staff of the PCCSC became employees of the City so that we did not lose their knowledge and experience.

Two additional fire stations are under design and are expected to be completed in late 2006 or early 2007. This will bring the number of City fire stations to five.

Groundbreaking for Seminole Woods neighborhood park will occur in January 2006 and another neighborhood park is planned for Cypress Knoll. A citizens committee has been formed to determine the need and possible design of a second community center for the City.

The design for the four-laning of Belle Terre Parkway north of Palm Coast Parkway has begun with neighborhood meetings planned for early 2006. Construction on Belle Terre Parkway is scheduled to begin in 2007. Engineering for the six-laning of Palm Coast Parkway at I-95 continues.

## **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, 2004. This is the fourth 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.

The City of Palm Coast also received the GFOA Distinguished Budget Presentation Award for its Fiscal Year 2005 budget document. This is the second time that the City has received this award.

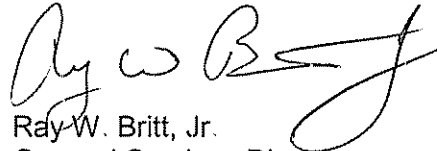
## Acknowledgements

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

Respectfully submitted,



Richard M. Kelton  
City Manager



Ray W. Britt, Jr.  
General Services 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, 2004

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.



*Carol E. Perry*

President

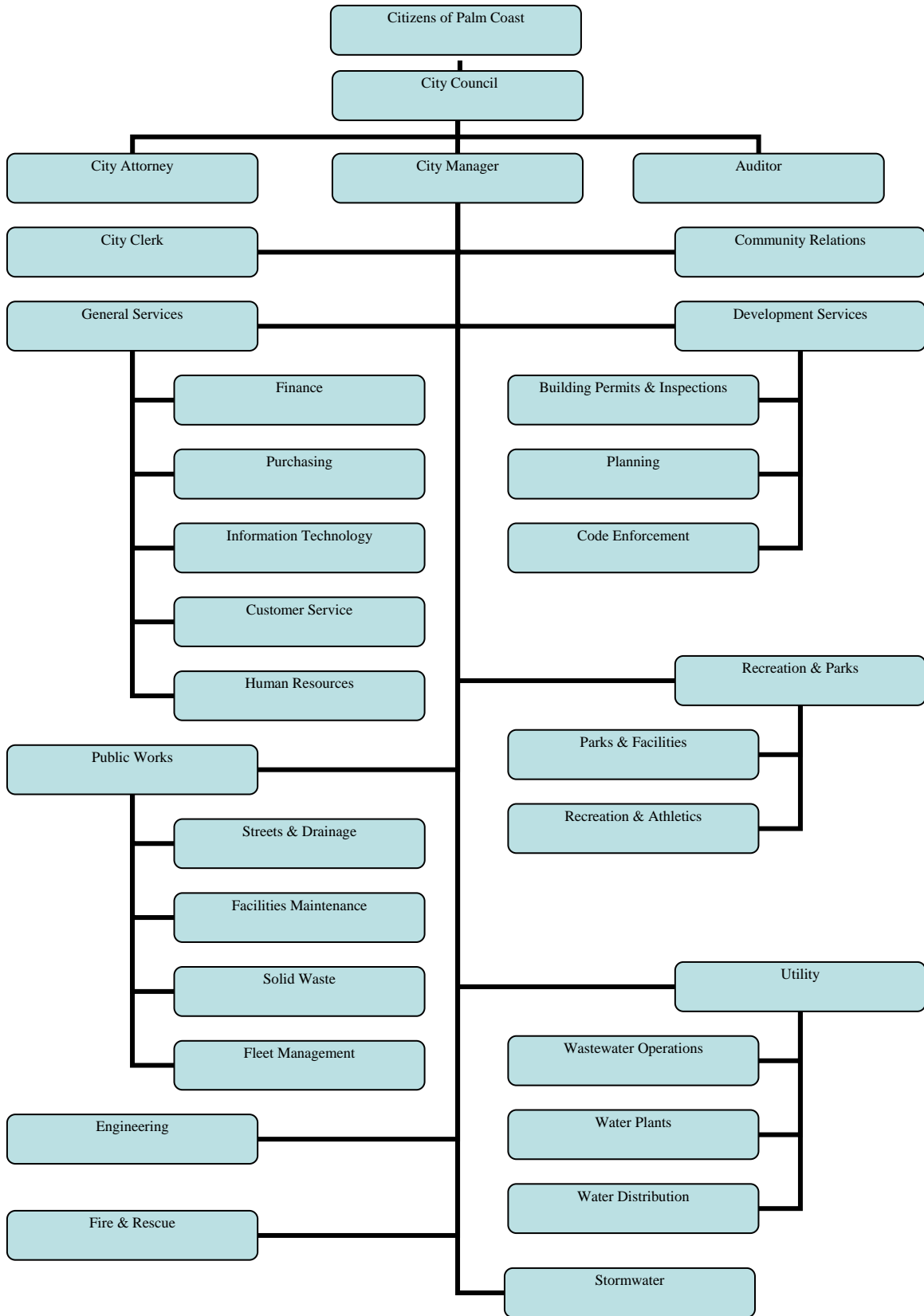
*Jeffrey R. Egan*

Executive Director



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# City of Palm Coast, Florida Organizational Chart



**CITY OF PALM COAST, FLORIDA**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2005**

**ELECTED OFFICIALS**

Mayor

Honorable Jim Canfield

City Council Members:

Bill Venne  
Jon Netts  
Mary DiStefano

**CITY OFFICIALS**

City Manager

Richard M. Kelton

City Attorney

William L. Colbert

City Auditor

James Moore & Co., P.L.

Finance Director

Ray W. Britt, Jr.





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# 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

# **INDEPENDENT AUDITORS' REPORT**



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JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida, as of and for the year ended September 30, 2005, which collectively comprise City of Palm Coast, Florida's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Palm Coast, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2005, on our consideration of City of Palm Coast, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Palm Coast, Florida's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of City of Palm Coast, Florida. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 statistical tables 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.

*James Moore & Co.*

Daytona Beach, Florida  
December 22, 2005

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Palm Coast management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent 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 2005 by \$253,812,902. Of this amount, \$23,298,866 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$46,933,414. Approximately 74% of this increase was attributable to one-time resources such as impact fees and developer contributions.
- As of the close of fiscal year 2005, the City's governmental funds reported combined ending fund balances of \$35,916,197, an increase of \$18,975,421 over the prior year. Approximately, 76% of this total amount or \$27,463,461 is reported as unreserved fund balance.
- At the end of fiscal year 2005, unreserved fund balance in the general fund was \$9,168,444, or 50% of total general fund expenditures.
- The City of Palm Coast's total debt increased by \$8,634,471 during the current fiscal year. The City obtained two SRF loans to expand and improve the water and wastewater utility that serves the City. There was also an increase in compensated absences for the year.

### 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 proprietary fund statements give the results of the City's business-type activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed 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.

The governmental activities include most of the City's basic services, such as law enforcement, fire, public works, parks, and general administration. Property taxes and intergovernmental revenues finance most of these activities. Business-type activities of the City of Palm Coast include a water and sewer utility, solid waste collection, and stormwater management which are funded by user fees.

## **Fund Financial Statements**

**Governmental funds.** 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 governmental funds, 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.

The City of Palm Coast maintains twelve individual governmental funds. Nine of the governmental funds are classified as non major and are summarized under this heading in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, transportation impact fee fund, and non major governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for non major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriation budget for its general, capital projects and non major governmental funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

**Proprietary funds.** The City of Palm Coast maintains four proprietary funds. Three of these are enterprise funds. They are the utility fund, solid waste fund, and stormwater fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The fleet management fund is an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Palm Coast's various functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the utility and solid waste funds which are considered to be major funds of the City. The stormwater fund is shown separately on the proprietary fund financial statements, but is not considered a major fund. The internal service fund is shown in a separate column, but not included in the totals for proprietary funds.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Palm Coast's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains one fiduciary fund, which is the volunteer firefighters' pension fund.

### **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 \$253,812,902 at the close of the most recent fiscal year.

Of the net assets, 9 percent falls in the unrestricted category. These may be used to meet ongoing obligations to citizens and creditors. Investment in capital assets makes up 79 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 Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 42,410,145	\$ 21,835,932	\$ 35,307,273	\$ 18,825,525	\$ 77,717,418	\$ 40,661,457
Capital assets	188,178,407	180,799,707	109,261,111	91,095,789	297,439,518	271,895,496
Total assets	<u>230,588,552</u>	<u>202,635,639</u>	<u>144,568,384</u>	<u>109,921,314</u>	<u>375,156,936</u>	<u>312,556,953</u>
Long-term liabilities	1,073,632	1,026,483	105,357,393	96,770,071	106,431,025	97,796,554
Other liabilities	6,636,381	5,211,082	8,276,628	2,413,844	14,913,009	7,624,926
Total liabilities	<u>7,710,013</u>	<u>6,237,565</u>	<u>113,634,021</u>	<u>99,183,915</u>	<u>121,344,034</u>	<u>105,421,480</u>
Net assets:						
Invested in capital assets, net						
of related debt	188,058,574	180,740,187	13,854,695	1,704,059	201,913,269	182,444,246
Restricted	20,866,845	5,950,159	7,733,922	5,288,252	28,600,767	11,238,411
Unrestricted	13,953,120	9,707,728	9,345,746	3,745,088	23,298,866	13,452,816
Total net assets	<u>\$ 222,878,539</u>	<u>\$ 196,398,074</u>	<u>\$ 30,934,363</u>	<u>\$ 10,737,399</u>	<u>\$ 253,812,902</u>	<u>\$ 207,135,473</u>

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 8,357,574	\$ 7,408,138	\$ 26,545,893	\$ 17,455,574	\$ 34,903,467	\$ 24,863,712
Operating grants and contributions	2,032,933	2,544,712	-	-	2,032,933	2,544,712
Capital grants and contributions	16,970,920	4,911,700	17,760,957	10,011,548	34,731,877	14,923,248
General revenues:						
Property taxes	10,218,772	7,855,523	-	-	10,218,772	7,855,523
Other taxes	4,630,134	3,591,856	-	-	4,630,134	3,591,856
Intergovernmental	2,730,825	2,124,420	-	-	2,730,825	2,124,420
Other	1,600,677	236,828	(183,284)	124,049	1,417,393	360,877
Total revenues	<u>46,541,835</u>	<u>28,673,177</u>	<u>44,123,566</u>	<u>27,591,171</u>	<u>90,665,401</u>	<u>56,264,348</u>
Expenses:						
General government	6,821,382	8,388,301	-	-	6,821,382	8,388,301
Public safety	4,450,045	3,643,368	-	-	4,450,045	3,643,368
Transportation and physical environment	7,054,196	6,589,005	-	-	7,054,196	6,589,005
Culture & recreation	1,696,730	1,047,729	-	-	1,696,730	1,047,729
Utility	-	-	18,667,179	15,619,664	18,667,179	15,619,664
Solid Waste	-	-	3,733,373	1,234,108	3,733,373	1,234,108
Storm Water	-	-	1,270,065	-	1,270,065	-
Interest on long-term debt	39,017	17,983	-	-	39,017	17,983
Total expenses	<u>20,061,370</u>	<u>19,686,386</u>	<u>23,670,617</u>	<u>16,853,772</u>	<u>43,731,987</u>	<u>36,540,158</u>
Increase in net assets	26,480,465	8,986,791	20,452,949	10,737,399	46,933,414	19,724,190
Net assets - beginning, restated	196,398,074	187,411,283	10,481,414	-	206,879,488	187,411,283
Net assets - ending	<u>\$ 222,878,539</u>	<u>\$ 196,398,074</u>	<u>\$ 30,934,363</u>	<u>\$ 10,737,399</u>	<u>\$ 253,812,902</u>	<u>\$ 207,135,473</u>

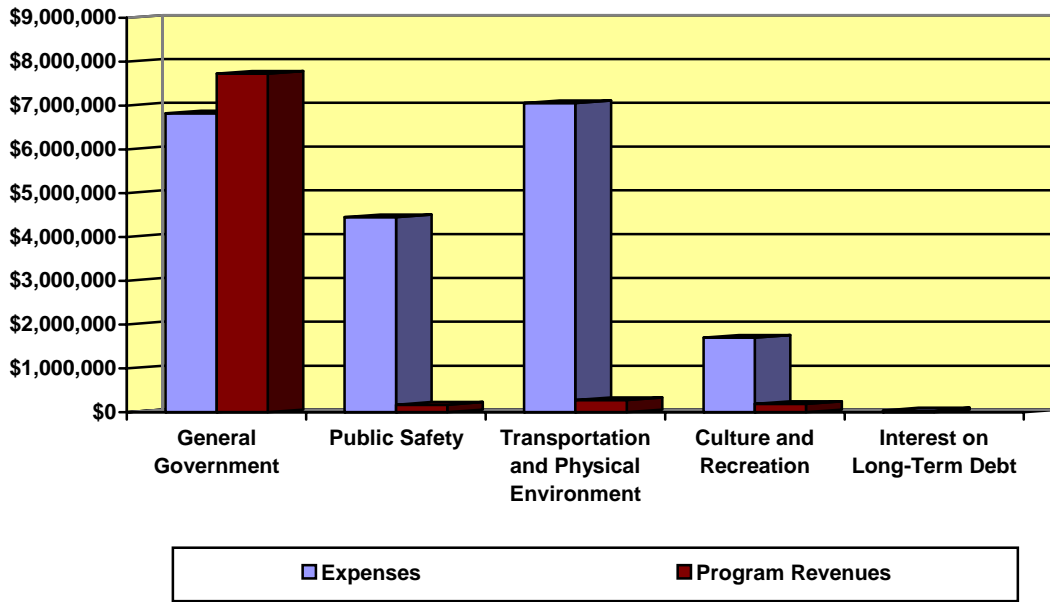
### **Governmental Activities**

Governmental activities increased the City of Palm Coast's net assets by \$26,480,465 during the current fiscal year. This represents 57 percent of the total growth in net assets for the City. Buildings and infrastructure account for over \$7 million of the increase. The remainder was primarily impact fees restricted for future construction projects.

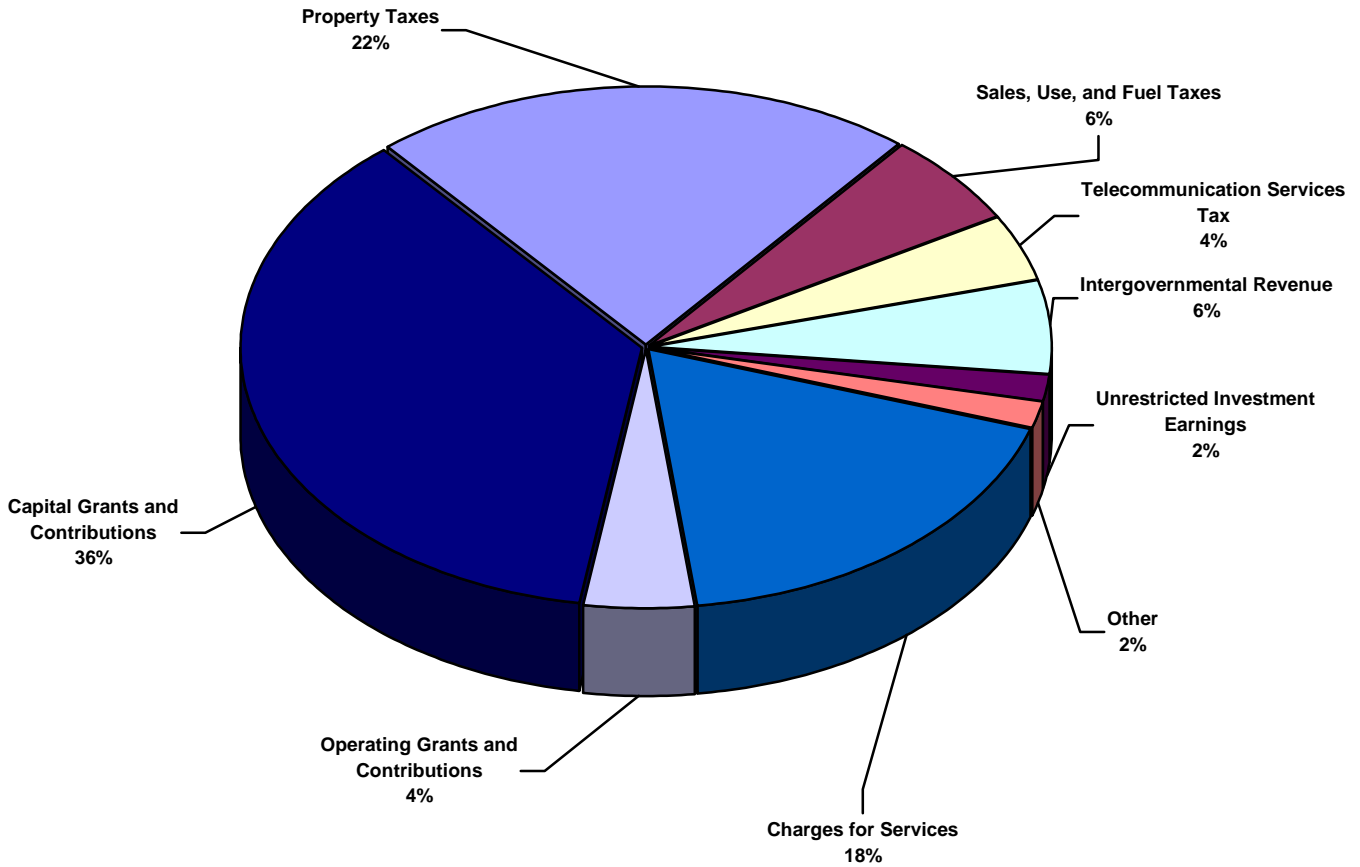
### **Business-type Activities**

Business-type activities increased the City of Palm Coast's net assets by \$20,452,949 or 44 percent of the total growth in net assets. The increase in net assets is primarily attributable to capital grants and contributions.

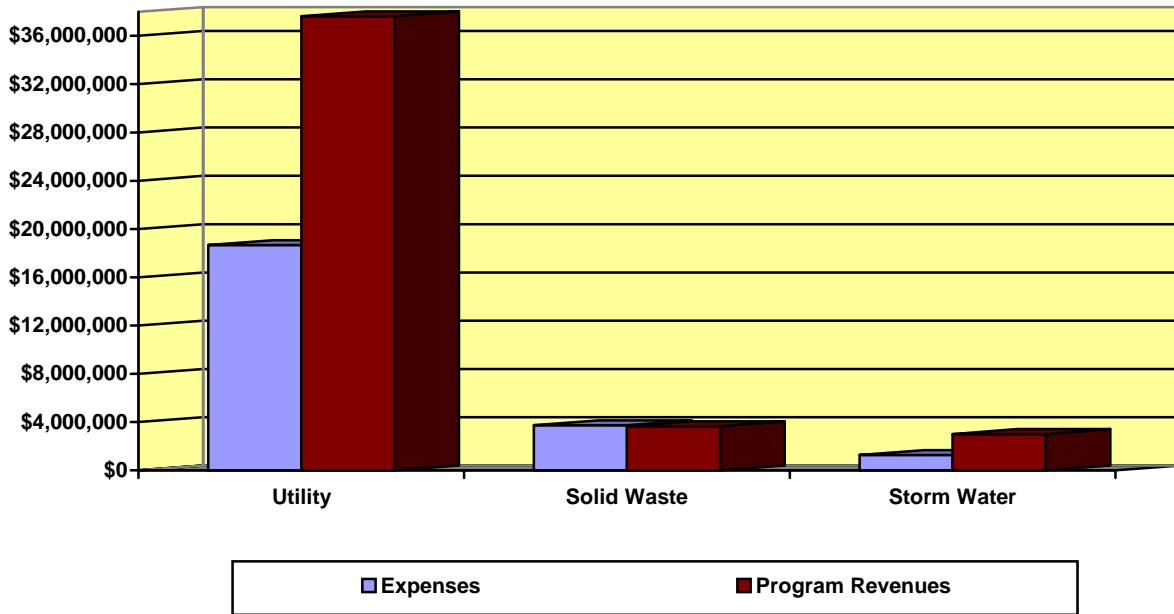
### Expenses and Program Revenues - Governmental Activities



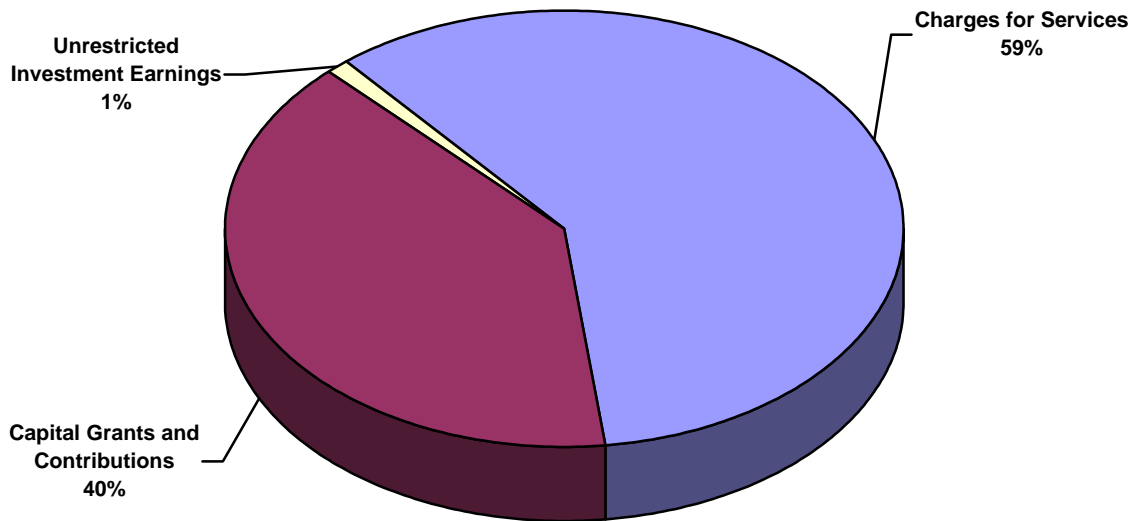
### Revenues by Source - Governmental Activities



### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



## Financial Analysis of the Government's Funds

**Governmental funds.** The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance in the general fund was \$9,168,444. The total fund balance stood at \$10,612,139. 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 50 percent of total general fund expenditures versus 29 percent for fiscal year 2004. Total fund balance represents 58 percent of the total general fund expenditures versus 32 percent for fiscal year 2004.

The fund balance of the City of Palm Coast's general fund increased by \$4,157,342 during the current fiscal year. Key factors in this growth are as follows:

- Charges for services and Property tax revenue increased about \$1 million each in the current year. There was no change in the millage rate.
- Transportation expenditures decreased about \$2.3 million in the current year. These expenditures are now part of the Transportation Impact Fee Special Revenue Fund.

The capital projects fund has a total fund balance of \$3,408,102, an increase of \$106,928. A portion of the total property tax revenue is allocated to this fund to cover capital expenditures. The transportation impact fee fund was established in 2005. Total fund balance was \$10,347,953, primarily reflective of impact fees collected during the year.

The other governmental funds have a total fund balance \$11,548,003. This was an increase of \$4,363,198 during the current fiscal year. The Park Impact Fee Fund accounted for 60 percent of the increase. The remainder was spread over several special revenue funds.

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

Unrestricted net assets of the utility fund were \$9,473,324 at the end of the year, with the total fund balance at \$29,305,434. The unrestricted net assets increase of \$6,124,879 was due primarily to budgeted operating income.

The solid waste funds unrestricted net assets of \$(106,785) represents a decrease of \$323,187. A prior period expense adjustment accounts for most of this change.

The stormwater fund was established in 2005. Total fund balance was \$1,376,599, with \$1,756,507 invested in capital assets, and \$(379,908) unrestricted at the end of the year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled \$269,200. There were minor changes in expenditures in various departments throughout the year.

During the year, revenues exceeded the final amended budget by \$3,368,452. This was the result of higher than expected tax collections and intergovernmental revenues related to growth. Permit revenue also exceeded budget expectations as building within the City of Palm Coast increased for the year. Expenditures were less than the final amended budget by \$3,007,829. Vacancies in Building & Code Administration, Public Works and projects that were not completed are the reason for this difference.



## Capital Asset and Debt Administration

**Capital assets.** The City of Palm Coast's investment in capital assets as of September 30, 2005, amounts to \$297,439,518 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment. This is an increase of \$27,478,469 for the current fiscal year. Most of the increase is related to the expansion and improvement of the utility system during the year. The rest of the increase can be attributed to the improvements to city streets, expansion of City Hall, and construction of a new park.

Table III  
City of Palm Coast's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 67,837,121	\$ 67,837,121	\$ 12,299,100	\$ 12,196,800	\$ 80,136,221	\$ 80,033,921
Buildings and improvements						
other than buildings	9,510,586	5,469,267	30,185,790	31,543,548	39,696,376	37,012,815
Infrastructure	101,035,517	99,547,913	48,251,485	41,848,350	149,287,002	141,396,263
Equipment	6,159,369	4,031,906	436,547	186,823	6,595,916	4,218,729
Construction in progress	3,635,814	3,913,500	18,088,189	3,385,821	21,724,003	7,299,321
Total	\$ 188,178,407	\$ 180,799,707	\$ 109,261,111	\$ 89,161,342	\$ 297,439,518	\$ 269,961,049

Additional information on the City of Palm Coast's capital assets can be found in Note 6 on page 49 of this report.

**Long-term debt.** The City of Palm Coast owes \$96,650,000 in revenue bonds used to purchase the utility system. A portion of the proceeds were also planned for system expansion. The City owes \$92,801 on a loan used to purchase equipment through fleet management. There is a CDBG loan with a balance of \$199,880 and State Revolving Fund loans of \$8,415,152. 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 \$106,431,025.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Loans from other governments	\$ 199,880	\$ 305,693	\$ 8,415,152	\$ -	\$ 8,615,032	\$ 305,693
Loans from financial institutions	92,801	156,230	-	-	92,801	156,230
Revenue bonds	-	-	96,650,000	96,650,000	96,650,000	96,650,000
Capital leases	27,033	59,520	-	-	27,033	59,520
Compensated absences	753,918	505,040	292,241	120,071	1,046,159	625,111
Total	\$ 1,073,632	\$ 1,026,483	\$ 105,357,393	\$ 96,770,071	\$ 106,431,025	\$ 97,796,554

Additional information on the City of Palm Coast's long-term debt can be found in Note 9 beginning on page 53 of this report.

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

During the current fiscal year, unreserved fund balance in the General Fund increased to \$9,168,444 plus an additional \$1,260,588 reserved for encumbrances. The City of Palm Coast has appropriated \$3,134,836 of the unreserved fund balance for spending in the 2006 fiscal year budget. After encumbrance and project carryovers, the available fund balance, as a percentage of prior year expenditures and transfers out is 30 percent.

The City Council approved a millage rate of 3.4 mills for fiscal year 2006. This is the same rate as fiscal year 2005; however 1 mill has been designated for capital projects.

### **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  
2 Commerce Boulevard  
Palm Coast, FL 32164-3126

Or

Telephone (386) 986-3725  
Fax (386) 986-3724  
E-mail [rbritt@ci.palm-coast.fl.us](mailto:rbritt@ci.palm-coast.fl.us)

# **BASIC FINANCIAL STATEMENTS**



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City of Palm Coast, Florida  
Statement of Net Assets  
September 30, 2005

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Equity in pooled cash and investments	\$ 40,169,273	\$ 7,500,122	\$ 47,669,395
Receivables - net	369,280	4,362,543	4,731,823
Due from other governments	1,790,675	81,382	1,872,057
Prepaid items	24,375	-	24,375
Inventories	56,542	280,484	337,026
Unamortized bond premium	-	(1,396,028)	(1,396,028)
Unamortized debt issuance costs	-	3,289,352	3,289,352
Restricted assets:			
Equity in pooled cash and investments	-	17,062,360	17,062,360
Due from other governments	-	3,145,822	3,145,822
Prepaid Items	-	981,236	981,236
Capital assets (net of accumulated depreciation):			
Land	67,837,121	12,299,100	80,136,221
Buildings and improvements other than buildings	9,510,585	30,185,790	39,696,375
Infrastructure	101,035,518	48,251,483	149,287,001
Equipment	6,159,369	436,549	6,595,918
Construction in progress	3,635,814	18,088,189	21,724,003
<b>Total assets</b>	<b>230,588,552</b>	<b>144,568,384</b>	<b>375,156,936</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	2,146,204	773,223	2,919,427
Due to other governments	3,614,220	-	3,614,220
Internal balances	359,115	(359,115)	-
Customer deposits	516,842	2,143,830	2,660,672
Payable from restricted assets:			
Accrued bond interest payable	-	2,221,386	2,221,386
Accounts payable	-	2,498,379	2,498,379
Contract payable	-	998,925	998,925
Noncurrent liabilities:			
Due within one year	613,571	2,037,870	2,651,441
Due in more than one year	460,061	103,319,523	103,779,584
<b>Total liabilities</b>	<b>7,710,013</b>	<b>113,634,021</b>	<b>121,344,034</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	188,058,574	13,854,695	201,913,269
Restricted for:			
Specific capital projects	15,296	-	15,296
Construction	20,822,713	5,888,922	26,711,635
Bond debt service	-	1,845,000	1,845,000
Public safety	28,836	-	28,836
Unrestricted	13,953,120	9,345,746	23,298,866
<b>Total net assets</b>	<b>\$ 222,878,539</b>	<b>\$ 30,934,363</b>	<b>\$ 253,812,902</b>

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

City of Palm Coast, Florida  
Statement of Activities  
For the Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 6,821,382	\$ 7,723,865	\$ -	\$ -
Public safety	4,450,045	170,604	53,484	740,076
Transportation and physical environment	7,054,196	276,940	1,958,349	12,479,122
Culture and recreation	1,696,730	186,165	21,100	3,751,722
Interest on long-term debt	39,017	-	-	-
<b>Total governmental activities</b>	<b>\$ 20,061,370</b>	<b>\$ 8,357,574</b>	<b>\$ 2,032,933</b>	<b>\$ 16,970,920</b>
Business-type activities:				
Utility	18,667,179	21,204,365	-	16,418,946
Solid Waste	3,733,373	3,667,701	-	-
Storm Water	1,270,065	1,673,827	-	1,342,011
<b>Total business-type activities</b>	<b>\$ 23,670,617</b>	<b>\$ 26,545,893</b>	<b>\$ -</b>	<b>\$ 17,760,957</b>

General revenues:  
Property taxes  
Sales and use taxes  
Franchise fees  
Telecommunication services tax  
Intergovernmental revenue  
Unrestricted investment earnings  
Miscellaneous  
Gain on sale of capital assets  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning - restated  
Net assets - ending

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

**Net (Expense) Revenue and  
Changes in Net Assets**

<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>
<b>Activities</b>		<b>Activities</b>		
\$ 902,483	\$ -	\$ -	\$ -	\$ 902,483
(3,485,881)	-	-	-	(3,485,881)
7,660,215	-	-	-	7,660,215
2,262,257	-	-	-	2,262,257
(39,017)	-	-	-	(39,017)
<u>7,300,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,300,057</u>
-	18,956,132	-	-	18,956,132
-	(65,672)	-	-	(65,672)
-	1,745,773	-	-	1,745,773
<u>-</u>	<u>20,636,233</u>	<u>-</u>	<u>-</u>	<u>20,636,233</u>
10,218,772	-	-	-	10,218,772
2,649,771	-	-	-	2,649,771
9,651	-	-	-	9,651
1,980,363	-	-	-	1,980,363
2,730,825	-	-	-	2,730,825
750,053	539,671	-	-	1,289,724
24,443	-	-	-	24,443
93,575	-	-	-	93,575
722,955	(722,955)	-	-	-
<u>19,180,408</u>	<u>(183,284)</u>	<u>-</u>	<u>-</u>	<u>18,997,124</u>
26,480,465	20,452,949	-	-	46,933,414
196,398,074	10,481,414	-	-	206,879,488
<u>\$ 222,878,539</u>	<u>\$ 30,934,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253,812,902</u>

City of Palm Coast, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2005

<b>ASSETS</b>	<b>General</b>	<b>Capital Projects</b>	<b>Transportation Impact Fee Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
Equity in pooled cash and investments	\$ 14,123,569	\$ 3,324,469	\$ 10,878,719	\$ 11,433,631	\$ 39,760,388
Accounts receivable - net	87,619	-	-	65,778	153,397
Notes receivable - current	32,068	-	-	-	32,068
Due from other governments	827,119	-	-	963,556	1,790,675
Notes receivable - noncurrent	167,811	-	-	-	167,811
Due from other funds	500,000	337,028	-	-	837,028
Prepaid items	24,375	-	-	-	24,375
<b>Total assets</b>	<b>\$ 15,762,561</b>	<b>\$ 3,661,497</b>	<b>\$ 10,878,719</b>	<b>\$ 12,462,965</b>	<b>\$ 42,765,742</b>
 <b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 418,274	\$ 111,859	\$ 494,078	\$ 359,588	\$ 1,383,799
Accrued liabilities	495,641	141,536	36,688	10,523	684,388
Due to other governments	3,614,220	-	-	-	3,614,220
Due to other funds	-	-	-	500,000	500,000
Customer deposits	516,842	-	-	-	516,842
Deferred revenue	105,445	-	-	44,851	150,296
<b>Total liabilities</b>	<b>5,150,422</b>	<b>253,395</b>	<b>530,766</b>	<b>914,962</b>	<b>6,849,545</b>
Fund balances:					
Reserved for:					
Encumbrances	1,260,588	751,944	3,453,204	2,803,893	8,269,629
Specific capital projects	15,296	-	-	-	15,296
Notes receivable - noncurrent	167,811	-	-	-	167,811
Unreserved, reported in:					
General fund	9,168,444	-	-	-	9,168,444
Special revenue funds	-	-	6,894,749	8,744,110	15,638,859
Capital projects funds	-	2,656,158	-	-	2,656,158
<b>Total fund balances</b>	<b>10,612,139</b>	<b>3,408,102</b>	<b>10,347,953</b>	<b>11,548,003</b>	<b>35,916,197</b>
<b>Total liabilities and fund balance:</b>	<b>\$ 15,762,561</b>	<b>\$ 3,661,497</b>	<b>\$ 10,878,719</b>	<b>\$ 12,462,965</b>	<b>\$ 42,765,742</b>

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, 2005

Fund balances - total governmental funds	\$	35,916,197
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		185,156,101
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds.		150,296
Internal services funds are used by management to charge the costs of fleet lease and maintenance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		2,629,907
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund:		<u>(973,962)</u>
Net assets of governmental activities:	\$	<u><u>222,878,539</u></u>

City of Palm Coast, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2005

	General	Capital Projects	Transportation Impact Fee Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 10,717,708	\$ 1,499,723	\$ -	\$ 3,956,789	\$ 16,174,220
Licenses and permits	6,525,597	-	-	-	6,525,597
Intergovernmental revenue	3,160,374	280,805	1,327,759	235,648	5,004,586
Charges for services	2,610,040	-	-	57,672	2,667,712
Fines and forfeitures	187,451	-	-	40,255	227,706
Impact fees	-	-	10,705,562	4,515,276	15,220,838
Contributions	-	125,000	-	21,100	146,100
Investment earnings	268,049	92,853	150,573	230,365	741,840
Miscellaneous	9,968	-	-	5,000	14,968
Total revenues	<u>23,479,187</u>	<u>1,998,381</u>	<u>12,183,894</u>	<u>9,062,105</u>	<u>46,723,567</u>
<b>EXPENDITURES</b>					
Current:					
General government	7,638,975	34,971	-	-	7,673,946
Public safety	4,272,329	-	-	7,850	4,280,179
Transportation and physical environment	3,932,055	-	-	425,021	4,357,076
Culture and recreation	1,490,396	-	-	45,709	1,536,105
Capital outlay:					
General government	387,512	448,641	-	-	836,153
Public safety	172,362	80,552	-	102,264	355,178
Transportation and physical environment	143,163	1,179,199	1,835,941	3,520,264	6,678,567
Culture and recreation	58,678	398,090	-	1,104,932	1,561,700
Debt service:					
Principal	138,301	-	-	-	138,301
Interest and Other	23,109	-	-	-	23,109
Total expenditures	<u>18,256,880</u>	<u>2,141,453</u>	<u>1,835,941</u>	<u>5,206,040</u>	<u>27,440,314</u>
Excess of revenues over (under) expenditures	5,222,307	(143,072)	10,347,953	3,856,065	19,283,253
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Transfers in	216,000	250,000	-	507,133	973,133
Transfers out	(1,280,965)	-	-	-	(1,280,965)
Total other financing sources (uses)	<u>(1,064,965)</u>	<u>250,000</u>	<u>-</u>	<u>507,133</u>	<u>(307,832)</u>
Net change in fund balances	4,157,342	106,928	10,347,953	4,363,198	18,975,421
Fund balances - beginning	6,454,797	3,301,174	-	7,184,805	16,940,776
Fund balances - ending	<u>\$ 10,612,139</u>	<u>\$ 3,408,102</u>	<u>\$ 10,347,953</u>	<u>\$ 11,548,003</u>	<u>\$ 35,916,197</u>

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, 2005

Net change in fund balances - total governmental funds \$ 18,975,421

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	9,378,714	
Less current year depreciation	<u>(3,133,626)</u>	6,245,088

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

Revenue collections expected after 60 days		103,425
--	--	---------

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

(31,011)

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.

138,301

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

Compensated absences		(245,585)
----------------------	--	-----------

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 fund is reported with governmental activities.

1,294,826

Change in net assets of governmental activities		<u><u>\$ 26,480,465</u></u>
---	--	-----------------------------

City of Palm Coast, Florida  
Statement of Net Assets  
Proprietary Fund  
September 30, 2005

	Business-type Activities-Enterprise Fund				Governmental Activities Internal Service Funds
	Utility	Solid Waste	(Nonmajor) Storm Water	Total	
<b>ASSETS</b>					
Current assets:					
Equity in pooled cash and investments	\$ 7,500,122	\$ -	\$ -	\$ 7,500,122	\$ 408,885
Accounts receivable - net	3,322,684	568,764	471,095	4,362,543	16,004
Due from other governments	81,382	-	-	81,382	-
Inventories	280,484	-	-	280,484	56,542
Restricted current assets:					
Cash with fiscal agent	4,066,386	-	-	4,066,386	-
Due from other governments	3,145,822	-	-	3,145,822	-
<b>Total current assets</b>	<b>18,396,880</b>	<b>568,764</b>	<b>471,095</b>	<b>19,436,739</b>	<b>481,431</b>
Noncurrent assets:					
Restricted assets:					
Equity in pooled cash and investments:					
Revenue bond covenants	5,618,516	-	-	5,618,516	-
Impact fees	7,377,458	-	-	7,377,458	-
Due from other governments	-	-	-	-	-
Prepaid construction costs	981,236	-	-	981,236	-
<b>Total restricted assets</b>	<b>13,977,210</b>	<b>-</b>	<b>-</b>	<b>13,977,210</b>	<b>-</b>
Capital assets:					
Land	12,196,800	-	102,300	12,299,100	-
Building and improvements other than buildings	32,742,176	-	105,249	32,847,425	-
Infrastructure	49,815,792	-	1,213,080	51,028,872	-
Equipment	458,917	-	31,525	490,442	3,836,678
	95,213,685	-	1,452,154	96,665,839	3,836,678
Less accumulated depreciation	(5,484,851)	-	(8,066)	(5,492,917)	(814,372)
	89,728,834	-	1,444,088	91,172,922	3,022,306
Construction in progress	17,775,770	-	312,419	18,088,189	-
<b>Total capital assets (net of accumulated depreciation)</b>	<b>107,504,604</b>	<b>-</b>	<b>1,756,507</b>	<b>109,261,111</b>	<b>3,022,306</b>
Due from other funds	1,046,217	-	-	1,046,217	-
Unamortized bond premium	(1,396,028)	-	-	(1,396,028)	-
Unamortized debt issuance costs	3,289,352	-	-	3,289,352	-
<b>Total noncurrent assets</b>	<b>124,421,355</b>	<b>-</b>	<b>1,756,507</b>	<b>126,177,862</b>	<b>3,022,306</b>
<b>Total assets</b>	<b>\$ 142,818,235</b>	<b>\$ 568,764</b>	<b>\$ 2,227,602</b>	<b>\$ 145,614,601</b>	<b>\$ 3,503,737</b>

City of Palm Coast, Florida  
Statement of Net Assets (continued)  
Proprietary Fund  
September 30, 2005

	Business-type Activities-Enterprise Fund				Governmental Activities Internal Service Funds
	Utility	Solid Waste	(Nonmajor) Storm Water	Total	
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 261,950	\$ 351,317	\$ 76,469	\$ 689,736	\$ 75,265
Loans payable	-	-	-	-	52,445
Compensated absences	166,661	5,095	21,114	192,870	4,544
Accrued liabilities	69,910	800	12,777	83,487	2,752
Customer deposits	2,143,830	-	-	2,143,830	-
Current liabilities payable from restricted assets:					
Current maturities of bonds payable	1,845,000	-	-	1,845,000	-
Accrued bond interest payable	2,221,386	-	-	2,221,386	-
Accounts payable	2,498,379	-	-	2,498,379	-
Contract payable	998,925	-	-	998,925	-
<b>Total current liabilities</b>	<b>10,206,041</b>	<b>357,212</b>	<b>110,360</b>	<b>10,673,613</b>	<b>135,006</b>
Noncurrent liabilities					
Compensated absences	86,608	2,120	10,643	99,371	2,325
Bonds payable	94,805,000	-	-	94,805,000	-
Loans payable	8,415,152	-	-	8,415,152	40,356
Due to other funds	-	316,217	730,000	1,046,217	337,028
<b>Total noncurrent liabilities</b>	<b>103,306,760</b>	<b>318,337</b>	<b>740,643</b>	<b>104,365,740</b>	<b>379,709</b>
<b>Total liabilities</b>	<b>113,512,801</b>	<b>675,549</b>	<b>851,003</b>	<b>115,039,353</b>	<b>514,715</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	12,098,188	-	1,756,507	13,854,695	3,022,306
Restricted for construction	5,888,922	-	-	5,888,922	-
Restricted for bond debt service	1,845,000	-	-	1,845,000	-
Unrestricted	9,473,324	(106,785)	(379,908)	8,986,631	(33,284)
<b>Total net assets</b>	<b>29,305,434</b>	<b>\$ (106,785)</b>	<b>\$ 1,376,599</b>	<b>\$ 30,575,248</b>	<b>\$ 2,989,022</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				359,115	
				<u>\$ 30,934,363</u>	

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



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City of Palm Coast, Florida  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	Solid Waste	(Nonmajor) Storm Water	Totals	
Operating revenues:					
Charges for services:					
Water sales	\$ 13,650,235	\$ -	\$ -	\$ 13,650,235	\$ -
Sewer charges	7,358,939	-	-	7,358,939	-
Garbage charges	-	3,667,701	-	3,667,701	-
Storm Water charges	-	-	1,673,827	1,673,827	-
Miscellaneous	195,191	-	-	195,191	1,823,970
Total operating revenues	21,204,365	3,667,701	1,673,827	26,545,893	1,823,970
Operating expenses:					
Administrative	2,601,192	-	-	2,601,192	985,545
Water system	4,993,134	-	-	4,993,134	-
Sewer system	3,857,322	-	-	3,857,322	-
Solid waste system	-	3,734,903	-	3,734,903	-
Storm water system	-	-	1,283,455	1,283,455	-
Depreciation	2,977,489	-	8,065	2,985,554	481,392
Total operating expenses	14,429,137	3,734,903	1,291,520	19,455,560	1,466,937
Operating income	6,775,228	(67,202)	382,307	7,090,333	357,033
Nonoperating income (expenses):					
Investment revenue	539,671	-	-	539,671	8,213
Interest/amortization expense	(4,393,931)	-	-	(4,393,931)	(15,908)
Other	-	-	-	-	93,575
Total nonoperating revenues (expenses)	(3,854,260)	-	-	(3,854,260)	85,880
Income before contributions and transfers	2,920,968	(67,202)	382,307	3,236,073	442,913
Capital grants and contributions	16,418,946	-	1,342,011	17,760,957	-
Transfers in	-	-	-	-	1,030,787
Transfers out	(375,236)	-	(347,719)	(722,955)	-
Change in net assets	18,964,678	(67,202)	1,376,599	20,274,075	1,473,700
Total net assets - beginning - restated	10,340,756	(39,583)	-		1,515,322
Total net assets - ending	\$ 29,305,434	\$ (106,785)	\$ 1,376,599		\$ 2,989,022
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				178,874	
				<u>\$ 20,452,949</u>	

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

City of Palm Coast, Florida  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	Solid Waste	(Nonmajor) Storm Water	Totals	
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 20,745,259	\$ 3,433,288	\$ 1,202,733	\$ 25,381,280	\$ 1,833,056
Cash paid to suppliers	(5,197,157)	(3,545,042)	(897,649)	(9,639,848)	(774,720)
Cash paid to employees	(4,396,465)	(86,514)	(264,803)	(4,747,782)	(175,465)
Net cash provided by operating activities	11,151,637	(198,268)	40,281	10,993,650	882,871
<b>Cash flow from noncapital financing activities</b>					
Transfers in from other funds	-	-	-	-	1,030,787
Transfers out to other funds	(375,236)	-	(347,719)	(722,955)	-
Interfund Loan Repayment	-	-	-	-	(162,972)
Advances to other funds	(928,268)	-	-	(928,268)	-
Advances from other funds	-	198,268	730,000	928,268	-
Net cash used by noncapital financing activities	(1,303,504)	198,268	382,281	(722,955)	867,815
<b>Cash flow from capital and related financing activities</b>					
Proceeds from issuance of long-term debt	5,239,203	-	-	5,239,203	-
Loan Principal Payments	-	-	-	-	(63,429)
Interest paid	(2,318,829)	-	-	(2,318,829)	(15,908)
Acquisition and construction of property, plant and equipment	(21,216,059)	-	(1,764,573)	(22,980,632)	(1,628,762)
Proceeds from the sale of capital assets	-	-	-	-	76,502
Impact fees and contributions	16,418,946	-	1,342,011	17,760,957	-
Net cash used by capital and related financing activities	(1,876,739)	-	(422,562)	(2,299,301)	(1,631,597)
<b>Cash flow from investing activities</b>					
Interest on investments	539,671	-	-	539,671	8,213
Net cash provided by investing activities	539,671	-	-	539,671	8,213
Net increase in cash and cash equivalents	8,511,065	-	-	8,511,065	127,302
Beginning cash and cash equivalents	16,051,417	-	-	16,051,417	281,583
Ending cash and cash equivalents	\$ 24,562,482	\$ -	\$ -	\$ 24,562,482	\$ 408,885

(continued)



City of Palm Coast, Florida  
Statement of Cash Flows (continued)  
Proprietary Funds  
For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utility	Solid Waste	(Nonmajor) Storm Water	Totals	
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ 6,775,228	\$ (67,202)	\$ 382,307	\$ 7,090,333	\$ 357,033
Adjustment to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	2,977,489	-	8,065	2,985,554	481,392
Prior period expense payment	-	(255,985)	-	(255,985)	-
Change in assets and liabilities:					
Accounts receivable	(1,114,406)	(234,413)	(471,095)	(1,819,914)	9,086
Due from other governments	(67,977)	-	-	(67,977)	-
Inventories	(62,410)	-	-	(62,410)	(17,296)
Accounts payable	(221,032)	351,317	76,470	206,755	52,021
Accrued liabilities	(98,278)	800	12,777	(84,701)	(2,659)
Customer deposits	723,277	-	-	723,277	-
Restricted accounts payable	2,106,548	-	-	2,106,548	-
Compensated absences	133,198	7,215	31,757	172,170	3,294
<b>Net cash provided by operating activities:</b>	<b>\$ 11,151,637</b>	<b>\$ (198,268)</b>	<b>\$ 40,280</b>	<b>\$ 10,993,649</b>	<b>\$ 882,871</b>
<b>Cash and cash equivalents classified as:</b>					
Equity in pooled cash and investments in current assets	\$ 7,500,122	\$ -	\$ -	\$ 7,500,122	\$ 408,885
Restricted equity in pooled cash and investments					
Cash with fiscal agent	4,066,386	-	-	4,066,386	-
Revenue bond covenants	5,618,516	-	-	5,618,516	-
Impact fees	7,377,458	-	-	7,377,458	-
Renewal and replacement	-	-	-	-	-
<b>Total restricted equity in pooled cash and investments</b>	<b>17,062,360</b>	<b>-</b>	<b>-</b>	<b>17,062,360</b>	<b>-</b>
<b>Total cash and cash equivalents:</b>	<b>\$ 24,562,482</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 24,562,482</b>	<b>\$ 408,885</b>

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

City of Palm Coast, Florida  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 September 30, 2005

	<b>Volunteer Firefighter Pension Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 108,758
Total assets	108,758
 <b>NET ASSETS</b>	
Held in Trust for Pension Benefits and Other Purposes	\$ 108,758

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

City of Palm Coast, Florida  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended September 30, 2005

	<b>Volunteer Firefighter Pension Fund</b>
<b>ADDITIONS</b>	
Contributions:	
State contributions	\$ 86,664
Total contributions	86,664
Investment earnings:	
Interest	1,412
Total investment earnings	1,412
Total additions	88,076
<b>SUBTRACTIONS</b>	
Benefit Distributions	1,715
Total subtractions	1,715
<b>Net Increase (Decrease)</b>	86,361
Net assets - beginning	22,397
Net assets - ending	\$ 108,758

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



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**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2005**



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**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS**

**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. The pension trust fund is reported as a separate financial statement, and is not included in the government-wide 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. 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.

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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.

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

The government reports the following major proprietary funds:

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

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

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.

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



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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

***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 from the date of the acquisition. Investments are reported at fair value.

***Receivables***

Receivables consist primarily of amounts due from other governments, as well as utility, solid waste, and stormwater billings. All General Fund receivables are deemed collectible, and an allowance for doubtful accounts has been set up in the Utility, Solid Waste, and Stormwater Funds for 14%, 15% and 21%, respectively, of the outstanding receivable amounts.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

***Receivables (Continued)***

Under Florida law, the assessment and collection of all county, municipal, and school district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate up to 10 mills.

The property tax calendar is as follows:

Valuation Date	January 1, 2004	
Property Appraiser prepares the assessment roll with values as of January 1, 2004, submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1, 2004	
City Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September 2004	
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1, 2004	
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November 2004 through March 2005, with the following applicable discounts:		
<u>Month Paid</u>	<u>Discount</u>	
November	4%	
December	3	
January	2	November 1, 2004
February	1	through
March	0	March 31, 2005
All unpaid taxes on real and tangible personal property become delinquent.	April 1, 2005	
A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised.	April and May 2005	
Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date).	June 1, 2005	
A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent personal property taxes.	June 1, 2005	

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

***Inventories***

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

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***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.

Depreciation on assets is provided on the straight-line basis over the following estimated useful lives:

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

***Interfund Transactions***

Interfund transactions 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.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

***Compensated Absences***

Employees may accumulate vacation and sick leave with certain limitations as to the number of hours of accumulation. 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 are deferred and amortized over the life of the bonds using the effective interest method. 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 \$185,156,101 difference are as follows:

Capital assets	\$ 189,734,311
Less: Accumulated Depreciation	(8,214,024)
Construction in progress	3,635,814
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 185,156,101

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**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 \$973,962 difference are as follows:

Loans payable	\$ 199,880
Capital leases payable	27,032
Compensated absences	747,050
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	\$ 973,962

***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 \$138,301 difference are as follows:

Debt repayments:	
Loan	105,813
Capital lease	32,488
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 138,301

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

**Note 3 – Stewardship, Compliance and Accountability**

***Compliance with Finance-Related Legal and Contractual Provision***

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

***Deficit Fund Balance***

The SR100 Community Redevelopment Fund had a deficit fund balance of \$102,489 as of September 30, 2005. This is due to redevelopment expenditures in advance of future anticipated property tax revenues.

***Excess of Expenditures Over Appropriations***

For the year ended September 30, 2005, no departments exceeded appropriations.

***Budgetary Information***

The City follows these procedures in adopting the budget:

1. On or before the 30<sup>th</sup> 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 employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and may be 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 not recognize the fund balance allocation as revenue as it represents prior periods' excess of revenues over expenditures.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 4 – Deposits and Investments**

***Deposits***

At year-end, the carrying amount of the City's deposits was \$12,191,719 and the bank balance was \$12,510,298. 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 \$25,575 in petty cash. In addition, the City has a money market cash balance of \$15,823 in its investment account.

***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.
5. Federal Agencies and instrumentalities.

As of September 30, 2005, the City has the following investments:

Investment Type	Fair Value	Maturities
Florida SBA Investment Pool	\$ 38,409,289	n/a
U.S. Treasuries	4,067,807	1-2 Years
U.S. Government Agencies	<u>5,955,156</u>	1-3 Years
	<u>\$ 48,432,252</u>	

The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of September 30, 2005.

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

*Credit Risk.* As of September 30, 2005, the City's investments in U.S. Government Agencies were rated AAA by Standard & Poor's.

**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

*Concentrations of Credit Risk.* The City's investment policy allows a maximum of seventy-five (75) percent of available funds to be invested in U.S. Government Agencies. As of September 30, 2005, the City's largest agency investment is in the Federal Home Loan Bank. These securities represent 8.27 percent of the City's total investments.

The Volunteer Firefighters' Pension monies totaling \$108,758 are invested in a bank money market account.

Cash with fiscal agent as of September 30, 2005 totaled \$4,066,386. This amount represents the semi-annual utility bond principal and interest payments on deposit with the distributing agent.

**Note 5 – Receivables**

Receivables consist of the following at September 30, 2005:

	General Fund	Nonmajor Governmental Funds	Utility Fund	Solid Waste Fund	Storm Water Fund	Fleet Management Fund	Totals
Accounts receivable	\$ 87,619	\$ 65,778	\$ 3,854,583	\$ 670,064	\$ 598,495	\$ 16,004	\$ 5,292,543
Notes receivable - current	32,068					-	32,068
Notes receivable - noncurrent	167,811					-	167,811
Less allowance for doubtful accounts	-		(531,899)	(101,300)	(127,400)	-	(760,599)
	<u>\$ 287,498</u>	<u>\$ 65,778</u>	<u>\$ 3,322,684</u>	<u>\$ 568,764</u>	<u>\$ 471,095</u>	<u>\$ 16,004</u>	<u>\$ 4,731,823</u>

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 long-term debt.



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

**Note 6 – Capital Assets**

Capital asset activity for the year ended September 30, 2005 was as follows:

	Balance 09/30/04	Increases	Decreases	Balance 09/30/05
<b>A. Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 67,837,121	\$ -	\$ -	\$ 67,837,121
Construction in progress	3,913,500	7,974,461	(8,252,147)	3,635,814
Total capital assets, not being depreciated	71,750,621	7,974,461	(8,252,147)	71,472,935
Capital assets, being depreciated				
Buildings and improvements other than buildings	5,714,234	4,297,039	-	10,011,273
Infrastructure	103,584,022	3,962,681	-	107,546,703
Equipment	5,209,907	3,087,481	(121,494)	8,175,894
Total capital assets, being depreciated	114,508,163	11,347,201	(121,494)	125,733,870
Less accumulated depreciated for:				
Buildings and improvements other than buildings	(244,967)	(255,721)	-	(500,688)
Infrastructure	(4,036,109)	(2,475,076)	-	(6,511,185)
Equipment	(1,178,001)	(884,221)	45,697	(2,016,525)
Total accumulated depreciation	(5,459,077)	(3,615,018)	45,697	(9,028,398)
Total capital assets, being depreciated, net	109,049,086	7,732,183	(75,797)	116,705,472
Governmental activities capital assets, net	\$ 180,799,707	\$ 15,706,644	\$ (8,327,944)	\$ 188,178,407
	Balance 09/30/04	Increases	Decreases	Balance 09/30/05
<b>B. Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 12,196,800	\$ 102,300	\$ -	\$ 12,299,100
Construction in progress	3,385,821	20,793,223	(6,090,855)	18,088,189
Total capital assets, not being depreciated	15,582,621	20,895,523	(6,090,855)	30,387,289
Capital assets, being depreciated				
Buildings and improvements other than buildings	32,742,178	105,247	-	32,847,425
Infrastructure	43,144,590	7,884,282	-	51,028,872
Equipment	199,316	291,126	-	490,442
Total capital assets, being depreciated	76,086,084	8,280,655	-	84,366,739
Less accumulated depreciated for:				
Buildings and improvements other than buildings	(1,198,630)	(1,463,005)	-	(2,661,635)
Infrastructure	(1,296,240)	(1,481,149)	-	(2,777,389)
Equipment	(12,493)	(41,400)	-	(53,893)
Total accumulated depreciation	(2,507,363)	(2,985,554)	-	(5,492,917)
Total capital assets, being depreciated, net	73,578,721	5,295,101	-	78,873,822
Business-type activities capital assets, net	\$ 89,161,342	\$ 26,190,624	\$ (6,090,855)	\$ 109,261,111

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

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

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

Governmental activities:		
General government		\$ 262,963
Public safety		97,831
Transportation and Physical Environment		2,627,506
Culture and recreation		145,326
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets		<u>481,392</u>
Total depreciation expense - governmental activities		<u><u>\$ 3,615,018</u></u>
Business activities:		
Utility		\$ 2,977,489
Solid Waste		-
Stormwater		<u>8,065</u>
Total depreciation expense - business activities		<u><u>\$ 2,985,554</u></u>

**Note 7 – Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2005, is as follows:

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	Fleet Management Fund	\$ 337,028
General Fund	SR100 Community Redevelopment Fund	500,000
Utility Fund	Solid Waste Fund	316,217
	Stormwater Fund	730,000
	Total	<u><u>\$ 1,883,245</u></u>

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

**Note 7 – Interfund Receivables, Payables, and Transfers (Continued)**

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

Transfer out:	Transfer In:				Total
	General Fund	Capital Projects	Nonmajor Governmental	Internal Service	
General Fund	\$ -	\$ 250,000	\$ 507,133	\$ 523,832	\$ 1,280,965
Utility Fund	201,000	-	-	174,236	375,236
Stormwater Fund	15,000	-	-	332,719	347,719
<b>Total transfers out</b>	<b>\$ 216,000</b>	<b>\$ 250,000</b>	<b>\$ 507,133</b>	<b>\$ 1,030,787</b>	<b>\$ 2,003,920</b>

**Note 8 – Leases and Agreements**

Interlocal Agreements:

The City maintains an interlocal agreement with the Flagler County Sheriff for law enforcement services. The agreement provides for additional services above the base level of service provided by the Sheriff on a County-wide basis. For 2005 the total cost was \$1,309,201 and provided 17.5 additional personnel.

Operating Leases:

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

General Fund	<u><u>\$ 17,795</u></u>
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**CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**Note 8 – Leases and Agreements (Continued)**

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	\$ 212,322
Less: Accumulated amortization	<u>(134,132)</u>
	<u>\$ 78,190</u>

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

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:

<u>Year Ending September 30</u>	
2006	\$ 25,312
2007	<u>4,065</u>
Total minimum lease payments	29,377
Less amount representing interest	<u>(2,344)</u>
Present value of minimum lease payments	<u>\$ 27,033</u>

The current and long-term obligation under capital lease is \$23,089 and \$3,944, respectively.

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

**Note 9 – Long-Term Debt**

**A. Governmental Activities**

***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 <u>September 30</u>	Principal	Interest
2006	32,068	7,412
2007	33,375	6,105
2008	34,735	4,745
2009	36,150	3,542
2010 - 2011	63,552	2,036
	<u>\$ 199,880</u>	<u>\$ 23,840</u>

***Equipment Loan***

During the fiscal year ended September 30, 2004, the City of Palm Coast entered into a loan agreement for the purchase of equipment. The loan principal of \$156,230 is payable at \$4,539 per month at 2.94% interest through June 8, 2007.

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

Year Ending <u>September 30</u>	Principal	Interest
2006	\$ 52,445	\$ 2,024
2007	40,356	496
	<u>\$ 92,801</u>	<u>\$ 2,520</u>

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

***State Revolving Fund Loan***

On June 18, 2001 the City executed an agreement with the Florida Department of Environmental Protection that would allow the City to borrow up to \$150,000, through the State Revolving Fund loan program, for the purpose of preparing a stormwater facilities plan. On February 14, 2003 the City made a draw of \$75,000.

This State Revolving Fund Loan was repaid in fiscal year 2005.

**B. Business Activities**

**Utility**

***Utility System Revenue Bonds***

On October 30, 2003 the City issued debt and closed on the purchase of the water and wastewater utility that serves the City of Palm Coast and some surrounding areas. The purchase price was \$82,774,934. Another \$10,690,000 was borrowed to complete some capital projects that were in process or needed in the near future and to fund a renewal and replacement reserve. Acquisition and closing costs included in the bond issue brought the total debt issued to \$96,650,000. This debt will be paid over 30 years from water and wastewater revenues.

***Disposition of Revenue in order of Priority***

Deposits are made in the Utility Fund for payment of operation and maintenance costs.

Funds are transferred to Debt Service Reserve for the following purposes:

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

A reserve fund is not required since the City has acquired municipal bond insurance, which unconditionally and irrevocably guarantees that the full and complete payment will be made by or on behalf of the City to the Paying Agent or its successor.

Deposits are made into the Utility Capital Projects Fund for renewal, replacement and improvement, in an amount at least equal to one-twelfth of 5% of gross revenues received during the immediately preceding Fiscal Year.

Any remaining revenues are surplus and may be used for any lawful purpose of the City.

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

**Note 9 – Long-Term Debt (Continued)**

**Early Redemption**

**A. Optional Redemption**

The series 2003 bonds maturing on or after October 1, 2014 are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after October 1, 2013, at the redemption prices equal to the principal amount of the Series 2003 Bonds to be redeemed plus interest accrued to the date of redemption.

**Debt Service**

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

Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>
2006	\$1,845,000	\$4,405,873
2007	1,880,000	4,368,273
2008	1,920,000	4,329,873
2009	1,955,000	4,284,908
2010	2,000,000	4,230,908
2011-2015	10,990,000	20,033,923
2016-2020	13,670,000	17,058,511
2021-2025	17,610,000	12,931,912
2026-2030	22,490,000	7,845,737
2031-2034	22,290,000	1,740,000
	<u>\$ 96,650,000</u>	<u>\$ 81,229,918</u>

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

**Note 9 – Long-Term Debt (Continued)**

***State Revolving Fund Loan***

During year ended September 30, 2005, the City executed two agreements with the Florida Department of Environmental Protection that would allow the City to borrow up to \$16,772,929 through the State Revolving Fund loan program, for the purpose of utility system improvements and expansion. As of September 30, 2005 the total amount of funding received on these loans was \$5,239,203. The total expended on these projects, including capitalized interest, was \$8,415,152 with \$3,145,822 in funding pending as of year end. Estimated repayment dates are subject to change pending the completion of individual projects.

Description	Interest Rate	Disbursable Amount	Amount Funded	Estimated Repayment	Semi-Annual Payment	Term (Years)
Wastewater Treatment Facilities	2.60%	\$ 14,115,081	\$ 3,585,447	12/15/2006	\$ 472,281	20
Lift Stations and Force Mains	2.71%	2,657,848	1,653,756	6/15/2006	89,441	20
		<u>\$ 16,772,929</u>	<u>\$ 5,239,203</u>			

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

During the year ended September 30, 2005, the following changes in long-term debt occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
CDBG Loan	\$ 230,693	\$ -	\$ (30,813)	\$ 199,880	\$ 32,068
State Revolving Fund Loan	75,000	-	(75,000)	-	-
Capital leases	59,520	-	(32,487)	27,033	23,089
Equipment Loan	156,230	-	(63,429)	92,801	52,445
Compensated Absences	505,040	1,255,843	(1,006,965)	753,918	505,969
Long-term debt	<u>\$ 1,026,483</u>	<u>\$ 1,255,843</u>	<u>\$ (1,208,694)</u>	<u>\$ 1,073,632</u>	<u>\$ 613,571</u>
<b>Business Type Activities:</b>					
Utility Revenue Bond	\$ 96,650,000	\$ -	\$ -	\$ 96,650,000	\$ 1,845,000
State Revolving Fund Loans	-	8,415,152	-	8,415,152	-
Compensated Absences	120,071	510,605	(338,435)	292,241	192,870
Long-term debt	<u>\$ 96,770,071</u>	<u>\$ 8,925,757</u>	<u>\$ (338,435)</u>	<u>\$ 105,357,393</u>	<u>\$ 2,037,870</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, an equipment loan of \$92,801 and \$4,544 of internal service fund compensated absences are included in the above amounts. For governmental activities, compensated absences are generally liquidated by the general fund.



**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**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, 2005, contributions to this plan totaled \$856,257.

***Florida Retirement System***

Former Flagler County and Palm Coast Service District employees hired as transfers during the 1999-2000 or 2000-2001 fiscal years 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 of 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.

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

**Note 10 – Retirement Plans (Continued)**

***Florida Retirement System (Continued)***

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:

	<u>10/1/2004 - 09/30/2005</u>
Regular employees – members not qualifying for other classes	7.83%
Special Risk Employees – members employed as law enforcement officers and firefighters	18.53%
Health Insurance Subsidy included in the above rates	1.11%

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

<u>Fiscal Year Ending</u>	<u>Required Contribution</u>	<u>% Contributed</u>
09/30/2002	\$ 159,692	100%
09/30/2003	\$ 144,803	100%
09/30/2004	\$ 177,984	100%
09/30/2005	\$ 203,845	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.

***Volunteer Firefighters' Pension Plan***

On July 2, 2002, the City of Palm Coast established a volunteer firefighters' pension plan pursuant to Florida Statute, Chapter 175. The volunteer positions are unpaid and therefore there is no benefit provided under Chapter 175. On February 15, 2005, the City adopted a "local law" plan that will provide benefits based on years of service.

The City of Palm Coast Volunteer Retirement Trust Fund is administered by a Board of Trustees. The Board has administrative authority over the Fund, and acts as supervisor and plan administrator.

**CITY OF P CITY OF PALM COAST, FLORIDA  
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

***Volunteer Firefighters' Pension Plan (Continued)***

Volunteer firefighters who meet minimum City-established standards are eligible to participate in the plan. Minimum standards are based on a system that awards points used to certify years of credited service for completing training courses, attending drills, responding to emergency and non-emergency calls, and participating in other fire emergency related activities. The minimum number of years of active service shall be five years to qualify for retirement. Members with up to five years of consecutive service to the City prior to July, 2002 shall be eligible for up to five years credit providing such members satisfy pension requirements in at least one of the two years following July, 2002. The minimum age for receiving benefits shall be 52 with twenty-five years of service, or 55 and after ten years of service, or for volunteers 62 and over, five years of service. Early retirement may be arranged with consent of the Board for a member who has attained age 50 with ten years of continuous service. The retirement benefit shall be actuarially reduced by three percent for each year by which the member's age at retirement precedes the member's normal retirement age. Each member shall become one hundred percent vested at normal retirement age.

As of September 30, 2005, one member has begun receiving retirement benefits. An actuarial valuation has not been completed as of the financial statement date.

**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.

**CITY OF PALM COAST, FL  
NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 12 – Prior Year Restatements**

Fund balance in one of the proprietary funds was restated for the year ended September 30, 2004. The restatement resulted in a decrease to the fund balance. Expenditures related to fiscal year 2004 were not accrued in the Solid Waste Fund, and subsequently current year expenses were overstated.

	Solid Waste Fund	Business-Type Activities
Fund Balance/Net Assets - September 30, 2004	\$ 216,402	\$ 10,737,399
Fiscal year 2004 expense recorded in the current period	\$ (255,985)	\$ (255,985)
Adjusted fund balance/net assets	<u>\$ (39,583)</u>	<u>\$ 10,481,414</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Palm Coast, Florida  
Required Supplementary Information  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,344,300	\$ 10,344,300	\$ 10,717,708	\$ 373,408
Licenses and permits	4,462,410	4,697,410	6,525,597	1,828,187
Intergovernmental	2,105,400	2,179,600	3,160,374	980,774
Charges for services	2,646,125	2,646,125	2,610,040	(36,085)
Fines and forfeitures	145,200	145,200	187,451	42,251
Investment earnings	85,300	85,300	268,049	182,749
Miscellaneous	12,800	12,800	9,968	(2,832)
Total revenues	19,801,535	20,110,735	23,479,187	3,368,452
<b>EXPENDITURES</b>				
Current:				
General government:				
Mayor and Council	45,798	50,198	46,149	4,049
City Manager	931,582	931,582	914,808	16,774
City Attorney	200,000	366,300	365,183	1,117
City Clerk	207,182	207,182	207,054	128
General Services	1,961,466	2,320,866	2,318,904	1,962
Building & Code Administration	4,556,484	4,761,184	2,719,770	2,041,414
Development Services	1,479,193	1,290,593	1,239,364	51,229
Nondepartmental	684,277	387,877	376,665	11,212
Total general government	10,065,982	10,315,782	8,187,897	2,127,885
Public safety:				
Fire	2,882,516	3,183,316	3,120,490	62,826
Law Enforcement	1,347,258	1,347,258	1,324,201	23,057
Total public safety	4,229,774	4,530,574	4,444,691	85,883
Public Works	3,765,347	3,616,347	2,936,974	679,373
Engineering	1,304,442	1,182,042	1,138,244	43,798
Total transportation and physical environment	5,069,789	4,798,389	4,075,218	723,171
Culture and recreation	1,629,964	1,619,964	1,549,074	70,890
Total expenditures	20,995,509	21,264,709	18,256,880	3,007,829
Excess of revenues over (under) expenditures	(1,193,974)	(1,153,974)	5,222,307	6,376,281
Other financing sources (uses):				
Transfers in	186,000	216,000	216,000	-
Transfers out	(1,911,200)	(1,981,200)	(1,280,965)	700,235
Total other financing sources (uses)	(1,725,200)	(1,765,200)	(1,064,965)	700,235
Net change in fund balance	(2,919,174)	(2,919,174)	4,157,342	7,076,516
Fund balance - beginning	6,454,797	6,454,797	6,454,797	-
Fund balance - ending	\$ 3,535,623	\$ 3,535,623	\$ 10,612,139	\$ 7,076,516

City of Palm Coast, Florida  
 Required Supplementary Information  
 Transportation Impact Fee Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Impact fees	\$ 5,200,000	\$ 5,200,000	\$ 10,705,562	\$ 5,505,562
Intergovernmental revenue	-	-	1,327,759	1,327,759
Investment earnings	-	-	150,573	150,573
Total revenues	5,200,000	5,200,000	12,183,894	6,983,894
<b>EXPENDITURES</b>				
Capital outlay:				
Transportation and physical environment	5,200,000	5,200,000	1,835,941	3,364,059
Total expenditures	5,200,000	5,200,000	1,835,941	3,364,059
Excess of revenues over (under) expenditures	-	-	10,347,953	10,347,953
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 10,347,953	\$ 10,347,953

**CITY OF PALM COAST, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION**

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



## **COMBINING 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.

***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.

***Streets Improvement Fund*** – This fund is used to account for the revenue from a half-cent local government infrastructure surtax and a local option gas tax that is being used for road maintenance and improvements as well as to resurface city streets.

***Park Impact Fee Fund*** - This fund is used to account for fees collected from new development, for the purpose of funding capital cost related to park land acquisition and improvements, and to track the expenditures of the money.

***Fire Impact Fee Fund*** - This fund is used to account for fees collected from new development, for the purpose of funding capital cost related to expanding fire services, and to track the expenditures of the money.

***Development Special Projects Fund*** - This fund is used to account for money collected from developers for future improvements such as sidewalks and traffic lights.

***SR100 Community Redevelopment Fund*** - This fund is used to account revenues and expenditures related to redevelopment.

City of Palm Coast, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2005

	Special			
	Police Education	Police Automation	Disaster Reserve	Recycling Revenue
<b>ASSETS</b>				
Equity in pooled cash and investments	\$ 28,836	\$ -	\$ 996,835	\$ 146,531
Special Assessments Receivable	-	-	-	-
Due from other governments	-	-	20,558	-
<b>Total assets</b>	<b>\$ 28,836</b>	<b>\$ -</b>	<b>\$ 1,017,393</b>	<b>\$ 146,531</b>
 <b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 528	\$ 16,500
Accrued liabilities	-	-	-	-
Deferred Revenue	-	-	-	-
Due to other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>528</b>	<b>16,500</b>
 <b>FUND BALANCES</b>				
Reserved for encumbrances	-	-	223,038	11,000
Unreserved/undesignated	28,836	-	793,827	119,031
<b>Total fund balances</b>	<b>28,836</b>	<b>-</b>	<b>1,016,865</b>	<b>130,031</b>
<b>Total liabilities and fund balance</b>	<b>\$ 28,836</b>	<b>\$ -</b>	<b>\$ 1,017,393</b>	<b>\$ 146,531</b>

Revenue Funds

Streets Improvement	Park Impact Fee	Fire Impact Fee	Development Special Projects	SR100 CRA	Total Nonmajor Governmental Funds
\$ 1,564,118	\$ 5,266,275	\$ 2,334,752	\$ 643,589	\$ 452,695	\$ 11,433,631
-	-	-	65,778	-	\$ 65,778
742,998	200,000	-	-	-	963,556
<b>\$ 2,307,116</b>	<b>\$ 5,466,275</b>	<b>\$ 2,334,752</b>	<b>\$ 709,367</b>	<b>\$ 452,695</b>	<b>\$ 12,462,965</b>
\$ 180,297	\$ 62,560	\$ 8,144	\$ 36,375	\$ 55,184	\$ 359,588
-	10,523	-	-	-	10,523
-	-	-	44,851	-	44,851
-	-	-	-	500,000	500,000
180,297	73,083	8,144	81,226	555,184	914,962
763,471	1,571,622	26,748	126,545	81,469	2,803,893
1,363,348	3,821,570	2,299,860	501,596	(183,958)	8,744,110
2,126,819	5,393,192	2,326,608	628,141	(102,489)	11,548,003
<b>\$ 2,307,116</b>	<b>\$ 5,466,275</b>	<b>\$ 2,334,752</b>	<b>\$ 709,367</b>	<b>\$ 452,695</b>	<b>\$ 12,462,965</b>

City of Palm Coast, Florida  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended September 30, 2005

	Special			
	Police Education	Police Automation	Disaster Reserve	Recycling Revenue
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	-	-	235,648	-
Charges for services	-	-	-	57,672
Fines and forfeitures	7,258	32,997	-	-
Impact fees	-	-	-	-
Contributions	-	-	-	21,100
Miscellaneous	-	-	-	-
Investment earnings	647	1,002	31,564	3,102
Total revenues	7,905	33,999	267,212	81,874
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Transportation and physical environment	-	-	212,676	-
Culture and recreation	-	-	-	45,709
Capital outlay:				
Public safety	-	65,486	-	-
Transportation and physical environment	-	-	680,282	16,500
Culture and recreation	-	-	-	-
Total expenditures	-	65,486	892,958	62,209
Excess (deficiency) of revenues over (under) expenditures	7,905	(31,487)	(625,746)	19,665
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	500,000	-
Total other financing sources (uses)	-	-	500,000	-
Net change in fund balances	7,905	(31,487)	(125,746)	19,665
Fund balances - beginning	20,931	31,487	1,142,611	110,366
Fund balances - ending	\$ 28,836	\$ -	\$ 1,016,865	\$ 130,031

Revenue Funds

Streets Improvement	Park Impact Fee	Fire Impact Fee	Development Special Projects	SR100 CRA	Total Nonmajor Governmental Funds
\$ 3,945,916	\$ -	\$ -	\$ -	\$ 10,873	\$ 3,956,789
-	-	-	-	-	235,648
-	-	-	-	-	57,672
-	-	-	-	-	40,255
-	3,626,722	723,557	164,997	-	4,515,276
-	-	-	-	-	21,100
5,000	-	-	-	-	5,000
15,666	99,526	50,699	16,001	12,158	230,365
3,966,582	3,726,248	774,256	180,998	23,031	9,062,105
-	-	7,850	-	-	7,850
-	-	-	79,692	132,653	425,021
-	-	-	-	-	45,709
-	-	36,778	-	-	102,264
2,816,532	-	-	6,950	-	3,520,264
-	1,104,932	-	-	-	1,104,932
2,816,532	1,104,932	44,628	86,642	132,653	5,206,040
1,150,050	2,621,316	729,628	94,356	(109,622)	3,856,065
-	-	-	-	7,133	507,133
-	-	-	-	7,133	507,133
1,150,050	2,621,316	729,628	94,356	(102,489)	4,363,198
976,769	2,771,876	1,596,980	533,785	-	7,184,805
\$ 2,126,819	\$ 5,393,192	\$ 2,326,608	\$ 628,141	\$ (102,489)	\$ 11,548,003

City of Palm Coast, Florida  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,497,000	\$ 1,497,000	\$ 1,499,723	\$ 2,723
Intergovernmental revenue	400,000	400,000	280,805	(119,195)
Contributions	0	0	125,000	125,000
Investment earnings	42,100	42,100	92,853	50,753
Total revenues	1,939,100	1,939,100	1,998,381	59,281
<b>EXPENDITURES</b>				
Current:				
General government	-	-	34,971	(34,971)
Capital outlay:				
General government	688,962	918,963	448,641	470,322
Public safety	539,343	539,343	80,552	458,791
Transportation and physical environment	2,688,708	2,688,707	1,179,199	1,509,508
Culture and recreation	1,517,334	1,517,334	398,090	1,119,244
Total expenditures	5,434,347	5,664,347	2,141,453	3,522,894
Excess of revenues over (under) expenditures	(3,495,247)	(3,725,247)	(143,072)	3,582,175
Other financing sources (uses):				
Transfers in	424,222	424,222	250,000	(174,222)
Total other financing sources (uses)	424,222	424,222	250,000	(174,222)
Net change in fund balance	(3,071,025)	(3,301,025)	106,928	3,407,953
Fund balance - beginning	3,301,174	3,301,174	3,301,174	-
Fund balance - ending	\$ 230,149	\$ 149	\$ 3,408,102	\$ 3,407,953



City of Palm Coast, Florida  
 Police Education Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Fines and forfeitures	\$ 5,500	\$ 5,500	\$ 7,258	\$ 1,758
Investment earnings	100	100	647	547
Total revenues	<u>5,600</u>	<u>5,600</u>	<u>7,905</u>	<u>2,305</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	5,600	26,500	-	26,500
Total expenditures	<u>5,600</u>	<u>26,500</u>	<u>-</u>	<u>26,500</u>
Excess of revenues over (under) expenditures	-	(20,900)	7,905	28,805
Fund balance - beginning	20,931	20,931	20,931	-
Fund balance - ending	<u>\$ 20,931</u>	<u>\$ 31</u>	<u>\$ 28,836</u>	<u>\$ 28,805</u>

City of Palm Coast, Florida  
 Police Automation Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Fines and forfeitures	\$ 22,000	\$ 22,000	\$ 32,997	\$ 10,997
Investment earnings	100	100	1,002	902
Total revenues	<u>22,100</u>	<u>22,100</u>	<u>33,999</u>	<u>11,899</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	22,100	53,500	65,486	(11,986)
Total expenditures	<u>22,100</u>	<u>53,500</u>	<u>65,486</u>	<u>(11,986)</u>
Excess of revenues over (under) expenditures	-	(31,400)	(31,487)	(87)
Fund balance - beginning	31,487	31,487	31,487	-
Fund balance - ending	<u>\$ 31,487</u>	<u>\$ 87</u>	<u>\$ -</u>	<u>\$ (87)</u>

City of Palm Coast, Florida  
 Disaster Reserve Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ -	\$ -	\$ 235,648	\$ 235,648
Investment earnings	15,000	15,000	31,564	16,564
Total revenues	15,000	15,000	267,212	252,212
<b>EXPENDITURES</b>				
Current:				
Physical environment	1,015,000	1,657,600	212,676	1,444,924
Capital outlay:				
Physical environment	-	-	680,282	(680,282)
Total expenditures	1,015,000	1,657,600	892,958	764,642
Excess of revenues over (under) expenditures	(1,000,000)	(1,642,600)	(625,746)	1,016,854
Other financing sources (uses):				
Transfers in	500,000	500,000	500,000	-
Total other financing sources (uses)	500,000	500,000	500,000	-
Net change in fund balance	(500,000)	(1,142,600)	(125,746)	1,016,854
Fund balance - beginning	1,142,611	1,142,611	1,142,611	-
Fund balance - ending	\$ 642,611	\$ 11	\$ 1,016,865	\$ 1,016,854

City of Palm Coast, Florida  
 Recycling Revenue Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 41,700	\$ 41,700	\$ 57,672	\$ 15,972
Contributions	-	-	21,100	21,100
investment earnings	500	500	3,102	2,602
Total revenues	<u>42,200</u>	<u>42,200</u>	<u>81,874</u>	<u>39,674</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	25,000	135,300	45,709	89,591
Capital outlay:				
Physical environment	17,200	17,200	16,500	700
Total expenditures	<u>42,200</u>	<u>152,500</u>	<u>62,209</u>	<u>90,291</u>
Excess of revenues over (under) expenditures	-	(110,300)	19,665	129,965
Fund balance - beginning	110,366	110,366	110,366	-
Fund balance - ending	<u>\$ 110,366</u>	<u>\$ 66</u>	<u>\$ 130,031</u>	<u>\$ 129,965</u>

City of Palm Coast, Florida  
Streets Improvement Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,787,600	\$ 2,787,600	\$ 3,945,916	\$ 1,158,316
Investment earnings	-	-	15,666	15,666
Miscellaneous	-	-	5,000	5,000
Total revenues	2,787,600	2,787,600	3,966,582	1,178,982
<b>EXPENDITURES</b>				
Capital outlay:				
Transportation and physical environment	2,902,923	3,764,323	2,816,532	947,791
Total expenditures	2,902,923	3,764,323	2,816,532	947,791
Excess of revenues over (under) expenditures	(115,323)	(976,723)	1,150,050	2,126,773
Fund balance - beginning	976,769	976,769	976,769	-
Fund balance - ending	\$ 861,446	\$ 46	\$ 2,126,819	\$ 2,126,773

City of Palm Coast, Florida  
 Park Impact Fee Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Impact fees	\$ 2,106,000	\$ 2,106,000	\$ 3,626,722	\$ 1,520,722
Investment earnings	11,000	11,000	99,526	88,526
Total revenues	2,117,000	2,117,000	3,726,248	1,609,248
<b>EXPENDITURES</b>				
Capital outlay:				
Culture and recreation	3,835,435	4,888,835	1,104,932	3,783,903
Total expenditures	3,835,435	4,888,835	1,104,932	3,783,903
Excess of revenues over (under) expenditures	(1,718,435)	(2,771,835)	2,621,316	5,393,151
Fund balance - beginning	2,771,876	2,771,876	2,771,876	-
Fund balance - ending	\$ 1,053,441	\$ 41	\$ 5,393,192	\$ 5,393,151

City of Palm Coast, Florida  
 Fire Impact Fee Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Impact fees	\$ 800,000	\$ 800,000	\$ 723,557	\$ (76,443)
Investment earnings	4,600	4,600	50,699	46,099
Total revenues	804,600	804,600	774,256	(30,344)
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	7,850	(7,850)
Capital outlay:				
Public safety	2,504,600	2,504,600	36,778	2,467,822
Total expenditures	2,504,600	2,504,600	44,628	2,459,972
Excess of revenues over (under) expenditures	(1,700,000)	(1,700,000)	729,628	2,429,628
Fund balance - beginning	1,596,980	1,596,980	1,596,980	-
Fund balance - ending	\$ (103,020)	\$ (103,020)	\$ 2,326,608	\$ 2,429,628

City of Palm Coast, Florida  
 Development Special Projects Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Impact fees	\$ -	\$ -	\$ 164,997	\$ 164,997
Investment earnings	-	-	16,001	16,001
Total revenues	-	-	180,998	180,998
<b>EXPENDITURES</b>				
Current:				
Transportation and physical environment	169,861	169,861	79,692	90,169
Capital outlay:				
Transportation and physical environment	250,000	363,900	6,950	356,950
Total expenditures	419,861	533,761	86,642	447,119
Excess of revenues over (under) expenditures	(419,861)	(533,761)	94,356	628,117
Fund balance - beginning	533,785	533,785	533,785	-
Fund balance - ending	\$ 113,924	\$ 24	\$ 628,141	\$ 628,117



City of Palm Coast, Florida  
Community Redevelopment Special Revenue Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended September 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 10,873	\$ 10,873
Investment earnings	-	-	12,158	12,158
Total revenues	<u>-</u>	<u>-</u>	<u>23,031</u>	<u>23,031</u>
<b>EXPENDITURES</b>				
Current:				
Physical environment	500,000	500,000	132,653	367,347
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>132,653</u>	<u>367,347</u>
Excess of revenues over (under) expenditures	(500,000)	(500,000)	(109,622)	390,378
Other financing sources (uses):				
Transfers in	500,000	500,000	7,133	(492,867)
Total other financing sources (uses)	<u>500,000</u>	<u>500,000</u>	<u>7,133</u>	<u>(492,867)</u>
Net change in fund balance	-	-	(102,489)	(102,489)
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (102,489)</u>	<u>\$ (102,489)</u>



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# **STATISTICAL SECTION**

**Table I**  
**City of Palm Coast, Florida**  
**General Fund Expenditures and Other Uses By Function**  
**Last Six Fiscal Years**  
**September 30, 2005**

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	11,958,946	4,707,342 39%	2,288,508 19%	3,359,335 28%	475,326 4%	85,250 1%	1,043,185 9%
2003	15,457,390	6,187,444 40%	2,603,326 17%	4,858,978 31%	615,163 4%	95,957 1%	1,096,522 7%
2004	20,599,533	8,573,226 42%	3,666,151 18%	6,434,359 31%	1,021,668 5%	95,493 0%	808,636 4%
2005	19,537,845	8,026,487 41%	4,444,691 23%	4,075,218 21%	1,549,074 8%	161,410 1%	1,280,965 7%

Source: City of Palm Coast Financial Services Department.

**Table II**  
**City of Palm Coast, Florida**  
**General Fund Revenues and Other Financing Sources**  
**Last Six Fiscal Years**  
**September 30, 2005**

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	4%	\$ 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%
2003	17,517,349	9,691,984	55%	4,209,977	24%	2,244,660	13%	805,027	5%	134,490	1%	332,400	2%	98,811	1%
2004	21,308,033	11,063,544	51%	5,910,993	27%	2,447,643	11%	1,523,459	7%	106,067	0%	106,716	1%	149,611	1%
2005	23,695,187	10,717,708	45%	6,525,597	27%	3,160,374	13%	2,610,040	11%	187,451	1%	278,017	1%	216,000	1%

Source: City of Palm Coast Financial Services Department.

**Table III**  
**City of Palm Coast, Florida**  
**Property Tax Levies and Collection**  
**Last Six Fiscal Years**  
**September 30, 2005**

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%
2003	6,744,718	6,539,567	97.0%	1,983,740,628	2,615,267,294	75.9%
2004	8,174,413	7,855,523	96.1%	2,404,239,111	3,195,891,228	75.2%
2005	10,565,776	10,218,772	96.7%	3,107,581,090	4,214,084,241	73.7%

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 Six Fiscal Years**  
**September 30, 2005**

FISCAL YEAR ENDED	PALM COAST	SCHOOL DISTRICT	FLAGLER COUNTY	EAST FLAGLER MOSQUITO CONTROL DISTRICT	ST JOHNS RIVER WATER MANAGEMENT DISTRICT	FLORIDA INLAND NAVIGATION DISTRICT
<b>Tax Rates Per Thousand Dollars of Assessed Valuation</b>						
2000	-	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
2003	3.40000	9.04900	5.26700	0.29100	0.46200	0.03850
2004	3.40000	8.81700	5.39380	0.25200	0.46200	0.03850
2005	3.40000	8.61200	5.39380	0.23500	0.46200	0.03850
<b>Tax Levies</b>						
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
2003	6,744,718	17,950,869	10,448,362	577,269	916,488	76,374
2004	8,174,413	21,198,176	12,967,985	605,868	1,110,758	92,563
2005	10,565,776	26,762,488	16,761,671	730,282	1,435,702	119,642

**Table V**  
**City of Palm Coast, Florida**  
**Ratio of Net General Obligation Debt to Assessed Value and Net Bonded Debt Per Capita**  
**Last Six Fiscal Years**  
**September 30, 2005**

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
2003	1,983,740,628	-	-	-	0.00%	42,850	-
2004	2,404,239,111	-	-	-	0.00%	50,484	-
2005	3,107,581,090	-	-	-	0.00%	57,885	-

Note: FY 2001 and 2002 information presented above relates to a loan from the Florida Association of Counties loan pool.

Source: (1) FY 2000 United States Census Bureau, FY 2001 through 2005  
"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, 2005**

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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, 2005**

Governmental Unit	Net Debt Outstanding	Percent Applicable to this Governmental Unit	City of Palm Coast Share of Debt
Flagler County	\$ 41,650,000	54.33%	\$ 22,628,445
School District	56,411,893	53.88%	30,394,728
Palm Coast	-	100.00%	-
Total Direct & Overlapping Debt			\$ 53,023,173

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 Six Fiscal Years**  
**September 30, 2005**

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	11,958,946	0.53%
2003	-	16,013	16,013	15,457,390	0.10%
2004	-	-	-	20,599,533	0.00%
2005	-	-	-	19,537,845	0.00%

Source: City of Palm Coast Financial Services Department.

**Table IX**  
**City of Palm Coast, Florida**  
**Demographic Statistics**  
**September 30, 2005**

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%		56,785		7.0%
2003	(1)	42,850		11.7%		61,541		8.4%
2004	(1)	50,484		17.8%		69,683		13.2%
2005	(1)	57,885		14.7%		73,500		5.5%
2010	(1)	72,848	Est.	44.3%		92,500	Est.	32.7%
2020	(1)	88,282	Est.	21.2%		119,300	Est.	29.0%

Source: (1) 2000 - U.S. Census Bureau  
1999, 2001 - 2005, 2010, and 2020 "Florida Estimates of Population"  
Bureau of Economic and Business Research, University of Florida.

**Table X**  
**City of Palm Coast, Florida**  
**Miscellaneous Statistical Data**  
**September 30, 2005**

DATE OF INCORPORATION:	December 31, 1999	PUBLIC LIBRARY:	1
CHARTER ADOPTED:	November 2, 1998	RECREATIONAL FACILITIES:	
		Baseball / Softball Fields	6
		Basketball Courts	3
POPULATION:	57,885	Bocce Ball Courts	5
		Community Centers	1
		Handball / Racquetball Courts	7
FORM OF GOVERNMENT:	Council/Manager	Horseshoe Pits	2
		Playgrounds	2
		Shuffleboard Courts	2
POLICE PROTECTION (Contract Service)		Tennis Courts	6
		Volleyball Courts	1
FIRE PROTECTION:		EDUCATION:	
Number of Stations	3	SCHOOLS	
Number of Firefighters	36	Elementary	3
Number of Volunteers	25	Middle	2
		High	2
AREA:		STUDENTS	9,500
Square Miles	63		
Miles of:			
Paved Streets	528		
Unpaved Streets	0.5		
Sidewalks, Walkways, Bikepaths	15		
SOLID WASTE:			
Customers	27,627		

**Table XI**  
**City of Palm Coast, Florida**  
**Ten Largest Employers**  
**September 30, 2005**

Employer	Number of Employees
Flagler County Schools	1,500
Palm Coast Data	900
Wal Mart Stores	600
Florida Hopsital-Flagler	532
City of Palm Coast	283
Publix Supermarket	175
Albertson's	165
Winn-Dixie Stores	160
Grand Oaks Health & Rehabilitation	120
FAA - Center for Management Development	115

Source: Enterprise Flagler

**Table XII**  
**City of Palm Coast, Florida**  
**Schedule of Utility Revenue Bond Debt Service Coverage**  
**Last Two Fiscal Years**  
**September 30, 2005**

Fiscal Year Ended	Gross Revenues(1)	Operating Expenses (2)	Rate Stabilization Transfers To / (From) (3)	Net Revenues	Maximum Debt Service Requirements	Debt Service Coverage
2004	\$ 16,044,561	\$ 9,149,504	\$ 1,900,000	\$ 4,995,057	\$ 4,442,038	1.12
2005	21,744,036	11,451,648	3,300,000	6,992,388	6,287,723	1.11

(1) Gross revenues include operating revenue of the system and interest earnings.

Interest earnings from construction funds are excluded.

(2) Operating expenses include operating and administration expenses of the system.

(3) Transfers to the Rate Stabilization account decrease net revenues and transfers from the Rate Stabilization account increase net revenues per the bond resolution.

Source: City of Palm Coast Financial Services Department.

**Table XIII**  
**City of Palm Coast, Florida**  
**Volunteer Firefighters' Pension Trust Fund**  
**Schedule of Revenues by Source and Expense by Type**  
**Last Four Fiscal Years**  
**September 30, 2005**

Revenues by Source								
Fiscal Year Ended	Employee Contribution	Employer Contribution	Employer Contributions as a Percent of Total Contributions	Total Annual Contributions as a Percent of Payroll	State Contributions	Investment Income	Total	
2002	\$ -	\$ -	0.0%	0.0%	\$ -	\$ -	\$ -	
2003	-	-	0.0%	0.0%	-	-	-	
2004	-	-	0.0%	0.0%	22,312	85	22,397	
2005	-	-	0.0%	0.0%	86,664	1,412	88,076	

Expenditures by Type				
Fiscal Year Ended	Benefits	Refunds	Administrative Expense	Total
2002	\$ -	\$ -	\$ -	\$ -
2003	-	-	-	-
2004	-	-	-	-
2005	1,715	-	-	1,715



# **OTHER REPORTS**



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JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Palm Coast, Florida (the City), as of and for the year ended September 30, 2005, which collectively comprise City of Palm Coast, Florida's basic financial statements and have issued our report thereon dated December 22, 2005. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of Palm Coast, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Palm Coast, Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The City's has one reportable condition, which is described below.

**Building Permits (Prior Year Comment Repeated)**

We understand that the City's PERCONTI software, which is used to issue building permits, prints out prenumbered building permits and is used to schedule building inspections. However, the City has not been accounting for the numerical sequence of those building permits to ensure that all permits issued and inspections scheduled in PERCONTI have been paid for. At present, it is possible a building permit could be issued without being paid for. We recommend an employee independent of the building department review daily building permits printed by PERCONTI and compare them to the daily deposit slips prepared by the City Hall cashier to verify all building permits issued are paid for.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness.

## **Management Comments and Recommendations**

Our report on the internal control structure has been presented in the previous section of this report. The purpose of this section is to disclose conditions, which do not materially affect the financial statements of City of Palm Coast, Florida. The following comments and recommendations are made to assist the City Council and management in administering future operations.

### **1) Disaster Recovery Plan and Information Technology (Partial Repeat of Prior Year Comment)**

During the year under audit, the City had an external firm help with the creation of the City's disaster recovery plan. The major parts of the plan have been implemented; however, the plan has not yet been finalized in writing. In order for the plan to be effective and known by all City staff, we recommend the plan be finalized in writing immediately so it can be shared with all City employees.

### **2) Cash Receipts at City Hall (Prior Year Comment Repeated)**

The City issues prenumbered receipts at City Hall, in triplicate. However, the numerical sequence of those receipts was not accounted for. We recommend an employee independent of the cash receipt function account for the sequence of receipts. Any unexplained gaps in numerical sequence should be promptly resolved.

### **3) Journal Entries**

The City did not account for the sequence of accounting journal entries posted to the City's accounting system. This creates a risk that journal entries could be posted to the accounting system without proper approval and authorization. We recommend the City prenumber journal entries so the sequence can be accounted for. We also recommend someone independent of the posting and approval of journal entries scan the general ledger on a regular basis to ensure that all entries posted to the general ledger agree to properly authorized journal entries per the manual files maintained in the accounting department.

### **4) Bank Reconciliation**

At present, bank reconciliations are not reviewed after the Finance Director prepares them. We recommend reconciliations be reviewed monthly by either the City Manager or accounting staff to ensure reconciliations are properly prepared and that reconciling items are reasonable. The lack of such a review creates a risk that unusual reconciling items will not be investigated and resolved timely.

### **5) Utility Customer Closing Procedures**

During the year under audit, we noted the City did not have formal procedures which addressed the closing/transfer of utility customer accounts. The absence of formal procedures has lead to inaccurate final bills, customer deposits not being properly applied to final bills, and difficulties in identifying accounts that have been closed. We recommend the City implement formal utility customer account closing procedures so final bills are accurate and deposits are properly applied upon a customer's request for account closing.

### **6) Purchase Card Support**

The City's purchase card policy requires department heads to approve their department's monthly purchase card transactions before they are submitted to accounting for processing. However, we noted that such approval could not be provided on all statements selected for testing. We recommend the City follow its approval policy for purchase card transactions, which should require the accounting department to return statements to departments that do not have the department head's approval. This will reduce the risk that unapproved transactions are processed for payment.

7) **Capital Asset Physical Inventory Count**

The City did not perform a physical inventory of its capital assets during the year ended September 30, 2005. We recommend an inventory count be done at least annually to verify the existence and accuracy of the City's capital asset records. In connection with this inventory, tags should be permanently affixed to each asset that correspond to the detail property records. A physical count such as this would detect missing assets, identify unrecorded capital assets, and provide for their proper safeguarding.

8) **Posting of Prior Year Audit Adjusting Journal Entries**

Reconciliation problems were encountered by the accounting department during the year-end close because all prior year audit adjusting journal entries affecting fund financial statements were not posted to the City's general ledger. Once agreed to by management, all audit adjusting journal entries that affect fund financial statements should be posted promptly.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Palm Coast, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co.*

Daytona Beach, Florida  
December 22, 2005

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

<b>Federal Agency Pass-Through Entity Federal Program</b>	<b>CFDA Number</b>	<b>Contract/ Grant Number</b>	<b>Program Award Amount</b>	<b>Program Expenditures</b>
<b>FEDERAL AGENCY</b>				
<b>Department of Homeland Security</b>				
Passed Through Florida Department of Community Affairs:				
Public Assistance Grant-Hurricane Charley and Frances	97.036	FEMA 1539-DR-FL	\$ 788,490	\$ 238,754
<b>Environmental Protection Agency</b>				
Passed Through Florida Department of Environmental Protection:				
Capitalization Grants for State Revolving Funds	66.458	CS120001-040 / WW90302S	2,657,848	2,203,213
Capitalization Grants for State Revolving Funds	66.458	CS120001-040 / WW90303S	14,115,081	6,211,939
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 8,653,906</u></b>	

**CITY OF PALM COAST, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

(1) **Basis of Presentation:**

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

(2) **Loans payable:**

The accompanying Schedule of Expenditures of Federal Awards includes expenditures from two Federal loans the City has through the Florida Department of Environmental Protection (FDEP) under CFDA 66.458. The loans will be repaid over forty semiannual payments starting on December 15, 2006. As of September 30, 2005, the City owed FDEP \$2,203,213 and \$6,211,939, respectively.

**CITY OF PALM COAST, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: Unqualified.
- There was one reportable condition related to internal control, which was not reported as a material weakness, disclosed by the audit of the basic financial statements.
- The audit did not disclose any noncompliance, which was material to the basic financial statements.

**Federal Awards:**

- There were no reportable conditions related to internal control over major programs disclosed by the audit.
- Type of report issued on compliance for each major program: Unqualified.
- The audit disclosed one audit finding required to be reported in accordance with Section 510(a) of Circular A-133, which is reported in this schedule.
- Major program identification:  
CFDA Number 66.458 – Environmental Protection Agency, Capitalization Grants for State Revolving Funds.
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The auditee did not qualify as a low-risk auditee.

**B. Financial Statement Findings:**

**Building Permits (Prior Year Comment Repeated)**

We understand that the City's PERCONTI software, which is used to issue building permits, prints out prenumbered building permits and is used to schedule building inspections. However, the City has not been accounting for the sequence in those building permits to ensure that all permits issued and inspections scheduled in PERCONTI have been paid for. At present, it is possible a building permit could be issued without being paid for. We recommend an employee independent of the building department review daily building permits issued by PERCONTI and compare them to the daily deposit slips prepared by the City Hall cashier to verify all building permits issued are paid for.



C. **Federal Award Findings and Questioned Costs:** None

D. **Prior Audit Findings:**

**Questioned  
Costs**

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DEPARTMENT OF HOMELAND SECURITY

Public Assistance Grants – CFDA Number 97.036

2004-1 *Condition and Criteria:* Two invoices were submitted twice to the Department of Homeland Security for reimbursement.

*Effect:* The costs eligible for reimbursement submitted by the City to the Department of Homeland Security were overstated by the sum of those two invoices submitted twice.

*Cause:* Due to the high volume of invoices submitted for reimbursement, duplicate invoices were submitted.

*Population and Items Tested:* A sample of 32 invoices totaling \$43,257 was selected for audit testing from a population totaling \$230,351. Two invoices with questioned costs totaling \$2,314 were found in noncompliance.

\$2,314

*Auditors' Recommendation:* The City should test for duplicate invoices by looking at all vendors with duplicate invoice numbers or invoice dates.

*Grantee Response:* The City agrees with finding. Future requests will be tested for duplicate invoices.

E. **Corrective Action Plan:**

- The City reviewed its subsequent reimbursement requests submitted to FEMA for accuracy and scanned for duplicate reimbursement requests. No such duplicates were noted in FY 2004-2005. The prior audit finding was an isolated event.

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of City of Palm Coast, Florida, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's 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 each of its major federal programs for the year ended September 30, 2005.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program 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 OMB Circular A-133.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal 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, City Council, and Federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*James Moore & Co.*

Daytona Beach, Florida  
December 22, 2005

JAMES MOORE & CO., P.L.  
CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.550 RULES OF THE AUDITOR GENERAL**

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

We have audited the basic financial statements of City of Palm Coast, Florida, as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated December 22, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We have issued our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133, Chapter 10.550 Rules of The Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated December 22, 2005, should be considered in conjunction with this management letter.

Those rules (Section 10.554(1)(h) 1.) require that we address in the management letter, if not already addressed in the auditors' report on internal control and on compliance and other matters, whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The findings and recommendations made in the preceding annual financial audit report have been corrected, except for the matter reported under the heading "Prior Year Comment Repeated" in our report on internal control over financial reporting and on compliance and other matters.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the City of Palm Coast, Florida has complied with Section 218.415, Florida Statutes.

The Rules of the Auditor General (Sections 10.554(1)(h) 3. and 4.) require disclosure in the management letter of the following matters if not already addressed in the auditors' reports on internal control over financial reporting and on compliance and other matters: (1) recommendations to improve financial management, accounting procedures, and internal controls; (2) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and were discovered

within the scope of the audit; (3) improper or illegal expenditures discovered within the scope of the audit that may or may not materially affect the financial statements; (4) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); failures to properly record financial transactions; and other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that came to the attention of, the auditor. Our audit disclosed none of these matters not already addressed in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

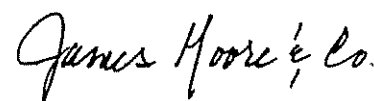
The Rules of the Auditor General (Section 10.554(1)(h) 5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. City of Palm Coast, Florida, was incorporated on December 31, 1999 under Chapter 99-448, Laws of the State of Florida. There are no component units related to City of Palm Coast, Florida as of September 30, 2005.

The Rules of the Auditor General (Section 10.554(1)(h) 6.a.), require that we comment as to whether or not one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency have been met. In connection with our audit, we determined that City of Palm Coast, Florida, has not met one or more of the conditions described in Section 218.503(1), Florida Statutes, regarding determination of financial emergency.

The Rules of the Auditor General (Section 10.554(1)(h) 6.b.), require that we comment as to whether or not the financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the current audit period. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report.

As required by the Rules of the Auditor General (Section 10.554(1)(h) 6.c.), the scope of our audit included application of financial condition assessment procedures pursuant to Rule 10.556(7) of the Auditor General. It is Management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This report is intended solely for the information and use of the Auditor General of the State of Florida, management, others within the City, City Council, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Daytona Beach, Florida  
December 22, 2005



## GENERAL SERVICES DEPARTMENT

### RESPONSE TO MANAGEMENT COMMENTS

Honorable Mayor and City Council Members:

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

#### 1. **Disaster Recovery Plan and Information Technology**

The City has created a disaster recovery plan, and has implemented many of the most sensitive parts of the plan. We are currently working to put this plan in writing and educate the City staff on its implementation.

#### 2. **Miscellaneous Cash Receipts and Building Permits**

We are still working towards an integrated solution for our building permits and accounting software. We continue to evaluate the addition of the Permit and Code enforcement module of Munis that would seamlessly interface with the accounting module. In the mean time, we have instituted a daily reconciliation performed by a Finance staff member not associated with the cashier function. Separate reports from both the Munis accounting system, and the Perconti permit system are prepared and the permit numbering sequence is audited. Any exceptions are investigated immediately, and the results properly documented.

#### 3. **Journal Entries**

Currently, all journal entries are reviewed and posted by the Chief Accountant. Each journal entry is assigned a number automatically by the accounting system. This number is recorded as part of the supporting documentation for all manual journal entries. We have initiated a new procedure that summarizes all manual journal entries by period for additional review and approval by the General Services Director. An Accountant independent of the journal entry function then reviews these summaries to be sure that all manual journal entries have been properly authorized and accounted for.

4. **Bank Reconciliation**

Monthly bank reconciliations are currently divided into segments that are performed by various members of the staff. An Accountant prepares the listing of outstanding checks monthly for each reconciliation. The Chief Accountant prepares a detailed analysis of all deposits and electronic transactions recorded in the Munis system, and compares this to the bank statement. A listing of outstanding transactions is then prepared. The General Services Director prepares the final reconciliation, and investigates any unusual reconciling items. This process will be modified by reassigning the various segments of this process, with the Chief Accountant preparing the final reconciliation, and the General Services Director ensuring that the reconciliations are prepared properly and in a timely manner with reasonable reconciling items.

5. **Utility Customer Closing Procedures**

As part of our continuing Utility billing and customer service improvements, all billing and related functions have been transferred to the Finance department. As part of this change, staff has been dedicated to the Utility billing function, which includes the closing and transfer of customer accounts. Formal procedures are currently in place which addresses the entire final bill process, including proper application of deposits, and transferring balances to new accounts, where applicable.

6. **Purchase Card Support**

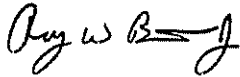
All purchases made by employees that are charged to City issued credit cards require department head approval. Upon further investigation, these charges had been approved at the departmental level, but an indication of that approval was not consistently provided to the Finance department. To address this situation, all submitted purchase card reconciliations will be returned to the departments if they do not possess the proper indication of authorization.

7. **Capital Asset Physical Inventory Count**

During the year ended September 30, 2005, the Finance department converted all capital asset records into the Munis system. The new module includes the ability to print inventory work records, and facilitate an annual physical count. Starting with the 2006 fiscal year, annual reconciliations of physical inventory of capital assets to book assets will be performed in all departments to identify missing or unrecorded capital assets.

8. **Posting of Prior Year Adjusting Journal Entries**

Prior year audit adjusting entries that were inadvertently omitted from the general ledger have been posted in the proper period. All audit adjusting journal entries for fiscal year 2005 were posted during the audit period. The Chief Accountant is now responsible for the audit and the posting of any adjustments needed as a result of audit procedures.



Ray W. Britt, Jr.  
General Services Director

February 17, 2006