

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>

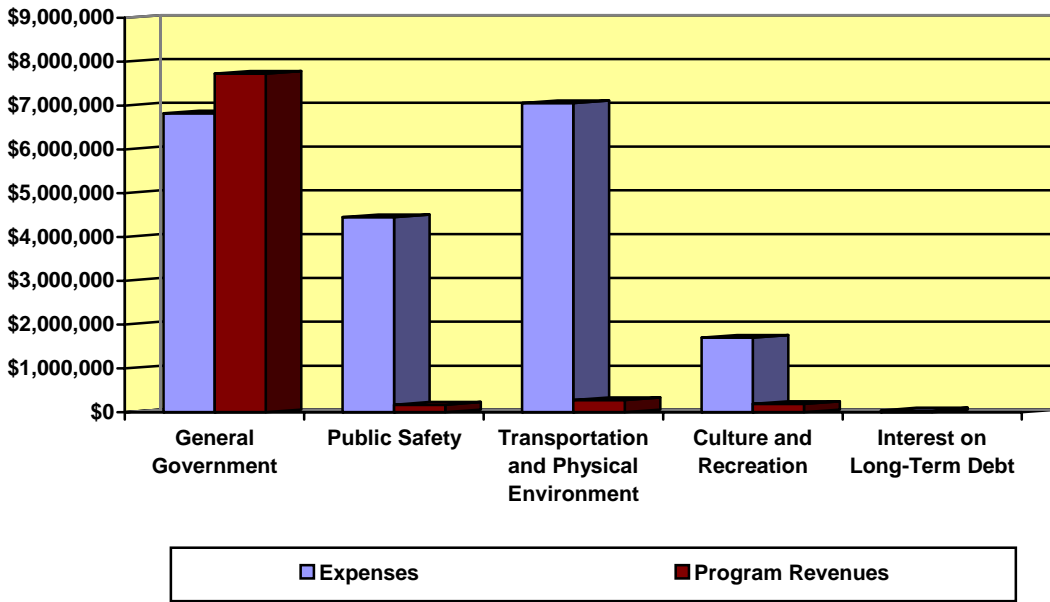
Governmental Activities

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.

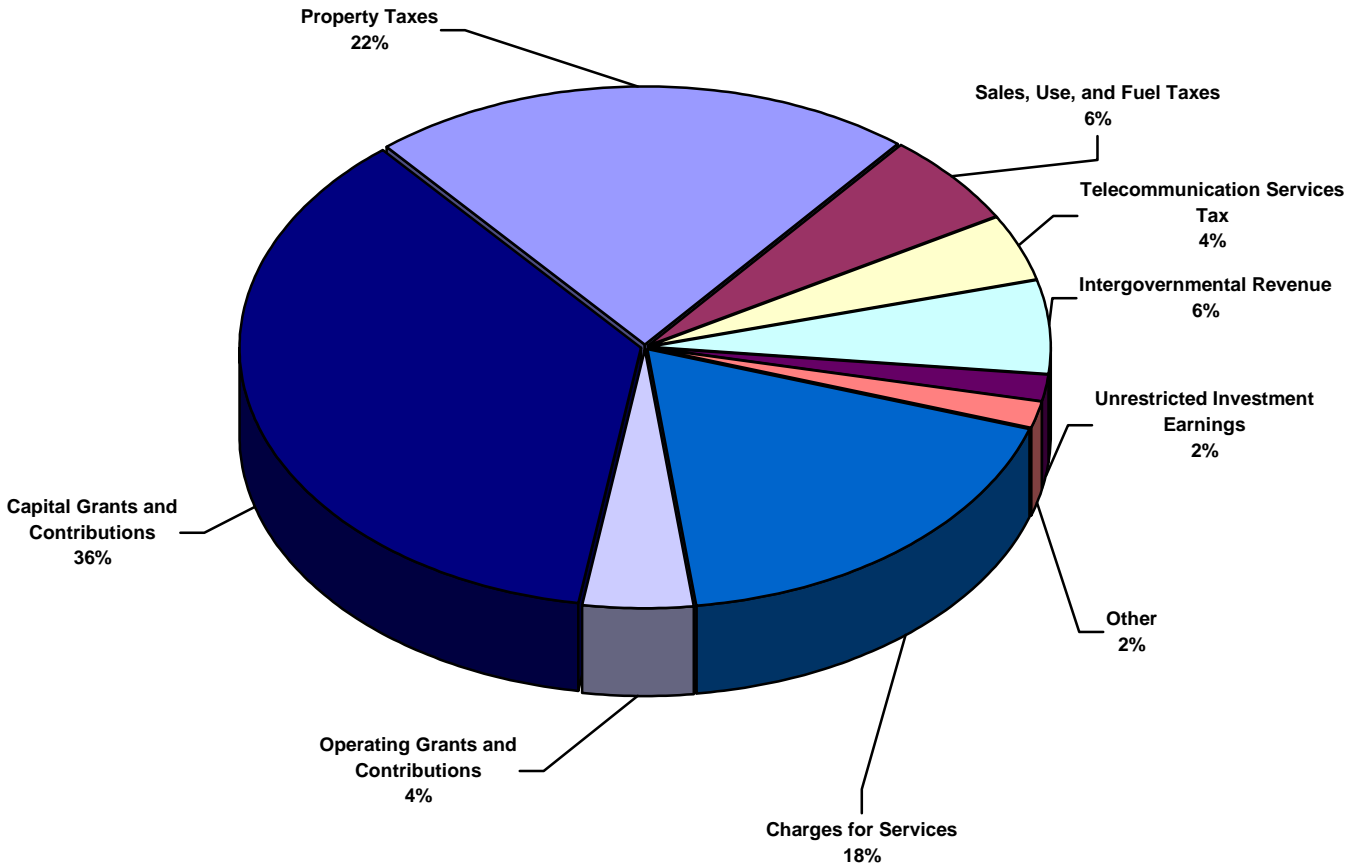
Business-type Activities

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.

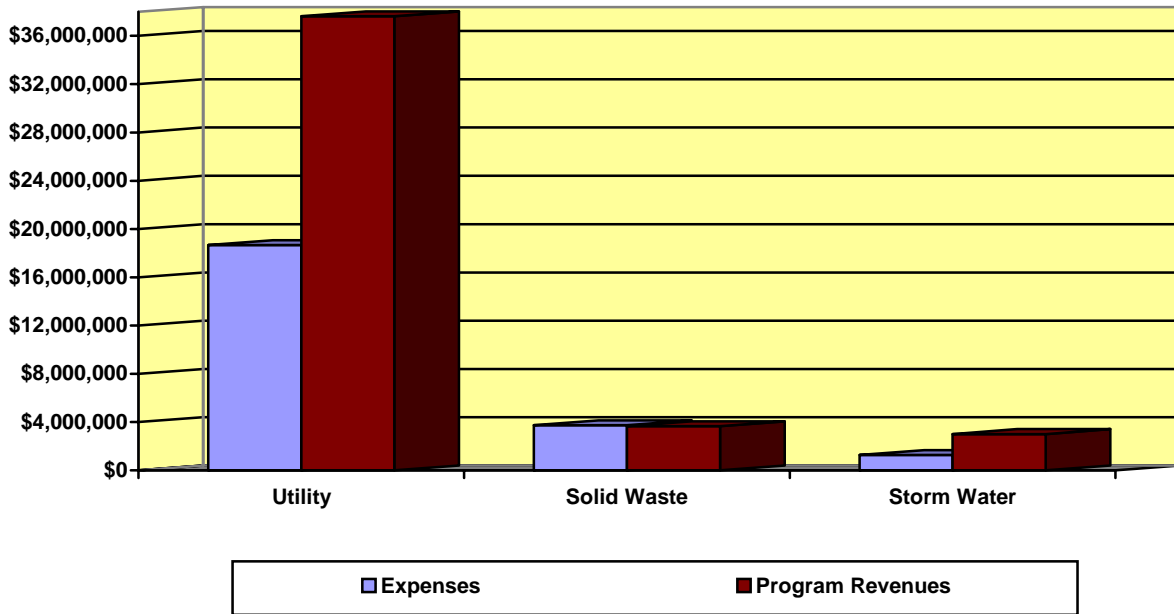
Expenses and Program Revenues - Governmental Activities



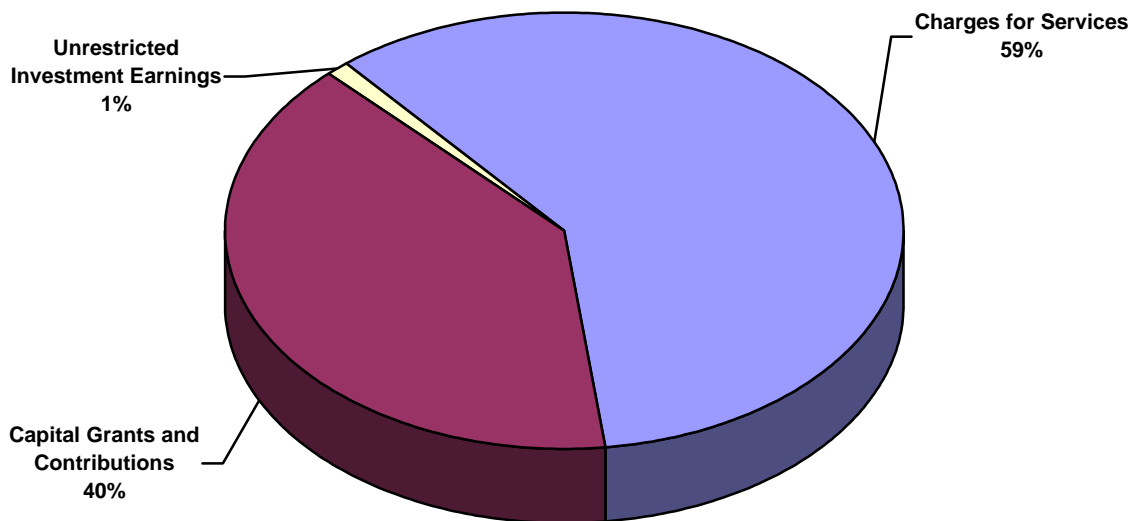
Revenues by Source - Governmental Activities



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

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
ASSETS			
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
Total assets	230,588,552	144,568,384	375,156,936
LIABILITIES			
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
Total liabilities	7,710,013	113,634,021	121,344,034
NET ASSETS			
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
Total net assets	\$ 222,878,539	\$ 30,934,363	\$ 253,812,902

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
Primary government:				
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	-	-	-
Total governmental activities	\$ 20,061,370	\$ 8,357,574	\$ 2,032,933	\$ 16,970,920
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
Total business-type activities	\$ 23,670,617	\$ 26,545,893	\$ -	\$ 17,760,957

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**

Governmental		Business-type		Total
Activities		Activities		
\$ 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

ASSETS	General	Capital Projects	Transportation Impact Fee Fund	Nonmajor Governmental Funds	Total Governmental Funds
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
Total assets	\$ 15,762,561	\$ 3,661,497	\$ 10,878,719	\$ 12,462,965	\$ 42,765,742
LIABILITIES AND FUND BALANCES					
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
Total liabilities	5,150,422	253,395	530,766	914,962	6,849,545
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
Total fund balances	10,612,139	3,408,102	10,347,953	11,548,003	35,916,197
Total liabilities and fund balance:	\$ 15,762,561	\$ 3,661,497	\$ 10,878,719	\$ 12,462,965	\$ 42,765,742

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
REVENUES					
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>
EXPENDITURES					
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
OTHER FINANCING SOURCES AND (USES)					
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)
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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>
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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	
ASSETS					
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	-
Total current assets	18,396,880	568,764	471,095	19,436,739	481,431
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	-
Total restricted assets	13,977,210	-	-	13,977,210	-
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	-
Total capital assets (net of accumulated depreciation)	107,504,604	-	1,756,507	109,261,111	3,022,306
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	-
Total noncurrent assets	124,421,355	-	1,756,507	126,177,862	3,022,306
Total assets	\$ 142,818,235	\$ 568,764	\$ 2,227,602	\$ 145,614,601	\$ 3,503,737

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	
LIABILITIES					
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	-
Total current liabilities	10,206,041	357,212	110,360	10,673,613	135,006
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
Total noncurrent liabilities	103,306,760	318,337	740,643	104,365,740	379,709
Total liabilities	113,512,801	675,549	851,003	115,039,353	514,715
NET ASSETS					
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)
Total net assets	29,305,434	\$ (106,785)	\$ 1,376,599	\$ 30,575,248	\$ 2,989,022
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	
Cash flows from operating activities					
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
Cash flow from noncapital financing activities					
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
Cash flow from capital and related financing activities					
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)
Cash flow from investing activities					
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	
Reconciliation of operating income to net cash provided by operating activities					
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
Net cash provided by operating activities:	\$ 11,151,637	\$ (198,268)	\$ 40,280	\$ 10,993,649	\$ 882,871
Cash and cash equivalents classified as:					
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	-	-	-	-	-
Total restricted equity in pooled cash and investments	17,062,360	-	-	17,062,360	-
Total cash and cash equivalents:	\$ 24,562,482	\$ -	\$ -	\$ 24,562,482	\$ 408,885

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

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

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

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

	Volunteer Firefighter Pension Fund
ADDITIONS	
Contributions:	
State contributions	\$ 86,664
Total contributions	86,664
Investment earnings:	
Interest	1,412
Total investment earnings	1,412
Total additions	88,076
SUBTRACTIONS	
Benefit Distributions	1,715
Total subtractions	1,715
Net Increase (Decrease)	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 30th day of September of each year, the City Council by resolution adopts an annual budget for all funds, after public hearings are conducted to obtain taxpayer comments.
2. If, during the fiscal year, revenues in excess of those estimated in the budget are available for appropriation, the Council may, by resolution, make supplemental appropriations for the year in an amount not to exceed such excess.
3. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Council. The legal level of budgetary control is the department level.
4. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
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
A. Governmental Activities				
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. Business-type Activities				
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
Total transfers out	\$ 216,000	\$ 250,000	\$ 507,133	\$ 1,030,787	\$ 2,003,920

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>\$ 17,795</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
Governmental Activities:					
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>
Business Type Activities:					
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		
REVENUES				
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
EXPENDITURES				
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		
REVENUES				
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
EXPENDITURES				
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 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
REVENUES				
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	<u>7,905</u>	<u>33,999</u>	<u>267,212</u>	<u>81,874</u>
EXPENDITURES				
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	<u>-</u>	<u>65,486</u>	<u>892,958</u>	<u>62,209</u>
Excess (deficiency) of revenues over (under) expenditures	7,905	(31,487)	(625,746)	19,665
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	500,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
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	<u>\$ 28,836</u>	<u>\$ -</u>	<u>\$ 1,016,865</u>	<u>\$ 130,031</u>

Revenue Funds

Revenue Funds					Total Nonmajor Governmental Funds
Streets Improvement	Park Impact Fee	Fire Impact Fee	Development Special Projects	SR100 CRA	
\$ 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
<u>3,966,582</u>	<u>3,726,248</u>	<u>774,256</u>	<u>180,998</u>	<u>23,031</u>	<u>9,062,105</u>
-	-	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
<u>2,816,532</u>	<u>1,104,932</u>	<u>44,628</u>	<u>86,642</u>	<u>132,653</u>	<u>5,206,040</u>
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
<u>\$ 2,126,819</u>	<u>\$ 5,393,192</u>	<u>\$ 2,326,608</u>	<u>\$ 628,141</u>	<u>\$ (102,489)</u>	<u>\$ 11,548,003</u>

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
REVENUES				
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	<u>7,905</u>	<u>33,999</u>	<u>267,212</u>	<u>81,874</u>
EXPENDITURES				
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	<u>-</u>	<u>65,486</u>	<u>892,958</u>	<u>62,209</u>
Excess (deficiency) of revenues over (under) expenditures	7,905	(31,487)	(625,746)	19,665
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	500,000	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
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	<u>\$ 28,836</u>	<u>\$ -</u>	<u>\$ 1,016,865</u>	<u>\$ 130,031</u>

Revenue Funds

Revenue Funds					Total Nonmajor Governmental Funds
Streets Improvement	Park Impact Fee	Fire Impact Fee	Development Special Projects	SR100 CRA	
\$ 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
<u>3,966,582</u>	<u>3,726,248</u>	<u>774,256</u>	<u>180,998</u>	<u>23,031</u>	<u>9,062,105</u>
-	-	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
<u>2,816,532</u>	<u>1,104,932</u>	<u>44,628</u>	<u>86,642</u>	<u>132,653</u>	<u>5,206,040</u>
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
<u>\$ 2,126,819</u>	<u>\$ 5,393,192</u>	<u>\$ 2,326,608</u>	<u>\$ 628,141</u>	<u>\$ (102,489)</u>	<u>\$ 11,548,003</u>

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		
REVENUES				
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
EXPENDITURES				
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

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

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)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
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>
EXPENDITURES				
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

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 235,648	\$ 235,648
Investment earnings	15,000	15,000	31,564	16,564
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>267,212</u>	<u>252,212</u>
EXPENDITURES				
Current:				
Physical environment	1,015,000	1,657,600	212,676	1,444,924
Capital outlay:				
Physical environment	-	-	680,282	(680,282)
Total expenditures	<u>1,015,000</u>	<u>1,657,600</u>	<u>892,958</u>	<u>764,642</u>
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)	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
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	<u>\$ 642,611</u>	<u>\$ 11</u>	<u>\$ 1,016,865</u>	<u>\$ 1,016,854</u>

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			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
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	42,200	42,200	81,874	39,674
EXPENDITURES				
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	42,200	152,500	62,209	90,291
Excess of revenues over (under) expenditures	-	(110,300)	19,665	129,965
Fund balance - beginning	110,366	110,366	110,366	-
Fund balance - ending	\$ 110,366	\$ 66	\$ 130,031	\$ 129,965

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

	<u>Budgeted Amounts</u>			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
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	<u>2,787,600</u>	<u>2,787,600</u>	<u>3,966,582</u>	<u>1,178,982</u>
EXPENDITURES				
Capital outlay:				
Transportation and physical environment	2,902,923	3,764,323	2,816,532	947,791
Total expenditures	<u>2,902,923</u>	<u>3,764,323</u>	<u>2,816,532</u>	<u>947,791</u>
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	<u>\$ 861,446</u>	<u>\$ 46</u>	<u>\$ 2,126,819</u>	<u>\$ 2,126,773</u>

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		
REVENUES				
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
EXPENDITURES				
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

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

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>			<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Impact fees	\$ -	\$ -	\$ 164,997	\$ 164,997
Investment earnings	-	-	16,001	16,001
Total revenues	-	-	180,998	180,998
EXPENDITURES				
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>	
REVENUES				
Taxes	\$ -	\$ -	\$ 10,873	\$ 10,873
Investment earnings	-	-	12,158	12,158
Total revenues	-	-	23,031	23,031
EXPENDITURES				
Current:				
Physical environment	500,000	500,000	132,653	367,347
Total expenditures	500,000	500,000	132,653	367,347
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)	500,000	500,000	7,133	(492,867)
Net change in fund balance	-	-	(102,489)	(102,489)
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ (102,489)	\$ (102,489)